Reading the inventory reports

> **CONSENSUS EXPECTATION**
>
> The market's collective forecast for a scheduled data release, compiled from analyst surveys. Prices adjust to the consensus before the release, so the market-moving content of the print is the gap between the number and the expectation - the surprise - not the number itself.

Module 1 told you inventories are the shock absorber and the reports are scheduled volatility. This is the reading lesson: what the reports say, and the discipline of standing near them.

The fixtures

EIA petroleum status: Wednesdays, 10:30 New York time. Crude and product stocks, to the barrel, with the Cushing figure - module 1's tank farm - broken out on its own line.EIA natural gas storage: Thursdays. The market's scoreboard for whether winter is arriving on schedule.USDA WASDE: monthly. Re-draws supply and demand for world agriculture; the grain markets' whole month can pivot on it.

The number is not the news

A build in crude stocks is not bearish. A build larger than consensus is. By release time, the expected number is already in the price - so the print only moves the market by the amount it surprises. This is the same expectation machinery as FX's calendar releases, with one upgrade: these numbers count physical stuff in real tanks, so a surprise is direct evidence about the balance, not a survey's opinion of it.

Watch one release before trading near any of them. The first minute is a spasm - algorithms parsing the headline - and the direction five minutes later is frequently not the direction five seconds after. That gap between first reaction and settled reading is where untrained accounts donate.

The discipline

The release times are published months ahead. Being surprised by one is a choice. The professional habit is unglamorous: know the fixtures for your product, know the consensus going in, and either have a position you would hold through the coin toss or be flat. Module 1 said it plainly and it bears repeating - an open position through an inventory report, without a reason sized for it, is risk you did not need.

Check your understanding

1. Crude stocks rise by 2 million barrels; consensus expected a 4 million build. Price jumps. Why?

a. The market misread a bearish number
b. The build was smaller than priced in - relative to expectation, the report was tight
c. Inventory reports always cause upward spikes

Answer: b. The 4 million build was already in the price. Reality came in 2 million barrels tighter than that, and the price adjusted to the surprise - the gap, not the headline.

2. What separates an inventory surprise from an economic survey surprise?

a. Inventory reports move markets less
b. Inventory figures count physical stock in actual storage - direct evidence of the balance rather than sampled opinion
c. Inventory reports have no consensus forecasts

Answer: b. A sentiment index samples views; a stocks report counts barrels. Both trade on the surprise, but an inventory surprise is the physical balance sheet correcting the market's model of it.