

Mixed Messages confuse oil markets.

Crude oil is on a run of four straight weekly falls— the longest losing streak since May. West Texas Intermediate (WTI) traded near \$73 a barrel on Thursday after dropping more than 20% from a high in September.

The global benchmark Brent plunged almost 5% on the same day. The declines followed a build up in US crude inventories and were likely amplified by the automated selling programmes governing WTI options.

As for ICE Brent, well that wandered around the \$80 a barrel mark for much of the week but took a dive to \$77 a barrel on Thursday as those \$80 WTI options expired and took Brent down with it. Once that WTI technical aberration exited stage left, futures prices made a sprightly recovery on Friday despite many still pointing at slowing demand, increasing supply, and wondering why the market recovered from Thursday's mauling. In these days of disruption to oil flows due to wars, weather and broken logistics, reports from key industry analysts and economists are expected to be informative and consistent but in recent times have instead left the reader with more questions than answers, with opinions on the state of global inventories and the supply/demand balance frequently clashing and often contradicting each other, that creates confusion for market investors when dissecting this vital market intelligence.

In that context, despite the "Titanic" look to the market on Thursday, the usual suspects arrived on the scene to paint a different picture again by Friday, as both OPEC and the International Energy Agency (IEA) revised their oil demand forecasts higher, with particularly heavy emphasis on apparent record Chinese crude demand and consumption and a resilient Global economy (at least according to them!). The Chinese demand figures are fascinating, to the casual observer, they seem to have had more ups and downs than a decent quality yo yo given just a few short weeks ago, the IEA talked of a sliding Chinese economy (mainly due to a faltering property market) and swelling crude oil inventories caused by negative refining margins and slowing demand. Now suddenly, both the IEA and OPEC are reporting a new record Chinese crude oil demand of a huge 17.1 million barrels a day and booming.



In essence, whilst both the IEA and OPEC overall global demand figures differed markedly, they both had similar figures for China and that gave OPEC and Saudi Arabia their moment to launch a bullish prediction of their own; suggesting they may roll over the extra voluntary cut of 1 million barrels per day into next year. The hint of a potential rollover was enough for Thursday's battered market to recover all the lost ground and throw the market's future price direction back into the melting pot yet again. It baffles brains why the market believes such psychological teasing (surely investors will see this yet another ploy to stop markets falling and ignore it) but believe it they did, and a market that was sliding firmly lower found a floor and picked itself up yet again by the end of the week. Our old friend, the Saudi oil minister came out of the clouds and did it again punching home more

bullish rhetoric to keep Friday's price recovery going, dismissing the negative market sentiment as overblown, claiming oil market fundamentals remain strong, and the market was being sold down by nothing more than "speculators".

The many investors who seemed settled on the idea that we had just entered a new bearish market; based on rising U.S. crude oil inventories, record American oil production, higher Iranian and Venezuelan crude oil output, weaker Chinese refinery, and economic data (yes, we did see that once upon a time just 3 months ago!) and the first drop in U.S. retail sales in seven months. This negative sentiment persisted and dragged down oil prices to a four-month low until those now infamous IEA and OPEC facts and figures scattered the newly formed bear gang in all directions. Yet again OPEC got the market out of trouble. Their timing is immaculate and who is to say in the remaining days of 2023 they won't convince the bears to take cover allowing the bulls to run off the back of a Saudi trump card.

In other news

President Xi of China met with POTUS Biden in San Francisco for the first time in 6 years on American soil. They would appear to have had a productive meeting coming to agreement on a range of small matters but what stood out was President Xi's wish to be friends with America and to cooperate more rather than compete. President Xi also hit a high note when he said he has no wish for a "Cold War or Hot War" with America, which can only be good news for the World. (And the Pandas are back on the agenda as a peace offering to America from China....see last week's publication)

Refinery margins fell sharply from near-record levels in September and October, as gasoline and fuel oil cracks collapsed, but they remained above the seasonal average. Global refinery throughput rates reached a summer peak of 83.6 mb/d in August, underpinned by record Chinese runs according to the IEA. Refinery crude runs are expected to rise by 1.7 mb/d in 2023 and by 1 mb/d next year.

Russian oil export revenues surged by \$1.8 bn to \$18.8 bn in September, their highest since July 2022. Total oil exports rose by 460 kb/d to 7.6 mb/d, with crude oil accounting for 250 kb/d of the increase. The weighted average crude export price rose by \$8/bbl. to \$81.80/bbl., narrowing its discount to North Sea Dated to \$12.20/bbl., its lowest since March 2022.

Looking ahead 2024 is going to be a key year for the World and for oil markets. Four billion people will be voting in 72 elections of the 71 covered by the Economists Index unit's (EIU) Democracy Index, 43 will enjoy fully free and fair votes (27 of which are EU members); the other 28 do not meet the essential conditions for a democratic vote. Eight of the ten most populous countries in the world— Bangladesh, Brazil, India, Indonesia, Mexico, Pakistan, Russia, and the United States—will hold elections in 2024. In half of these, elections are neither free nor fair and many other prerequisites of democracy, such as freedom of speech and association, are absent. Elections in Bangladesh, Mexico, Pakistan (all hybrid regimes, which combine elements of democracy and authoritarianism), and Russia (an authoritarian one) are almost certain not to bring regime change. We may be squeezing the pips out of what's left of the 2023 lemon, but 2024 is now coming into sharp focus and what happens in those elections may well be the driving force for future oil prices rather than those forged from monthly oil reports.

This week's closing guide prices

Ice Brent

\$80.61 (0.32)

WTI

\$75.89 (-0.85)

Ice Gas Oil

\$805.25 (+17.25)

Euro Mogas swaps

\$752.00 (-12.00)

Naphtha swaps

\$628.00 (+14.00)

Nymex Gasoline

\$2.1845(+1.25 cents per gall)

LPG swaps

\$496.00 (+12.00)

Opec Basket

\$82.22

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