

China presents America with a rare earth Puzzle.



A week when oil prices opened a little firmer but dropped into a nondescript state as the days passed. Last weekend, OPEC+ announced a crude oil production increase of 137,000 barrels per day, which is expected to take effect in November. Although the initial reaction was that it was surprisingly low, it is not likely to upset the status quo. Still, according to some sources, last Sunday's 9-minute meeting, which suggests complete agreement between alliance members, seems a little misleading, as Russia clearly planned to limit increases and keep prices stable, while Saudi Arabia more than likely wanted a rise three times bigger.

Although Saudi Arabia and Russia avoided a crisis within the alliance, they may be heading into a few awkward moments in November.

The former wants to recover market share, the latter is defending oil-producing infrastructure against attack, but at the same time stepping on the crude oil export pedal to finance their war in a market that seems dead set on lower crude prices, thus reducing Russian sales revenues.

The oil week toddled along doing little worth mentioning while gold prices hit a once-impossible \$4,000 an ounce, and the S&P hit yet another record high.

On Thursday of this week, the oil markets looked to be struggling to stay awake, until former President Donald Trump introduced several policy initiatives that not only caught the oil market's attention but tipped prices out of bed!

First, he mediated between parties in Gaza, facilitating early steps toward a peace agreement and securing the potential release of remaining Israeli hostages, possibly as early as tomorrow.

This sudden change of direction sent messages of hope and peace across the Middle East, theoretically reducing the chances of further conflict and, in turn, helping to ensure stable oil supplies. Suddenly, oil prices fell again in the face of heavy selling.

What came next to force oil prices even lower took us back a few months into tariff land as China announced a dramatic expansion in its rare-earth export controls, adding five new elements (holmium, erbium, thulium, europium, and ytterbium) and extra scrutiny for semiconductor users, resulting in Beijing tightening control over the sector ahead of talks between Presidents Donald Trump and Xi Jinping.

The world's largest rare-earth producer also added dozens of pieces of refining technology to its control list and announced rules that will require compliance from foreign rare-earth producers who use Chinese materials.

In response, President Trump cancelled his planned meeting with President Xi Jinping next month and announced plans to impose an additional 100% tariff on Chinese imports starting November 1 (or sooner), escalating trade tensions between the United States and China.

In other news—courtesy of Oil Price:

The US Treasury Department imposed sanctions on more than 100 individuals and commercial entities for allegedly purchasing Iranian crude and petroleum products, including the Shandong Jincheng teapot refinery and the Rizhao Shihua oil refinery.

Saudi Aramco acquired Sumitomo's 22.5% stake in the 400,000 b/d Petrorabigh refinery for \$702 million, aiming to support the embattled refinery, which last turned a full-year profit in 2021 and has since generated a net loss of \$3.3 billion.

In retaliation for higher US port fees coming into effect on October 14 after a six-month grace period, Chinese authorities have implemented similar fees on US-built and operated vessels with a ¥400 per net tonne (\$56/mt) levy lower than the US \$80/tonne port fee.

Saudi Arabia's crude exports to China are expected to decline by 300,000 b/d month-over-month after Chinese buyers nominated only 40 MMbbls, even though Aramco kept the formula price of its Arab Light grade at \$2.20 per barrel to Oman/Dubai.

UK supermajor BP has started production from the Murlach oil and gas field in the UK North Sea, marking the company's sixth major upstream project to commence production this year.

This week's closing guide prices:

Name	Price	Last Week
Ice Brent	\$63.73	-2.26
WTI	\$58.90	-2.76
Ice Gas Oil	\$652.50	-20.50
Euro Mogas Swaps	\$647.50	-12.50
Euro Naphtha Swaps	\$522.50	-12.50
Nymex Gasoline	\$1.8204	-3.92 ¢/gal
LPG Swaps	\$423.50	-48.50
OPEC Basket	\$67.09	
Gold	\$4000	