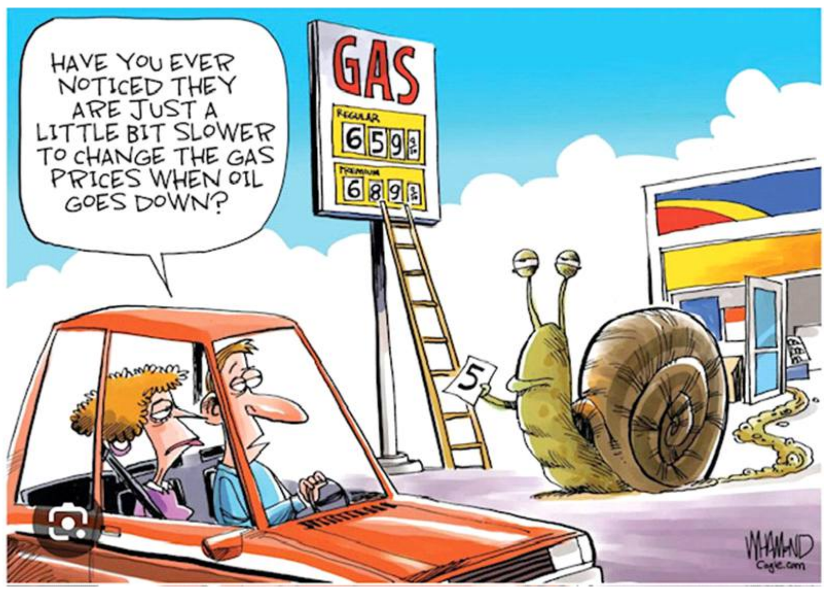
Oil prices fall as Global tensions rise.

On Thursday the 29th of September when ICE Brent hit $97 a barrel, we were just a stone's throw from the much predicted and touted $100 a barrel. On Thursday of this week that euphoria and anticipation had turned into a nightmare as just a mere 7 days later many were struggling to "sell the ranch" as ICE Brent traded just below $86.It didn't end there, relentless selling pushed prices to sub $84 by Friday morning, by the evening ICE Brent had retained some level of dignity by closing at $84.58 a barrel, an amazing $8 a barrel down on the week. Where did it all go wrong?

Monday to Wednesday saw ICE markets faffing around and struggling to hold $90 a barrel, but Wednesday was always going to be a pivotal day, and so it proved to be as it bit the bulls back with a vengeance. The rout began with EIA stats revealing American crude oil inventories had fallen 2.2 million barrels week on week... right in line with predictions... but the gasoline inventories had risen by 6.5 million barrels and that tipped off the $100 a barrel crude oil golden ticket holders that all was not well with consumer demand. Suddenly, American gasoline stocks were 1% above their 5-year average having been as much as 17% below during the last two years.

The stock build came despite reduced refinery runs, (US refinery runs dropped 2.2% week on week to 87.3% of capacity), yet U.S. crude inputs averaged 15.6 million barrels per day during the week ending September 29.This is 463,000 barrels per day less than the previous week's average according to EIA data..... and yet despite this reduction in refinery operations, the gasoline stocks rose in a big way leading us to conclude American consumers are feeling the pinch, all indicators suggesting gasoline demand has dropped significantly as pump prices moved higher stretching yet again the household budget of millions.



Wednesday's next contribution to the crash was OPEC+ who had met via video link and decided to leave output unchanged as "Rome burned" around them. The Saudis of course leaving a little message at the door that another production cut may not be off the table.

Whilst Wednesday left us somewhat bruised and battered another blow for the bulls was waiting in the wings as The Russian government delivered a statement on Friday that it had reversed the ban on international exports of diesel fuel suggesting if Russia had enough to meet domestic demand the rest could leave the country!

These days oil markets are heavily influenced by the American Federal Reserve Bank and this week was no exception. Talks of higher interest rates, signaled by a bond market that isn't behaving as it should, should be enough to keep oil buyers on the sidelines until things settle down. A simple word on bonds as this market seems to be impacting oil prices currently and providing a new problem to deal with! Bond market prices (while not as risky as equities and stocks) reflect debt raised by companies or governments to finance projects or infrastructure. They can fluctuate and can go down. If interest rates rise, the price of a highly rated bond will decrease.

The sensitivity of a bond's price to interest rate changes is known as its duration. A bond will also lose significant value if its issuer defaults or goes bankrupt, and it can no longer repay in full the initial investment, nor the interest owed. Final word on the financial impact on the oil markets is to say the dollar was a little weaker by Friday allowing oil markets to stabilise by close of business.

In other news

Reportedly, Russian oil shipments to India jumped 15% to 1.78 million barrels per day in September according to Kpler with an average discount of around $4 per barrel. India's imports from Iraq rose 9.4% to 934,000 barrels a day. Both the above statistics may give those bullish towards the markets a moment of reflection.

In America ,Valero Energy Corp has shut down certain units of its 290,000 barrel-per-day oil refinery in Corpus Christi following a fire, according to a recent filing with the Texas Commission on Environmental Quality. The filing, made on Thursday, said that the fire at its Bill Greehey—or West plant—had been contained, adding that there were no injuries. "The refinery utilised appropriate procedures to expedite a systematic shutdown of relevant units and minimise emissions," the filing read.

In summary market talk and hype kept us all awaiting the arrival of $100 a barrel oil... and a diesel market so tight that at one stage ICE gas oil prices flipped over $1000 a metric tonne. The $100 trade print may still happen as oil demand is not matching the hype running ahead of it. More dreadful Global events (especially over the weekend in Israel) are happening on almost a daily basis creating greater price volatility, difficulties, and tensions for many. Such tragic events and bullish hype can only keep markets, investors, and traders on edge with the frowned upon knee jerk reactions coming far too often to allow anyone today to trade oil with complete confidence.

This week's closing guide prices

Ice Brent
$84.58 (-7.92)

WTI
$82.79 (-8.41)

Ice Gas Oil
$868.25 (-128.75)

Euro Mogas swaps
$774.00 (-65.00)

Naphtha swaps
$638.00 (-57.00)

Nymex Gasoline
$2.1922 (-20.4 cents per gallon)

Lpg swaps
$532.00 (-18.00)

OPEC Basket
$88.51

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