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MF Global

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MF Global Daily Report

COMMODITIES | ENERGIES

EIA Inventory Preview

MF Global
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ANALYSIS

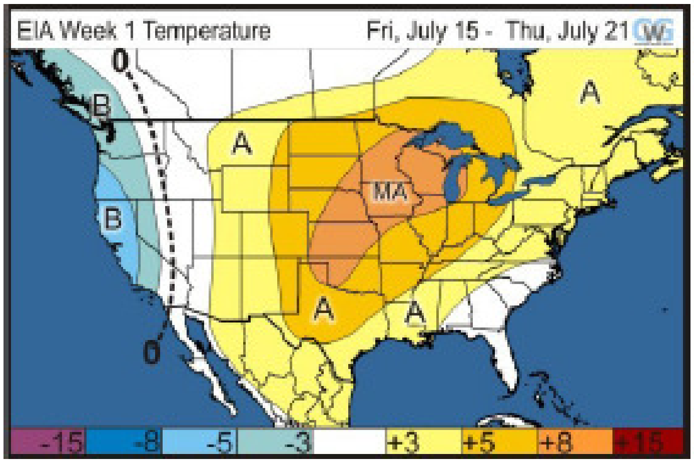
EIA Oil Inventory Preview

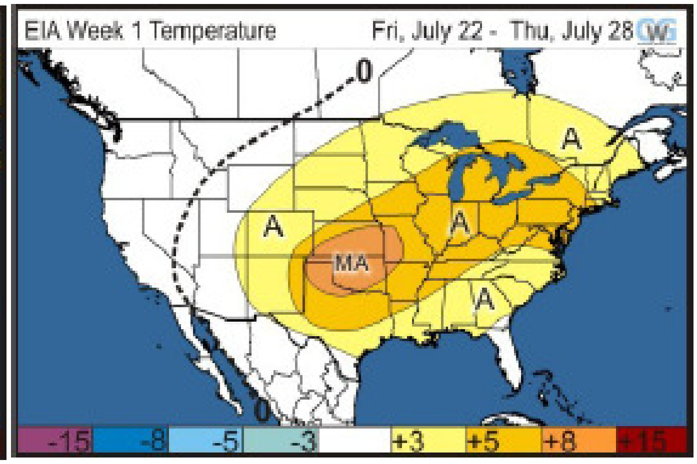
The EIA is expected to fall by only 1.0 MB this week, which is roughly in-line with the five-year average decline of 0.8 MB and fairly mild compared to recent inventory declines. Inventories fell more sharply than usual in May & June due to a rise in the rate of refinery utilization and slight growth in demand. They're now 18.6 MB below the seasonal peak made on May 6th compared to a typical 13.5 MB decline in the five-year average. Going into this week's figures, utilization remains fairly high above 90% but demand has fallen back. The four-week average demand figure fell 46 kb/d last week and lingered more than 1 mb/d below the five-year average. Demand for gasoline and distillates have fallen broadly, and should help create increases in their inventory figures. We look for builds of 1.0 MB and 1.5 MB respectively. The release of SPR oil could also represent a slight headwind, with the potential that 0.4 mb/d of excess PADD 3 oil or 2.8 mln bbls per week is added to stocks. Most of that excess should be shipped to PADD 1, so we expect something much less than 2.8 MB to be stored.

Natural gas inventories have been difficult to predict as we've noted in recent previews. Inventories have fallen within standard error limits, but we've still been forced to bias predictions higher than our model would normally forecast. This week, temps were above-normal across most of the country, with much-above normal temps in the central portion. The CDD forecast is 96.1 which would result in a build of just 22 bcf in our model. The CDD forecast compares to a 10-year normal of 77.1 and a five-year average build in stocks of 49 bcf. The highest CDD reading last year was 94.9 and produced an inventory build of 28 bcf. We therefore think it's prudent to look for something above our model prediction as well as below the five-year average. We therefore anticipate a build of 33 this week, but again caution about the variability of recent readings.

	EIA Inventories - w/e July 22nd						API Inventories		
	Actual	Market Estimate	MFGR Estimate	Five-Year Average	Last Week		Converge with EIA	Actual	Previous
Crude Oil			-1.0 MB	-0.8 MB	-3.7 MB				-5.2 MB
Gasoline			+1.0 MB	+0.5 MB	+0.8 MB				+2.0 MB
Distillates			+1.5 MB	+2.0 MB	+3.4 MB				+1.1 MB
Utilization			-0.3%	-0.6%	90.3%				86.1%
Natural Gas			+33 bcf	+49 bcf	+60 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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