

The Commodities Feed: Large US refined product stock build

Your daily roundup of commodity news and ING views



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 875Mbbls/d over the week, while we also saw an increase of 164Mbbls/d in crude oil inputs for refiners. However, changes in the products market were more bearish. Gasoline and distillate fuel oil inventories increased by 10.13MMbbls and 4.42MMbbls 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 1.55MMbbls/d and 312Mbbls/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.

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 <http://www.ing.com>.