

# The Commodities Feed: Large US refined product stock build

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## Energy

The oil market remains relatively well supported. ICE Brent settled 1% up on the day as the market largely ignored the tightening in Covid-19 related restrictions in parts of Asia. Instead, the market has taken comfort in OPEC+ confirming its supply increase for February, as this signals confidence in the short-term outlook. In addition, there is a growing concern that while OPEC+ may agree on output increases, the group may not actually be able to deliver them. A number of OPEC producers have produced below their agreed output levels for several months now due to disruptions and a lack of investment in fields. Preliminary numbers from a Bloomberg survey for December show that OPEC members only increased output by 90Mbbbls/d in December. This is significantly short of the (approximately) 250Mbbbls/d OPEC members could have increased output over the month. The declines were led by Nigeria, where production fell by an estimated 110Mbbbls/d MoM. Libya, which is not part of the supply cuts, also saw its output decline by 70Mbbbls/d. The overall increase in OPEC output was predominantly driven by Saudi Arabia. Production from the Kingdom is estimated to have increased by 150Mbbbls/d over the month.

The EIA released its weekly inventory report yesterday, which showed that US commercial crude oil inventories declined by 2.14MMbbbls over the last reporting week. The draw was driven

predominantly by a decline in crude oil imports, which fell by 875Mbbbls/d over the week, while we also saw an increase of 164Mbbbls/d in crude oil inputs for refiners. However, changes in the products market were more bearish. Gasoline and distillate fuel oil inventories increased by 10.13MMbbbls and 4.42MMbbbls respectively. The build in gasoline stocks was the largest weekly increase seen since April last year. The increase was driven predominantly by a fall in US implied demand, with gasoline and distillate fuel oil demand falling by 1.55MMbbbls/d and 312Mbbbls/d WoW. Exports of refined products also came under pressure over the week.

## Agriculture

Sugar prices continued their bearish trend yesterday with ICE No.11 sugar falling to a 5-month low of US¢18.34/lb. Earlier this week, India reported that their sugar production increased 4.3% YoY to 11.6mt over the first three months of the season (Oct-Dec) due to an early start to the crushing season. India's sugar production continues to be strong in the current season, despite the Indian Sugar Mills Association (ISMA) expecting sugar production to fall around 2.2% YoY to 30.5mt for the full year 2021/22. Thailand has also witnessed favourable weather for cane harvesting over recent weeks, which has helped to improve supply expectations.

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