

The Commodities Feed: Record US crude oil inventories

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

Oil prices closed the day higher yesterday, although WTI is under pressure in early morning trading in Asia, which makes more sense following yesterday's bearish EIA report. US commercial crude oil inventories grew by 5.72MMbbls, while less than what the API reported the previous day, it was very different from the small stock drawdown the market was expecting. This increase now sees total US commercial crude oil inventories stand at 538MMbbls, surpassing the levels seen back in early 2017, and in fact the highest level going as far back as 1982. While refiners increased their run rates to the highest levels since early April, at 73.1%, it is still well below the 5-year average of around 94% for this stage of the year. The trade side added to the build, with crude oil imports increasing by 685Mbbbls/d over the week. Imports from Saudi Arabia remained at elevated levels for the third consecutive week, coming in at a little over 1.5MMbbls/d. Crude oil exports fell by 355Mbbbls/d, to average 2.44MMbbls/d over the week, the lowest weekly export number since November. The narrowing in the WTI/Brent discount in recent weeks supports these lower export volumes. Finally, on the domestic demand side, total products demand increased by 2.5MMbbls/d over the week, to 17.57MMbbls/d.

Moving onto India, and fuel consumption in the country continues to recover, according to data from the Ministry of Petroleum & Natural Gas. The latest data for May show that fuel consumption increased by an impressive 47% MoM, with the government relaxing some aspects of the nationwide lockdown over the month. However, consumption still remains well below normal, down 23% YoY for the month. Unsurprisingly the largest declines were seen in jet fuel, gasoline and diesel.

Metals

A weaker USD and signals from the US Fed that monetary policy will remain loose for the next couple of years has helped base metals continue their upward trend, with copper settling more than 2% higher yesterday. LME copper has clawed back the bulk of losses seen during the Covid-19 outbreak now, with prices trading above US\$5,900/t- levels last seen back in January.

Supply-side risks for copper remain, with Covid-19 still gripping a number of South American countries, while the ongoing drought-like situation in Chile has been weighing on mining. This week, Codelco announced that it will reduce processing at its 460ktpa El-Teniente mine due to water supply shortages; and the miner warned that processing rates could dip further if water shortages persist. Whilst the impact on output is not immediately clear; lower processing rates increase the risk of an even tighter copper market in the months ahead. Anglo's c.350ktpa Los Bronces mine has also been facing a water shortage since late last year, with copper production at Anglo American Sur (including Los Bronces and El Soldado mines) down around 21.5% YoY to 109kt over the first four months of 2020. Meanwhile, in China, Antaike released its May data for China cathode production, which showed a decrease of 2.7% MoM (678kt). Although on an annual basis, output has grown by 7.7%. This is likely due to increased smelter maintenance in the month, amid falling spot treatment charges.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by

the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.