

# The Commodities Feed: US gasoline demand stalls

Your daily roundup of commodity news and ING views



## Energy

ICE Brent has managed to hold above US\$44/bbl, despite the EIA reporting that US crude oil inventories increased by 4.89MMbbls over the last week, which was quite different from the stock drawdown the market was expecting. Despite imports of crude oil from Saudi Arabia falling over the week from 872Mbbls/d to 461Mbbls/d, total imports were still 374Mbbls/d higher WoW, with stronger flows from South America and Canada. US production was also up 100Mbbls/d WoW, likely reflecting the return of some shut-in wells. Meanwhile, refiners also reduced utilisation rates slightly over the week, which saw crude inputs fall by a little over 100Mbbls/d.

Turning to refined products, gasoline inventories fell by 1.8MMbbls, whilst distillate fuel oil stocks increased by 1.07MMbbls. Distillate stocks now stand at almost 178MMbbls, levels last seen back in 1982. Meanwhile implied demand for refined products fell over the week by 826Mbbls/d, with gasoline demand also falling marginally. The demand recovery that we have seen in gasoline over the last couple of months appears to have stalled, with implied demand coming in at 8.55MMbbls/d, which is still below pre-Covid-19 levels, and more than a 1MMbbls/d below the levels seen at the same stage last year. The fact that we have had a resurgence in Covid-19 cases across a number of states in the US has not helped the demand recovery, with some states tightening

restrictions once again.

## Metals

Precious metals continue to rally, with a weaker USD, falling yields, worries over a resurgence in Covid-19 cases and growing tensions between the US and China (following the US ordering China to shut down its Houston consulate) enough to provide a boost. Gold has in its sights the all-time highs, and given the current environment, it really does appear a matter of time before the market tests the high of US\$1,921/oz made back in 2011. Known holdings in gold ETFs now stand at a little over 106moz, a record high once again, and up 1.3moz over the week. For COMEX gold, there is plenty of room for speculative buying still, with the net long still about 115k lots below the record seen in September last year.

Base metals were mostly under pressure yesterday, with LME zinc and lead falling sharply following a jump in LME inventories yesterday. Zinc saw inflows of 12.4kt into warehouses yesterday, taking total stocks to 133kt (highest since November 2018). Whilst for lead, LME stocks rose by 12.85kt yesterday, to total 87kt, the highest since January 2019. Meanwhile, copper producer, Antofagasta, reported a decline of 8.4% QoQ in its copper production, leaving it at 178kt in 2Q20, whilst cumulative output for the first six months of the year fell 4% YoY to total 372kt. The decline is not much of a surprise given the impact from Covid-19 disruptions. Despite the lower production levels, the miner continues to maintain its 2020 output guidance at the lower end of the 725-755kt range.

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