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MF Global Daily Report

COMMODITIES | ENERGIES

EIA Inventory Preview

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ANALYSIS

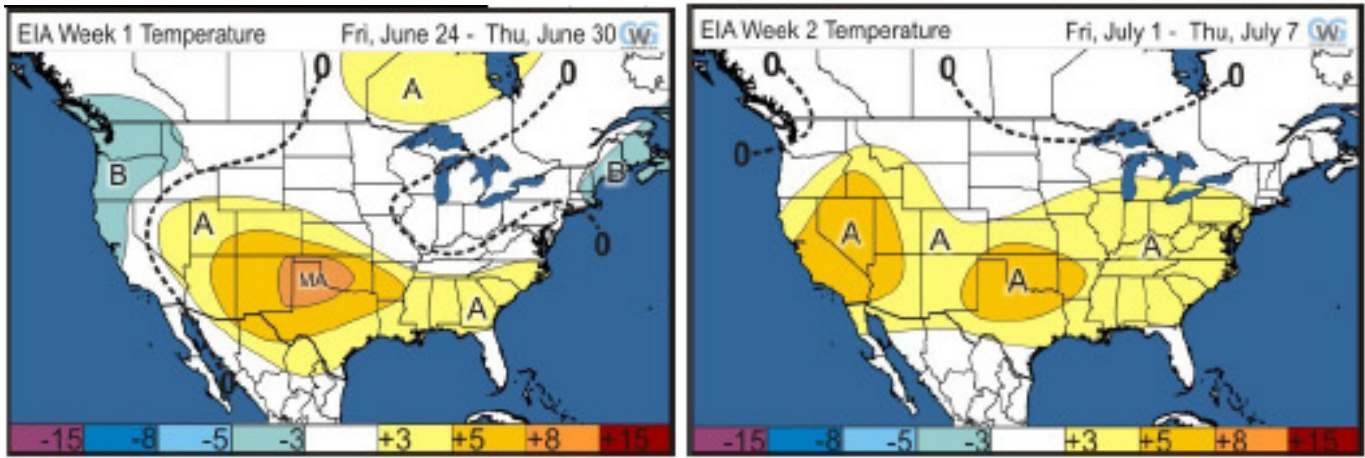
EIA Oil Inventory Preview

We anticipate the EIA reporting a decline in crude oil stocks of around 2.0 MB in this week's survey, as improving levels of refinery utilization continue to help stocks regain their typical seasonal decline. Inventories typically fall 6.84 MB between their seasonal peak on May 6th and last week, whereas this year's reading has fallen 10.86 MB. This year's data was late to begin declining, as utilization was 6.1% below the five-year average on May 6th. It has since recovered to within 1.5% below the average which should help inventories continue to draw down. We don't expect imports to do well either, as Oil Movements shifted from a projected increase of 40 kb/d in the four weeks ending June 25th to a decline of 210 kb/d through July 2nd. We anticipate a recovery in gasoline production after last week's sharp decline of 444 kb/d. That should help create a boost in gasoline stocks close to the five-year average gain of 1.5 MB. Distillate production was actually higher last week as was demand. We expect both to create a smaller-than-normal build of 0.8 MB this week.

Natural gas inventories have been difficult to predict lately. Our model has a 97% r-squared but has under-estimated the build in each of the last two weeks. The error may perhaps be caused by reduced industrial demand or higher production levels. Our CDD forecast shows a reading of 62.4 compared to last week's 65.7 which argues for a slightly higher sequential build. The CDD forecast is also slightly below the 10-year norm of 64.4 which could help inventories come in above the five-year average build of 78 bcf. Our model projects a reading of +72 bcf this week, but we're biasing it up to +80 bcf to account for the possible error. Temps become a bit warmer next week and we have a CDD forecast of 88.1. That compares to the 10-year average of 69.6 and a five-year average build of 91 bcf. Our model projects a build of around 43 bcf, but we may have to bias it upward again.

EIA Inventories - w/e July 1st						API Inventories		
	Actual	Market Estimate	MFGR Estimate	Five-Year Average	Last Week	Converge with EIA	Actual	Previous
Crude Oil			-2.0 MB	-1.4 MB	-4.4 MB			-2.7 MB
Gasoline			+1.5 MB	+1.5 MB	-1.4 MB			-0.09 MB
Distillates			+0.8 MB	+1.8 MB	+0.3 MB			-0.9 MB
Utilization			+0.5%	-0.1%	88.1%			86.5%
Natural Gas			+80 bcf	+78 bcf	+78 bcf			

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



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