

Even the Panda's are going home.

A week when oil market prices were shrouded in the confusion of one war, the ongoing conflict between Israel and Hamas.

Strangely, the conflict which began when Russia invaded Ukraine and dominated our lives and headlines for almost two years has faded into the smoke. Such is the power of the media in influencing oil prices. Demand for oil has fallen, that would appear undeniable, and the cornerstones of a bull market meant to soar through \$100/barrel have turned to powder.

What happened?

In the first instance, China's slowing crude oil demand (teapot refineries report negative margins for end October in Shandong province against a run rate of 57% capacity, the lowest since May 2022) and consequent swelling oil inventories are giving the bulls cause for concern. The World's biggest crude oil buyer had time on its hands worrying more about the oil they had already received that sat motionless in storage tanks than new purchase orders. The extra high demand of golden week didn't materialise as gasoline and diesel inventories edged higher. The Golden buyers stayed at home.

The chinese refinery margins fluttered lower like autumn leaves, it's a problem that's beginning to hurt refinery profit margins across the World as consumers slow their spending. Even the much-anticipated Global diesel shortages and soaring winter demand have faded into the mist. ICE gas oil proves the point, with prices falling during the last 7 days; a huge \$91.00/mt slowed in it's tracks by the mild European weather and slower demand.

Just to turn the screw a bit further on the bulls, America is producing and exporting crude oil at record levels of 13.1 million barrels a day despite a diminishing operational rig count. Another punch into the bull's solar plexus is the news Iran is reported to be exporting crude oil at a rate of just over 3 million barrels a day, not bad for a country supposedly swathed in U.S. sanctions. Clearly, America is looking the other way and for now at least, Iran's freedom to export huge volumes of crude oil is one reason why they remain in the background of the theatres of war playing out in both Ukraine, Israel, and Gaza.

The FED (Federal Reserve bank) has played a part in moving oil prices but for now at least they've temporarily stopped tinkering with interest rates as American inflation loses some of its heat, but nobody is under any illusions, if things get further out of hand and wars escalate those rates will push higher again in the coming months. Despite the bearish tone of many previously bullish drivers, we mustn't forget the "psychology" of the market.

Whilst ICE Brent dipped below \$80 a barrel for a short time this week it will take much courage to drive it lower and back closer to \$70 although a gut feeling says \$70

feels just a little on the low side given the World is staring down the barrel of two major wars, and a potentially wider Middle East crisis, It seems the World is very vulnerable to those who want to pour oil on the fire and for traders calling a price floor or price ceiling in such an environment could be a very expensive act.

In other news.....

One rather important event this coming week will see President Joe Biden and Chinese leader Xi Jinping meet on Nov.15 after a year apart. It's almost certain they will discuss the state of war around the World and talk of the rising tensions over Taiwan must also be on the agenda.

Since they last meet, we've had "spyballoongate" and several trade disagreements (almost certainly to be trebled if the Donald wins the next US election!).

Whilst President Xi wants to calm foreign investors, Biden wants a resumption of military talks and greater transparency. It would seem Xi is the one who needs a good meeting more than Biden does, according to Bloomberg opinion writer Minxin Peiin. He says, "Most obviously, Sino-US tensions are destroying investor confidence and making China 'un-investable,' 'Whichever way you cut it, tensions remain and now in what seems the final straw in brotherly love the days of three beloved pandas residing in American zoos are about to end and will be returned to China by November 15th.

Traditionally China lends or gifts Pandas to other countries as a diplomatic tactic, sign of friendship, goodwill, and cooperation, clearly things are no longer black and white between America and China and so the pandas are going home. We can only hope the panda diplomacy will return some day.



The Panama Canal doesn't have enough water. A lack of rainfall blamed on climate change is leading to a steady decline in the water levels of Gatun Lake, which feeds one of the busiest shipping lanes in the world. Now the artery is clogged, and two giant gas tankers even performed U-turns just miles from its opening and sailed away. New quotas on the number of ships that can enter the passageway are an issue for oil markets, consumer goods and food. Whatever next?!

And finally (maybe) the Dangote refinery in Nigeria has been allocated 5 cargoes of crude oil by NNPC for December ready for the grand operational opening. Make of it what you will.

This week's closing guide prices

Ice Brent

\$81.43 (-4.44)

WTI

\$77.17 (-4.35)

Ice Gas Oil

\$791.50 (-91.00)

Euro Mogas swaps

\$774.00 (-37.00)

Naphtha swaps

\$624.00 (-10.00)

Nymex Gasoline

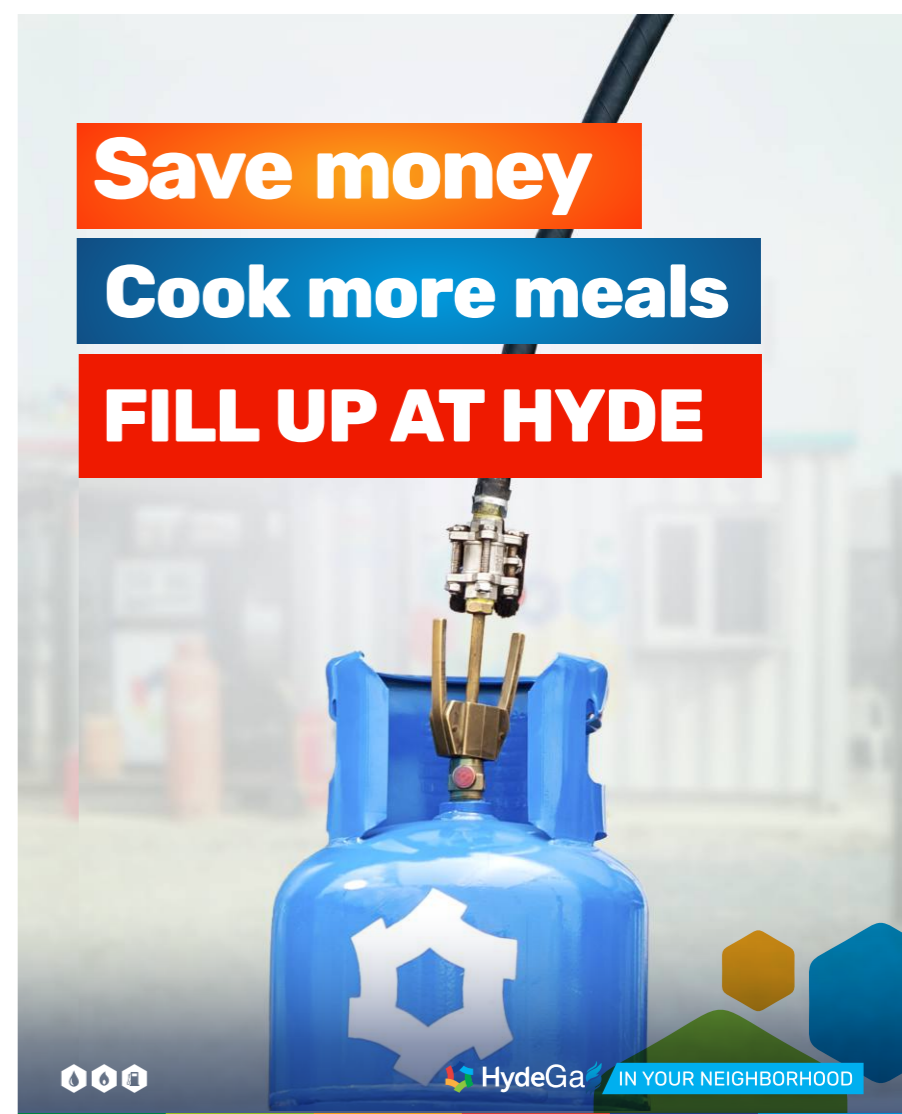
\$2.1895 (-3.22 cents per gallon)

LPG swaps

\$490.00 (-13.50)

Opec Basket

\$83.22



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