



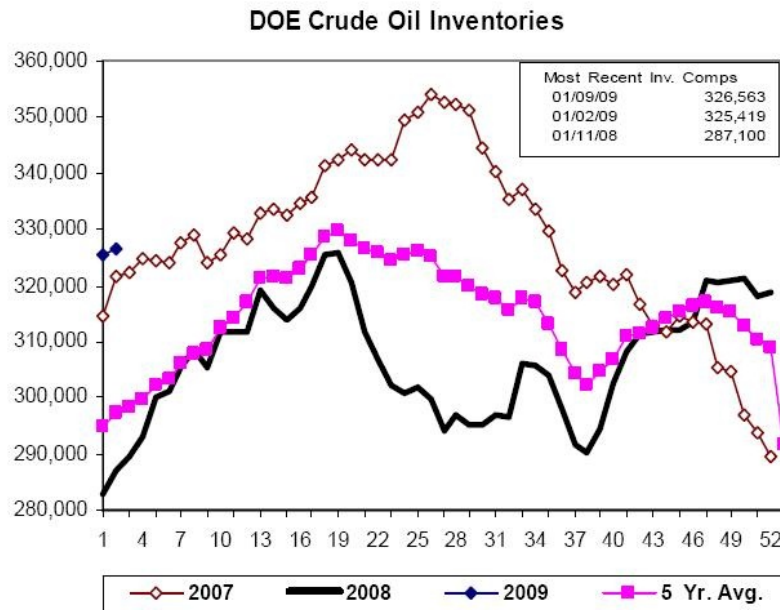
Higher Inventories but Demand Drop Slowing?

Posted by [Nate Hagens](#) on January 14, 2009 - 2:07pm

Topic: [Supply/Production](#)

Tags: [inventories](#), [supply](#), [twip](#) [[list all tags](#)]

The weekly [inventory numbers](#) are out. Inventories are again higher.



Crude Inventories - Graph from Johnson Rice

Here are the numbers:

DOE: Actuals

Crude oil: Up 1.1 million barrels
 Motor gas: Up 2.1 million barrels
 Distillates: Up 6.3 million barrels
 Complex: Up 9.6 million barrels

API: Actuals

Crude oil: Up 0.7 million barrels
 Motor gas: Up 3.6 million barrels
 Distillates: Up 0.4 million barrels
 Complex: Up 4.7 million barrels

Here is what was expected:

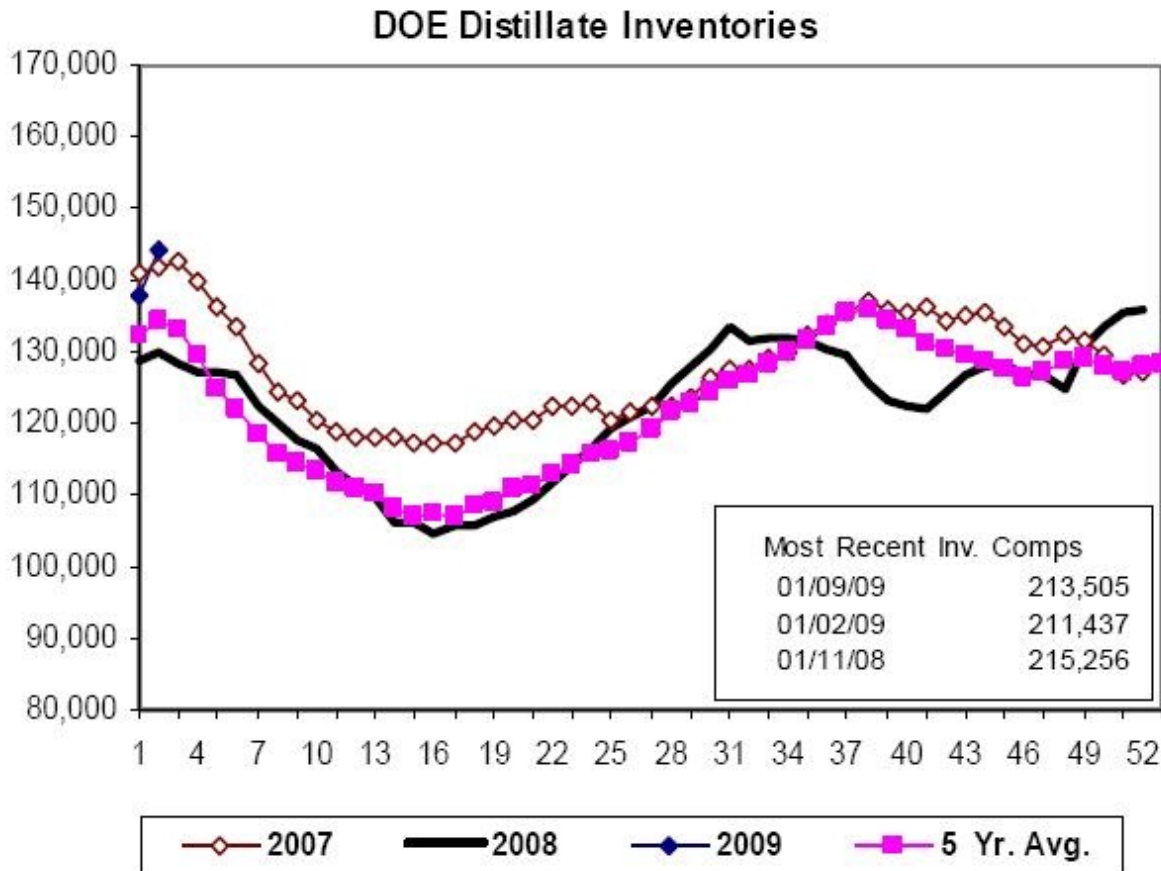
Crude oil: Up 2.5 million barrels

Motor gas: Up 1.9 million barrels

Distillates: Up 1.1 million barrels

Complex: Up 5.5 million barrels

A big build in DOE distillates - heating oil, firm of late due to cold weather and Russian/Ukraine situation is down 8 cents



Distillate inventory - graph from Johnson Rice

And for those interested in monitoring demand, the following table summarizes the year-over-year change in implied gasoline demand based on trailing four week averages.

12/19/2008 1/2/2009 1/2/2009 1/9/2009

DOE -2.7% -2.2% -2.2% -2.1%

MasterCard Survey -2.1% -3.0% -4.0% -3.6%

An analysis by research firm Johnson Rice:

We view the DOE report as bearish, based on the large build in distillate stocks. Healthy distillate margins have been supportive of refiner crude demand; any weakening of these spreads due to rising stocks (distillate stocks are now at a 5-yr high for this time of year) could exert more pressure on the complex. After two weeks of warmer than normal

temps, cold weather and the increase it should spur in heating oil demand has arrived in timely fashion.

Distillate stocks increased by 6.3 million barrels to 144 million barrels, 14 million barrels above yearago levels and 10 million barrels above the five-year average. Not surprisingly the rise in distillate stocks is underpinned by rising ULSD/low sulfur diesel stocks, reflecting economic weakness. On the other hand, hi-sulfur heating oil stocks have trended sideways over the past few weeks, in line with normal seasonal patterns. This week s build also reflects reduced export volumes; four week trailing average implied demand is down a reported 2.4% y-y.

Crude stocks rose by 1.1 million barrels; imports of crude averaged 9.7 mmbpd. Stocks at Cushing continued to creep higher reaching 33.0 million, vs. 32.8 million the prior week. Crude stocks of 327 million barrels are 29 million barrels above the 5-yr average.

Gasoline stocks rose by a seasonally normal 2.1 million barrels as refiner yield remains tilted towards distillate. Imports were relatively low, at 797,000 bpd. Discretionary ethanol blending has declined, which also introduces slightly more tightness into the gasoline pool. At the present, gasoline inventories of 214 million barrels are in line with the 5-yr average, and gasoline cracks have improved from the below-breakeven levels seen throughout most of Q4. While cracks have improved, implied demand remains soft; 4 wk trailing average implied demand is down 2.1% y-y.

The battle between depletion and demand is currently being won (lost?) by demand. But for how long?

Discuss.



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