Global Macro Research | US
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MF Global Daily Report

MF Global
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COMMODITIES | ENERGIES

EIA Inventory Preview

ANALYSIS

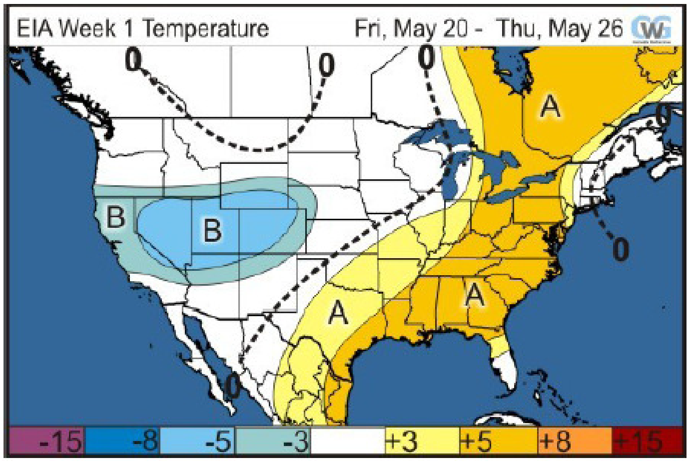
EIA Oil Inventory Preview

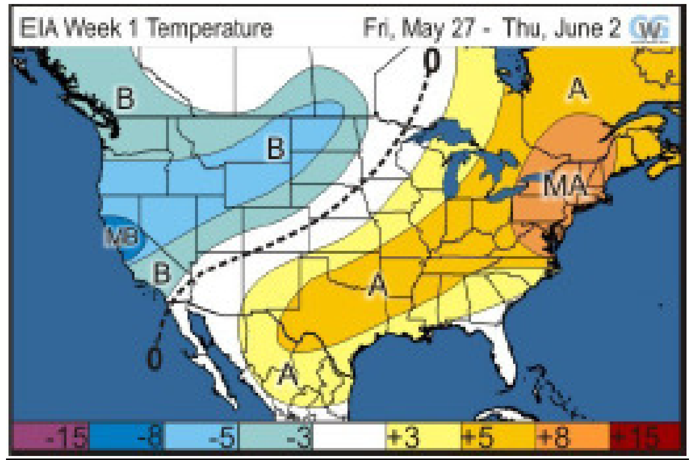
Crude oil stocks are expected to fall 2.5 mln bbls this week as the market begins to conform to seasonal tendencies. Inventory levels typically make their peak for the year in the w/e May 6th, so a decline this week would cause this year's peak to be marked with last week's data, or two weeks late. Pressure on inventories will come from last week's 3.1% jump in refinery utilization, which took an additional 538 kb/d off the market through increased refinery inputs. Pressure could also come from a possible decline in imports from last week's relatively high level. Imports last week reached 9.23 mb/d, which matched the peak reading a month earlier, but hasn't been consistently reported since October of last year. Oil Movements suggested that OPEC seaborne exports would rise 160,000 b/d in the four weeks ending May 28th which compares to an increase of 100,000 b/d the week before. However, U.S. imports don't always correlate very strongly to OM data. Lastly, the five-year average has fallen 2.0 MB from its peak by now which may create a need for oil stocks to play "catch up." The four-week average of demand should rise sharply but only because a 1.3 mb/d decline will drop off. Gasoline stocks are expected to gain 0.5 MB as strong refinery utilization produces an excess. Distillates are expected near unchanged as strong production offsets high levels of demand.

Natural gas inventories have been difficult to predict in the last couple weeks due to the switchover of natural gas usage for heating demand and that for cooling demand. Our model overestimated the actual build two weeks ago and underestimated it last week. It projects a build of around 105 bcf this week, however, we're biasing that down a bit to go with something close to the five-year average change of +97 bcf. The CDD forecast this week is 36.9 which compares to a ten-year average of 30.1. Temps were generally above normal in the eastern half of the country in both the survey week and in this week's forecast. The early CDD forecast for next week is 55.1 which compares to a ten-year norm of 37.3. Such a reading could result in a build of around 78 bcf which would compare to the five-year average of +102 bcf.

EIA Inventories - w/e May 27th							API Inventories		
	Actual	Market Estimate	MFGR Estimate	Five-Year Average	Last Week		Converge with EIA	Actual	Previous
Crude Oil			-2.5 MB	-2.4 MB	+0.6 MB				-0.9 MB
Gasoline			+0.5 MB	-0.4 MB	+3.8 MB				+2.4 MB
Distillates			Unchanged	+0.9 MB	-2.0 MB				-0.8 MB
Utilization			-0.2%	+1.0%	86.3%				83.5%
Natural Gas			+97 bcf	+97 bcf	+105 bcf				

*The API convergence figures are the amounts that EIA data need to change in order to match the previous day's API figures


EIA Week 1 Temperature
Fri, May 20 - Thu, May 26
-15
-8
-5
-3
+3
+5
+8
+15


EIA Week 1 Temperature
Fri, May 27 - Thu, June 2
-15
-8
-5
-3
+3
+5
+8
+15