

# The Commodities Feed: Stronger US output growth in 2023

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## Energy

ICE Brent managed to edge higher yesterday, settling above US\$120/bbl. Underlying fundamentals remain constructive for the market, particularly as we enter the stronger demand period over the summer, although API numbers released overnight show inventory builds for both US crude and products. Crude oil inventories increased by 1.85MMbbls over the week, whilst gasoline and distillate stocks increased by 1.82MMbbls and 3.38MMbbls respectively. These product builds should offer some relief to the market in the very short term, given concerns over tightening product markets. The more widely followed EIA report will be released later today, and similar numbers to the API would mean bigger stock builds than the market was expecting.

The EIA released its monthly Short Term Energy Outlook yesterday, in which US crude oil production for 2022 is forecast to grow by 740Mbbls/d YoY to average 11.92MMbbls/d, marginally higher than forecasts from last month. However, for 2023, the EIA made larger revisions, expecting output to grow by 1.05MMbbls/d YoY to average 12.97MMbbls/d, up from a previous forecast of 12.85MMbbls/d. Looking at the EIA's global balance, they expect Russian liquids production in 2022 to fall by 3.3% YoY to 10.42MMbbls/d. A more meaningful decline is expected in 2023 given the EU

oil ban, with Russian liquids output expected to fall by 8.6% YoY to 9.52MMbbls/d. Although, interestingly these production numbers are somewhat larger than the EIA was forecasting last month. This could reflect the fact that the EU ban only applies to seaborne oil, rather than all oil as initially proposed.

## Metals

Focus in the metals markets appears to have turned to tighter monetary policy from the US and EU, which has overshadowed hopes of a demand revival from China as Covid related restrictions continue to be eased. LME copper 3M futures declined from their highest level since 27 April. Prices largely ignored the steep decline reported in exchange stocks yesterday. The latest LME data show that exchange inventories for copper extended declines for a twelfth consecutive day, falling by 20.2kt (largest daily decline since 2002) to a little over 120kt as of yesterday. The majority of outflows were from Busan warehouses.

The most active iron ore contract on SGX extended gains for a fifth consecutive session with prices reaching an intra-day high of almost US\$147/t (highest since May) yesterday, following hopes of a demand recovery from China. The latest market reports suggest that China's move to relax Covid restrictions has resulted in an easing in port delays and truck shortages, while Beijing has also moved quite close to reporting nil Covid-19 cases. The latest survey from China Iron and Steel Association (CISA) shows that inventory levels at major steel mills in China dropped by 10.2% to 17.9mt (after reaching its highest level in two years) between 21-31 May. The group also reported that daily crude steel production at major Chinese steelmakers rose 0.9% in the 21-31 May period, from the second third of last month. Output stood at 2.3mt per day, up 1.5% YoY.

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