The Commodities Feed: US products demand edges higher

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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.

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