

# The Commodities Feed: Robust US oil demand

Your daily roundup of commodity news and ING views



## Energy

It was a choppy day yesterday for the oil market. Prices were under pressure for much of the day as Iranian nuclear talks continued. However, a constructive EIA report was enough to see the market turnaround and settle higher on the day.

The EIA reported that US crude oil inventories declined by 4.76MMbbls over the last week, which leaves total commercial US crude oil inventories at a little over 410MMbbls - the lowest level since 2018. The draw over the week was also larger than the 2.03MMbbls reported by the API the previous day. The larger draw was driven predominantly by trade, with crude oil imports falling by 696Mbbbls/d, whilst exports of crude oil increased by 724Mbbbls/d to hit 3.1MMbbls/d over the week. Refiners also increased their utilization rates by 1.5 percentage points to 88.2% (although in the next report we could very well see a fall in refinery operations due to the recent winter storm in Texas).

Cushing crude oil inventories also continued to edge lower, falling by 2.8MMbbls to just 27.7MMbbls. We are getting into territory where there will be concern over hitting tank bottoms. The tightness at the WTI delivery hub has been reflected in the prompt WTI timespread. The

spread briefly broke above US\$2/bbl earlier this month - the first time since 2018. Draws were also seen in refined products. Gasoline and distillate fuel oil inventories fell by 1.64MMbbls and 930Mbbls respectively. As a result, total US oil and product commercial stocks fell by 8.05MMbbls, leaving them at their lowest levels since 2015.

The US demand story is also constructive. The 4-week average of total product supplied (implied demand) hit a record high of 21.91MMbbls/d last week, surpassing the previous high of 21.72MMbbls/d seen in 2019.

As for the calendar today, OPEC will release its monthly market report, which will include January production numbers for the group and OPEC's outlook for non-OPEC supply and global oil demand for the remainder of this year.

## Metals

The metals complex was buoyant yesterday amid a rising risk appetite and a weaker dollar ahead of Thursday's US CPI release. LME aluminium led the gains as traders digest the details of supply disruptions from China's Guangxi autonomous region after an outbreak of Covid. 3M aluminium hit a high of US\$3,272/t, taking it a step closer to the record highs of US\$3,380/t seen back in July 2008.

However, iron ore has been whipsawed by speculative sentiment over demand optimism and possible intervention from Chinese policymakers, who have repeatedly been calling for stable prices. The most active contract trading on the SGX fell to a low of US\$143.85/t yesterday, after trading to a high of US\$153/t the previous day. The National Development and Reform Commission (NDRC) has repeatedly claimed that they will come up with measures to crack down on speculation. In addition, there are reports that the government summoned information providers for false price disclosure.

## Agriculture

The USDA's monthly WASDE report was largely constructive for the soybean market, as the agency revised down 2021/22 ending stocks for both the US and global market. That said, the market was expecting even larger downward revisions in these estimates. The USDA lowered its US ending stocks estimate to 325mn bushels, compared to an earlier estimate of 350m bushels. This was due to higher domestic demand. For the global market, the agency revised down production estimates by around 8.7mt with large downgrades seen from Brazil (-5mt), Argentina (-1.5mt) and Paraguay (-1.8mt). The agency also revised down demand estimates by around 5.8mt largely due to softer demand from China (-3mt). On balance, global inventory estimates at the end of 2021/22 were revised down from 95.2mt to 92.8mt. The market was expecting a number closer to 91.4mt.

For corn, the USDA left the domestic balance sheet largely unchanged with production and inventory estimates at around 15.12b bushels and 1.54b bushels respectively for 2021/22, the same as last month. Globally, the agency revised down inventory estimates from 303.1mt to 302.2mt, due to lower supply estimates from Brazil (-1mt). The market was expecting an ending stock number closer to 299.5mt.

For wheat, the USDA increased domestic ending stock estimates by 20m bushels to 648m bushels due to lower demand. Globally, the report was more constructive as 2021/22 ending stock estimates were revised down from 280mt to 278.2mt. Global production was revised down by

around 2.2mt, whilst global demand was increased by around 0.6mt.

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