

# The Commodities Feed: US gasoline demand falls

Your daily roundup of commodities news and ING views



## Energy

ICE Brent held steady yesterday, settling just below US\$100/bbl. This was despite the US CPI print surprising to the upside. There will likely be concern that this could result in the US Fed being even more aggressive when it comes to hiking rates at its next meeting.

The IEA also released its latest monthly market report yesterday, in which revisions were made to oil demand growth due to the higher price environment and deterioration in the macro picture. The IEA now expects oil demand to grow by 1.7MMbbls/d this year (compared to a previous estimate of 1.8MMbbls/d) and by 2.1MMbbls/d in 2023 (down by 100MMbbls/d from the previous forecast). The growth next year is expected to be driven by non-OECD nations. As for OECD oil inventories, these edged higher in May by 15.2MMbbls. However, stocks are still more than 300MMbbls below the 5-year average and the expectation is that we will see further tightness as the EU ban on Russian seaborne oil comes into force.

The latest trade data from China yesterday showed that crude oil imports came under pressure in June, falling 11% YoY and 19% MoM to average 8.75MMbbls/d. This is the weakest monthly import number since July 2018 and reflects the buildup of stock seen over April and May, and the impact

from Covid lockdowns that we saw over much of the second quarter.

EIA weekly numbers showed that US commercial crude oil inventories increased by 3.25MMbbls over the last week. However, taking into consideration SPR releases, total US crude oil inventories declined by 3.63MMbbls. However, the big changes were on the refined product side, with gasoline and distillate fuel oil inventories increasing by 5.83MMbbls and 2.67MMbbls respectively. The large build in gasoline inventories was driven by a steep decline in implied demand over the week, which fell by 1.35MMbbls/d. This resulted in implied gasoline demand averaging 8.06MMbbls/d, which is the lowest level seen for this stage of the year in at least a decade. Overall, the report was fairly bearish for the market.

## Metals

The latest US inflation data triggered a broad sell-off across the industrial metals complex yesterday, while spot gold prices traded down towards US\$1,700/oz, the lowest level since August last year. Concern that the higher than expected CPI print would lead to more aggressive action from the Fed weighed on risk assets.

The latest trade numbers from China showed that imports of unwrought copper jumped 15.5% MoM and 25.5 YoY to 537.7kt in June, as consumption picked up and factory production resumed following an easing in Covid restrictions. Cumulative imports rose 5.3% YoY to 2.94mt in the first half of the year. However, copper ore and concentrate imports declined 6% MoM to 2.1mt as domestic smelters carried out maintenance. Cumulative concentrate imports are still up 8.6% YoY, to 12.5mt in 1H22. Looking to ferrous metals, iron ore imports remain under pressure, falling 3.8% MoM to 88.9mt in June. This leaves total iron ore imports over the first six months of the year at 536mt, down 4.4% YoY.

## Agriculture

Trade data from China shows that soybean imports declined by around 23% YoY to 8.25mt in June, as higher prices and softer demand for edible oils weighed on demand. Cumulative imports have dropped 5.4% YoY to 46.3mt over the first half of the year. Soybean crushing margins in China have crashed since peaking in early March. A relatively softer hogs market since mid-2021 has reduced demand for soy meal with farmers switching to cheaper alternatives. Looking ahead, hog prices in China have firmed up significantly over the past few weeks which could support demand for animal feed over the second half of the year.

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