

Snap | 23 July 2020

COMMODITIES DAILY

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 872Mbbbls/d to 461Mbbbls/d, total imports were still 374Mbbbls/d higher WoW, with stronger flows from South America and Canada. US production was also up 100Mbbbls/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 100Mbbbls/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 826Mbbbls/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.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any

THINK economic and financial analysis

person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.