

# The Commodities Feed: Small US stock build

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## Energy

Continued concern over the oil demand outlook, along with a surprise US crude oil build over the week weighed on oil prices yesterday. The EIA yesterday reported that US crude oil inventories increased by 594Mbbbls over the last week, compared to expectations for a draw in the region of 3.5MMbbbls. The surprise build appears to be largely a result of lower refinery throughput, with crude oil inputs over the week falling by 286Mbbbls/d, with a couple of unplanned refinery outages. Moving to products, and gasoline inventories were basically flat, increasing by just 85Mbbbls over the week, while distillate fuel oil inventories fell by 1.07MMbbbls. Implied gasoline demand continues to recover, with product supplied increasing by 160Mbbbls/d WoW to average 9.1MMbbbls/d, the highest weekly number seen since August last year. In fact, if we look at the 4-week average of gasoline supplied, it comes in at 8.93MMbbbls/d, which is the highest since March last year. It seems only a matter of time before we see this 4-week average breaking above the 9MMbbbls/d mark, with the US continuing to recover along with seasonally stronger demand as we move closer towards summer.

Looking ahead, there is still no decision on whether OPEC+ will scrap its ministerial meeting which is currently scheduled for next week. The group has already decided on output policy through until

the end of July, and with prices more stable recently, ministers may see little reason to hold the full ministerial meeting. Instead, they could just hold the usual Joint Ministerial Monitoring Committee meeting, which would consist of a handful of ministers and focus more on the current market environment, rather than policy. This is aligned with comments from the Russians, who have said that next week's meeting will likely focus more on current market dynamics.

Finally, Russia is considering a temporary ban on gasoline exports, given concerns over rising domestic fuel prices. Deputy PM, Alexander Novak, said that any potential ban would be focused on gasoline, and only during periods where there are "gasoline issues", so for example during refinery maintenance season.

## Metals

A softer dollar continues to be constructive for metals, with aluminium leading the pack yesterday, and hitting almost a three year high, with LME 3M prices touching an intraday high of US\$2,369/t. The gain in aluminium comes amid a demand recovery in major economies, along with concerns that China supply growth may slow as the nation scales up its decarbonisation efforts.

As for zinc, the latest customs data from China show that imports of zinc ore rose 34% MoM to 361kt last month. The sudden jump in imports would help offset worries over expected production cuts for the refined metal in the domestic market. However, for now, treatment charges for zinc continue to hover at multi-year lows, standing at US\$70/t as of 21st April.

Turning to precious metals, gold continued to gain amid steady Treasury yields and a softer dollar. Spot gold reached US\$1,797/oz in London yesterday, while sales in the ETF market have slowed. However, it was palladium where most of the action was, with prices exploding to a record high of US\$2,895/oz yesterday, as fundamentals continue to tighten. Recent supply disruptions at Norilsk Nickel have raised concerns about supply, while palladium demand has been rising given the recovery in the global auto market.

## Agriculture

In a boost for the corn market, the USDA revised higher its estimates for China corn imports in 2020/21 from 24mt to a record 28mt, with physical demand for feedstock particularly strong over recent months. China has imported around 11.3mt of corn over the first six months of the marketing year through until the end of March, suggesting the USDA believes China will import around 16.7mt more over the remainder of the season. However, the USDA does not believe these strong imports will last, with the agency forecasting that they will fall to 15mt in the 2021/22 season, as Beijing aims to increase domestic corn production. China's agriculture ministry estimated earlier in the week that domestic corn acreage could increase 3.4% YoY in 2021 leading to production gains of around 4.2% YoY for the year.

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