Oil markets driving themselves into a corner

Oil market prices see-sawed and zig zagged all week, every trader's eyes concentrated on the changing situation between Israel and Hamas.

The whole world is on high alert amidst fears of Iran entering the conflict thus creating deep concern that this war will spread across the Middle East and cut off vital oil supplies from the region to the rest of the world. Despite Iran's threats to contain Israel in what is now described by Israeli Prime Minister Netanyahu as the first and second stages of the Israeli ground invasion of Gaza, Iran's position remains verbally threatening but ambiguous. Despite these fears oil markets dithered. By Wednesday ICE Brent futures had dropped below $88 a barrel but rallied back on Friday evening to $91 after news that Israel's ground invasion had begun and USA military air strikes on rebel bases in Syria had been launched as reprisals for attacks on US interests in the region.

Oil markets have behaved in an odd way this week operating on adrenaline and tension and very little on concrete data. It feels like everyone is waiting for what may be to come rather than what is now (that "now" is oil supply remains handicapped but no worse than it has been since OPEC+ forced their latest production cuts on the world in the name of maintaining a "balanced market") and let's face it, should supply from the Middle East be "choked off" most investors will surely "miss the boat "as the oil market would almost certainly move up too fast for them to buy into the inevitable price rally. We suspect oil options markets are trading heavily.

In case we have been distracted during the last 3 weeks we should not forget Europe's war between Russia and Ukraine rages on, but as the autumn rains start to fall, that conflict may soon literally become stuck in the mud. Recently, the supply/ demand position caused because of this war almost remains unsaid but a quick glance at the latest data suggests that whilst the referee is looking away, Russian crude oil and naphtha exports have increased, although gas oil exports have decreased. Russian crude exports in October appear to have now reached 3.7 million barrels a day (3.44 in Sept and 3.23 in August).As we approach the end of October Gas oil exports which were 957,000 barrels a day in August is now sitting at 641,000 barrels a day whilst Naphtha exports have risen 80,000 barrels per day to 496,000.

It would seem the apparent increase in Russian crude exports ,a possible revival in Venezuelan crude supply (America is relaxing sanctions on at least 250kbd of crude oil supply for 6months) and the fact that American crude oil production sits at a record 13.2 million barrels a day may be enough to keep the lid on prices, although the relationship between America and Iran which has been thawing over the last few months will freeze over again if Iran enters the Middle East conflict as a major player. Such a change would certainly result in the American sanctions padlock being re-applied to Iran with the market in theory at least losing 2 million barrels a day of Iranian oil exports.

In other news:
The excellent "Vortexa" brings to our attention that whilst the gasoline season may be over certain supply flows may well be choked off for economic reasons rather than those halted by wars. They go on to say, the transatlantic arbitrage is closed therefore some European gasoline cargoes normally heading towards the East Coast USA are diverting towards West Africa. Europe's gasoline exports to West Africa are on-track to reach a 7-month high in October, pushing European gasoline supplies to Americas PADD 1 (U.S. East coast) down to the lowest level since March.

The increase in Europe's gasoline flows to West Africa complements reduced exports from the Middle East and India, amid ongoing autumn maintenance at several major refineries with Reliance's Jamnagar, Samref's Yanbu and Satorp's Jubail refineries among others, shut for planned maintenance this month but expected to restart at some point in November. The extra supply leaving for WAF from Europe would appear to be between 100 and 140 kbd.

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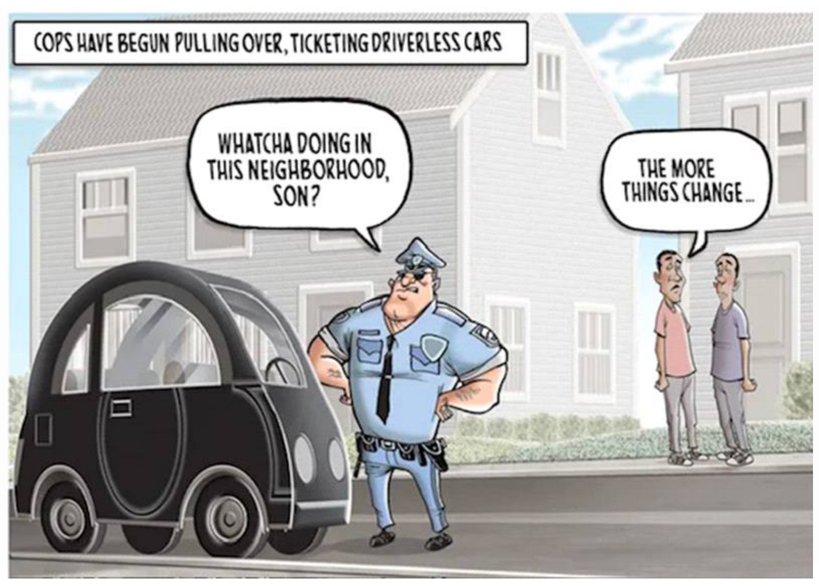
In a lighter moment, and a boost for car insurance companies, a report from General Motors' autonomous car unit, "Cruise", reported that all its driverless car fleets nationwide will be halted after several collisions and a suspension of its license in California. One report suggests one of these cars was even given a parking ticket!



"The most important thing for us right now is to take steps to rebuild public trust. Part of this involves taking a hard look inwards and at how we do work at Cruise, even if it means doing things that are uncomfortable or difficult," Cruise wrote in a post. The San Francisco-based company continued, "In that spirit, we have decided to proactively pause driverless operations across all of our fleets while we take time to examine our processes, systems, and tools and reflect on how we can better operate in a way that will earn public trust."

Maybe AI will have to wait a while yet and think again.

This week's closing guide prices

Ice Brent
$90.48 (-0.84)

WTI
$85.54 (-1.58)

Ice Gas Oil
$878.75 (-33.50)

Euro Mogas swaps
$818.00 (-13.00)

Naphtha swaps
$650.00 (-15.00)

Nymex Gasoline
$2.3125 (- 4.28 cents per gall)

LPG swaps
$569.00 (unchanged)

Opec Basket
$91.68

"Hyde Energy is a reliable global energy trading company with a downstream network. Our expertise to deliver high quality products and services is unrivaled"