

The Commodities Feed: US crude draws

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Energy

The oil market continued to edge higher yesterday. ICE Brent briefly broke above US\$85/bbl at one stage with market sentiment remaining positive. The EIA's weekly inventory report showed that US crude oil inventories declined by 4.55MMbbls, which was more than the market was expecting. Total commercial US crude oil inventories are now at their lowest levels since October 2018. In addition, crude inventories at Cushing fell by 2.47MMbbls, which is the first weekly draw at the WTI delivery hub since early November. The fall in commercial inventories comes despite refinery utilization falling over the week. On the trade side, crude oil exports slipped below 2MMbbls/d to their lowest level since July last year. The EIA did make a fairly large adjustment for unaccounted oil, which appears to have helped drive the inventory draw.

Changes in product were less supportive. The EIA reported large inventory builds for both US gasoline and distillate fuel oil inventories. These increased by 7.96MMbbls and 2.54MMbbls respectively. The gasoline build was driven by a 266Mbbls/d decline in implied demand. Despite the bearish product numbers more than offsetting the crude draws, the market appears to have paid little attention to this.

Agriculture

The USDA's monthly WASDE report was a mixed bag for grains. For the US market, the agency revised higher its ending stock estimates for all three major grains for 2021/22. The USDA now estimates US corn stocks to end the year at around 1,540m bushels compared to an earlier estimate of 1,493m bushels, mainly on account of higher production. The market was expecting a number of around 1,483m bushels. Soybean inventory estimates were revised up by 10m bushels and the agency now sees stocks ending 2021/22 at around 350m bushels, largely in line with market expectations. For wheat, 2021/22 ending stocks were increased to 628m bushels, up from 598m bushels. This increase was driven by revisions lower in domestic demand and exports. The market was expecting a number closer to 609m bushels.

For global markets, the report was relatively constructive with inventory estimates for corn and soybean revised lower, whilst wheat ending stocks were revised higher. Soybeans saw a noticeable revision lower in global ending stocks. Inventories at the end of 2021/22 were revised down from 102mt to 95.2mt thanks to poor supply prospects from South America due to dry weather. The market was expecting a number closer to 99.7mt. The USDA lowered its global soybean production estimate by around 9.2mt with significant downward revisions coming from Brazil (-5mt), Argentina (-3mt) and Paraguay (-1.5mt). The global corn balance saw 2021/22 ending stocks revised down from 305.5mt to 303.1mt largely due to lower output expectations from Brazil (-3mt). For wheat, 2021/22 inventory estimates were revised up from 278.2mt to 280mt.

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