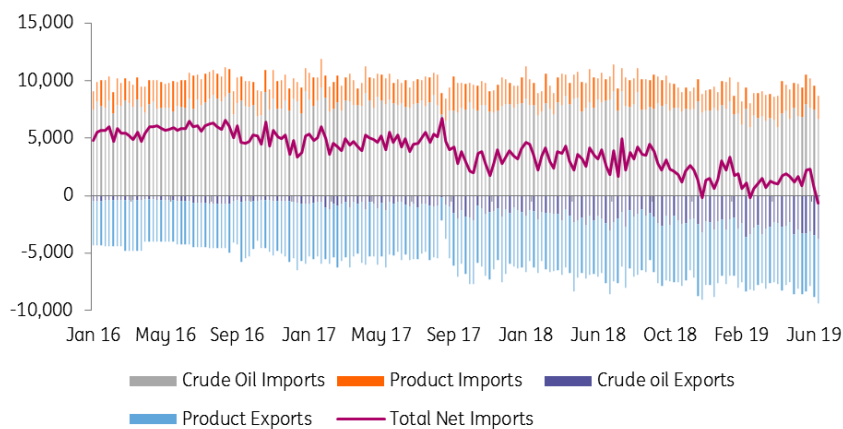


The Commodities Feed: Record US oil exports

Your daily roundup of commodity news and ING views



US crude oil and product trade (Mbbbls/d)



Source: EIA, ING Research

Energy

US oil numbers: The rally in oil continued yesterday following a bullish weekly report from the EIA, which showed that US crude oil inventories fell by 12.79MMbbls over the last week, significantly

more than the 2.9MMbbls the market was expecting, and larger than the 7.55MMbbls drawdown that the API reported the previous day. In fact, this is the largest weekly drawdown that the EIA has reported since September 2016.

There are several drivers behind this large drawdown. Firstly, crude oil production was 100Mbbbls/d lower over the week, coming in at 12.1MMbbls/d. Refinery utilisation rates continue to increase, edging up by 0.3 percentage points over the week to average 94.2%. However the key driver was on the trade side, with crude oil imports falling 811Mbbbls/d over the week to average 6.66MMbbls/d- the lowest weekly imports since April. Crude oil exports increased by 348Mbbbls/d over the week to average a record 3.77MMbbls/d. The US has now seen five consecutive weeks of crude oil exports averaging well above 3MMbbls/d. In fact, the US was a net exporter of crude oil and petroleum products over the week for the third time. Net exports were 676Mbbbls/d over the week, higher than the net exports of 162Mbbbls/d for a week in February and 211Mbbbls/d over a week in November last year.

With US exports continuing to edge higher, along with expectations that refinery run rates will continue to increase as we move through summer, we do expect further crude oil inventory drawdowns in the coming weeks, which should offer support to the market.

On the products side, draws of 996Mbbbls and 2.44MMbbls were seen in gasoline and distillate fuel oil stocks. However in the US products market, the bigger news yesterday was confirmation that Philadelphia Energy Solutions would be shutting down its 335Mbbbls/d refinery on the east coast, following an explosion last week. The incident has proved bullish for gasoline cracks, including those in Europe, with gasoline flows from Europe to the US east coast likely to pick up to help meet shortfalls in PADD1. We expect these cracks to be well supported over the summer months.

Alberta production limits: Bloomberg reports that Alberta, Canada plans to increase its mandatory production limit by 25Mbbbls/d for August, from 3.71MMbbls/d in July. Producers in Alberta have gradually been allowed to increase output over the course of the year, with the production limit starting at 3.56MMbbls/d in January. These production limits were first announced late last year, and were in response to limited takeaway capacity from the province, which weighed heavily on price differentials- with West Canada Select reaching a US\$50/bbl discount to WTI in October. Since the production cuts, this differential has stabilised, trading between a discount of US\$7/bbl and discount of US\$17/bbl.

Metals

Gold rally fizzles: After rallying more than 10% since the start of the month, gold has given back some of its gains in the last couple of days, with some Fed officials commenting that it may not be as aggressive on rate cuts as many in the market are expecting. Gold's sharp rally above US\$1,400/oz also appears to be leaving traders more cautious, particularly with the G-20 summit later this week, where all attention will be on the Trump-Xi meeting on Saturday, looking for any signs of a breakthrough with trade talks. Meanwhile, ETF holdings in gold have increased for the 11th consecutive day, with investors buying 3.3mOz, leaving total known holdings at 73.95mOz.

Agriculture

Russian wheat: Russia has started its wheat harvest, and initial data from the Agriculture Ministry shows a good crop so far despite a warmer-than-usual June, though this reflects favourable weather conditions for much of the growing period. The ministry reported that yields to date stand

at 4.66tonnes/ha compared to 3.88tonnes/ha, with 2.5mt of wheat harvested so far. The EU's MARS report also forecast that Russian yields for winter wheat would increase from a five-year average of 3.65t/ha to 3.81t/ha this year.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 66.49 | 2.21 | 23.59 | Spot Gold (US\$/oz) | 1,409.0 | -1.01 | 9.86 |
| NYMEX WTI (US\$/bbl) | 59.38 | 2.68 | 30.76 | Spot Silver (US\$/oz) | 15.3 | -0.67 | -1.46 |
| ICE Gasoil (US\$/t) | 599 | 1.74 | 17.33 | LME Copper (US\$/t) | 5,988 | -0.89 | 0.39 |
| NYMEX HO (Usc/g) | 197 | 2.49 | 17.28 | LME Aluminium (US\$/t) | 1,820 | 0.33 | -1.41 |
| Eurobob (US\$/t) | 602 | 0.58 | 25.59 | LME Zinc (US\$/t) | 2,506 | -1.45 | 1.58 |
| NYMEX RBOB (Usc/g) | 197 | 4.96 | 48.86 | LME Nickel (US\$/t) | 12,490 | 1.54 | 16.84 |
| NYMEX NG (US\$/mmbtu) | 2.29 | -0.74 | -22.07 | | | | |
| TTF Natural Gas (EUR/MWh) | 9.62 | -2.31 | -56.24 | CBOT Corn (Usc/bu) | 443 | -0.95 | 18.20 |
| | | | | CBOT Wheat (Usc/bu) | 544 | 1.49 | 8.05 |
| API2 Coal (US\$/t) | 50 | 0.30 | -42.09 | CBOT Soybeans (Usc/bu) | 894 | -1.02 | 1.33 |
| Newcastle Coal (US\$/t) | 68 | -0.66 | -32.74 | ICE No.11 Sugar (Usc/lb) | 12.03 | -2.43 | 0.00 |
| SGX TSI Coking Coal (US\$/t) | 192 | 0.00 | -9.43 | ICE Arabica (Usc/lb) | 105 | -1.46 | 2.99 |
| SGX Iron Ore 62% (US\$/t) | 109.86 | 1.41 | 58.14 | ICE London Cocoa (GBP/t) | 1,801 | 0.06 | 1.98 |

Source: Bloomberg, ING Research

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