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Energy Risk
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WEEKLY INVENTORY REVIEW

The DOE released the latest Weekly Petroleum Status Report for the week ending April 24, and we offer our perspective on the data within the context of our forecast U.S. refinery balances. Overall, the crude oil and distillate builds came in on the bearish side of consensus expectations, while the gasoline draw was bullish.

Turning first to crude oil, the DOE reported that crude oil inventories rose by 4.1 million barrels. Stocks stand at 374.7 million barrels and are 57.2 million barrels above last year at this time. Supplies in PAD II increased by 200,000 barrels, including a build at Cushing of 300,000 barrels. Stocks in PAD III rose by 3.5 million barrels. Adding up all other districts yields a net inventory increase of 300,000 barrels.

Refinery crude oil runs declined by 182 MB/D from the previous week and averaged around 14.3 MMB/D. Gross crude oil imports eased by 31 MB/D to average close to 9.8 MMB/D. Taking the latest DOE estimate of domestic crude oil production averaging some 5.3 MMB/D, total stocks "should have" increased by about 5.3 million barrels.

With regard to refined products, the DOE reported that primary gasoline inventories fell by 4.7 million barrels. The decline included a 2.4 million barrel draw in finished mogas supplies and a 2.3 million barrel fall in blendstocks. Inventories now total 212.6 million barrels and are even with last year.

Refinery output of finished gasoline dropped by 298 MB/D from the prior period and averaged less than 8.8 MMB/D. Gross imports of total mogas declined by 276 MB/D to average 841 MB/D.

Implied gasoline demand rose by 15 MB/D from the previous week and averaged almost 9.2 MMB/D. Over the last four weeks implied gasoline demand is off by 0.5% from last year, while year to date is unchanged versus the comparable period in 2008.

Finally, the DOE reported that distillate fuel oil inventories rose by 1.8 million barrels. The aggregate increase included a 900,000 barrel gain in ultra low-sulphur diesel supplies, a 600,000 barrel fall in other diesel stocks, and a 1.7 million barrel increase in heating oil inventories. Distillate supplies now stand at 144.1 million barrels and are 37.8 million barrels above the same point in 2008.

Refinery production of distillate rose by 17 MB/D on the week to average almost 4.2 MMB/D. Gross distillate imports fell by 69 MB/D and averaged 123 MB/D.

Implied distillate demand remained depressed, easing by 11 MB/D from the prior week to average around 3.4 MMB/D. Over the past four weeks implied distillate demand has declined by 10.5% from last year, while year to date has fallen by 6.8% versus the comparable period in 2008.

Overall, given the existence of 30-35 million barrels stored in tankers offshore the Gulf Coast as well as continued low refinery crude oil runs, although we still believe that in the second half of the year crude oil inventories will decline, over the near term stocks are likely to remain at current levels barring an unexpected surge in refinery operations and/or a disruption in crude oil supply.

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