

The Commodities Feed: US products demand edges higher

Your daily roundup of commodity news and ING views



Energy

Oil prices were pushed higher yesterday, with the weekly EIA report showing some continued positive signals when it comes to US demand. US crude oil inventories increased by 90Mbbls over the week, which was largely driven by stronger imports, with crude oil inflows increasing by 1.21MMbbls/d over the week, leaving imports to average 6.62MMbbls/d - the highest weekly volume since July. In addition, refiners increased their utilization rates slightly over the week, leading to crude oil throughput increasing by 253Mbbls/d. Refined products consumption also improved, with implied demand for total products increasing by 1.63MMbbls/d, leaving demand at the highest level since mid-February. A key driver behind this was stronger distillate fuel oil demand, which increased by 476Mbbls/d, helping to push distillate stocks down by 3.34MMbbls. Gasoline inventories saw more modest changes over the week, increasing by just 92Mbbls.

While demand appears to be trending in the right direction in the US, there are still clear concerns over the impact that the surge in Covid-19 cases in India is having on fuel demand. There is growing interest from Indian refiners to increase refined product exports, with a number of them offering product to the export market in a bid to tackle building domestic inventories. Increased export flows from India are a risk to regional product cracks, with additional supply potentially

weighing on them. This is particularly the case, given that refiners in the country so far appear to have made only marginal cuts to run rates.

Metals

LME nickel broke above the US\$17,000/t mark yesterday, with restocking ahead of the week-long Labor Day holidays in China. Class 1 nickel stocks (ShFE and bonded) have been running lower, and there are concerns that stocks could tighten further after the holidays. While expectations of tighter stocks, along with the current macro tailwinds have proved constructive for nickel, the sustainability of the move remains doubtful. Global primary nickel production will rise 9% to 2.72mt this year, according to the International Nickel Study Group (INSG), while total nickel usage is expected to grow by 12% to 2.67mt, leaving the market with a surplus of 45kt in 2021.

Turning to ferrous metals, China's Ministry of Finance announced the removal of a VAT rebate (13%) on 146 steel products effective from May 1, which includes some stainless steel, hot-dip galvanizing sheet and cold rolled steel products. In addition, China will remove import duties on pig iron, crude steel and ferrous scrap. The latest tax changes are aimed to discourage steel exports while encouraging the import of steel raw material supplies to facilitate the domestic move towards capping crude steel production.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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 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.