

The Commodities Feed: US gasoline inventory still rising

Your daily roundup of commodity news and ING views



Gas storage tank

Energy

ICE Brent settled higher yesterday and has been trading on a firm footing this morning on a fairly constructive EIA report, optimism around the US stimulus package and a weaker US dollar. The EIA's weekly report yesterday showed that crude oil inventories dropped by 3.14MMbbls over the last week, higher than the 1.16MMbbls of inventory withdrawal that the market was expecting, according to a Bloomberg survey. The draw was mainly driven by the decline in net imports of crude oil into the country. Crude oil imports dropped by 1.06MMbbls/d over the week whilst exports recovered by 0.79MMbbls/d resulting in net imports falling by 1.85MMbbls/d over the week. Domestic crude oil production also softened by 100MMbbls/d over the week to 11MMbbls/d, the first drop since late October and helping to tighten local oil supplies.

Turning to refined products and US gasoline inventory increased by 1MMbbls over the last week, the fifth consecutive week of inventory build-up despite some improvement in gasoline demand. Gasoline demand was up 375MMbbls/d over the week to 7.98MMbbls/d, while distillate inventory was largely flat and increased marginally by 0.2MMbbls to 151.3MMbbls. Refinery operating rates in the US dropped by 0.8% over the week to 79.1%.

Metals

The base metals complex remained buoyant amid a weaker dollar and hopes of an agreement on a Covid-19 relief package in the US by the end of the week. On the copper mine supply side, Codelco said that it has reached an early wage agreement with its workers at its Ventanas smelter yesterday, averting the risk of disruptions. Along with that, on Tuesday, a union at the Centinela copper mine in Chile also accepted the latest wage offer by the owner Antofagasta Plc, avoiding a stoppage.

Meanwhile, International Lead and Zinc Study Group (ILZSG) in its latest update showed that global zinc production totalled 11.18mt (+1% YoY) while consumption totalled to 10.7mt (-5.2% YoY) during the first 10 months of the year. The group said that the year-to-date (Jan'20-Oct'20) zinc market balance remained in a supply surplus of 480kt, compared to a deficit of 216kt during the same period last year. For lead, the group said that the market remained in a supply surplus of 164kt during the first 10 months of the year, compared to a deficit of 42kt during the same period a year earlier.

Agriculture

India has approved a sugar export incentive programme of US\$475mn (c.US\$81.5/t) to help sugar exports from the country this year as domestic output is likely to be stronger. The measure could help sugar mills in the country to export as much as 6mt for the current marketing year that began on 1 October and keep the overseas market well supplied. ICE No. 11 sugar prices have softened by around 6.3% since making recent highs of US¢15.5/lb in mid-November on favourable weather in Brazil and prospects of higher sugar exports from India. Earlier this week, UNICA estimated that sugar production in Brazil's Center-South region could increase 43.5% year-on-year to 38.4mt for the current year. However, sugar production in CS-Brazil could drop next year (2021/22) due to a fall in sugar-cane production and lower sugar content in cane.

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