

The Commodities Feed: Oil inventory build slows

Your daily roundup of commodity news and ING views



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Energy

NYMEX WTI traded soft in the morning session yesterday, though recovered some of the losses later after EIA reported better than expected numbers on oil demand and inventory in the US. The official data shows that US crude oil inventory increased by 4.59MMbbls over the past week, the slowest weekly build since mid-March as domestic output fell further (down by 0.2MMbbls/d to 11.9MMbbls/d) while demand is recovering. The inventory build was much smaller than the 8.4MMbbls that the API reported earlier or market expectations of around 8.8MMbbls. Crude oil inventory at Cushing, Oklahoma increased by 2.07MMbbls, again the smallest build since late March.

On the products side, EIA data shows that refinery utilisation continues to improve and increased by another 0.9% last week. However, gasoline inventory dropped by another 3.2MMbbls on a pick up in driving activity, as some US states have reopened, with gasoline supplies in the US market recovering by 804Mbbls/d last week. Total gasoline demand in the US has now increased to around 6.7MMbbls/d compared to the bottom of around 5.1MMbbls/d in early April. On the other hand, distillate inventory increased by 9.5MMbbls.

The forward curve of ICE Brent has been tightening with the front-month/next-month contract spread narrowing to US\$0.9/bbl (Contango) against the peak of around US\$4/bbl (Contango) in

mid-April reflecting that the supply glut in the physical market has eased somewhat over the past few weeks. The OPEC+ output cuts combined with supply losses in the US and some demand recovery has been helping to narrow the acute supply gap witnessed for the April month.

Metals

Base metals traded mixed in LME yesterday with copper, zinc and nickel trading strong on the improving demand outlook as more economies plan to ease the lockdown restrictions and China returns to the market post the Labor Day holiday break.

During Asian trading today, the ShFE market was mostly in positive territory except for aluminium. China Customs released the broad trade data for April, which pointed to a surprise jump in exports. This has helped to partially dispel worries of a negative impact on metals demand via exports, although the detailed data are still unavailable. As for zinc, the spot TCs (treatment charges) have plunged further post-holiday to US\$160/t suggesting tightness in the concentrate market. The mining disruptions should be largely responsible for this, while on the other hand there is also a strong demand by smelters.

Meanwhile, the China Iron and Steel Association (CISA) latest survey shows that social inventories for steel products in China continued to decline and fell 5.4% to 16.2mt as of end-April, compared to 17.13mt as of 20 April, as demand picks up with the restart of several industries in the nation. They have fallen over 19% (4mt) compared to the record high of 20.2mt as of 10 March.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 29.72 | -4.04 | -54.97 | Spot Gold (US\$/oz) | 1,685.7 | -1.18 | 11.10 |
| NYMEX WTI (US\$/bbl) | 23.99 | -2.32 | -60.71 | Spot Silver (US\$/oz) | 14.9 | -0.74 | -16.80 |
| ICE Gasoil (US\$/t) | 228 | -5.69 | -62.87 | LME Copper (US\$/t) | 5,198 | 0.78 | -15.81 |
| NYMEX HO (Usc/g) | 82 | -8.04 | -59.37 | LME Aluminium (US\$/t) | 1,480 | -0.34 | -18.26 |
| Eurobob (US\$/t) | 227 | -2.55 | -60.74 | LME Zinc (US\$/t) | 1,975 | 2.97 | -13.07 |
| NYMEX RBOB (Usc/g) | 88 | -2.71 | -48.35 | LME Nickel (US\$/t) | 12,303 | 2.51 | -12.28 |
| NYMEX NG (US\$/mmbtu) | 1.94 | -8.90 | -11.19 | CBOT Corn (Usc/bu) | 312 | -0.40 | -19.60 |
| TTF Natural Gas (EUR/MWh) | 5.76 | 1.57 | -52.18 | CBOT Wheat (Usc/bu) | 525 | -0.14 | -6.09 |
| API2 Coal (US\$/t) | 45 | 0.56 | -20.91 | CBOT Soybeans (Usc/bu) | 831 | -0.92 | -11.93 |
| Newcastle Coal (US\$/t) | 53 | 1.34 | -23.61 | ICE No.11 Sugar (Usc/lb) | 10.27 | -4.73 | -23.47 |
| SGX TSI Coking Coal (US\$/t) | 113 | 4.02 | -19.95 | ICE Arabica (Usc/lb) | 109 | 0.46 | -15.69 |
| SGX Iron Ore 62% (US\$/t) | 81.00 | 0.25 | -11.30 | ICE London Cocoa (GBP/t) | 1,973 | 0.05 | 8.47 |

Source: Bloomberg, ING Research

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