

Wednesday delivers more pain...



Wednesday was the crucial day of the week yet again as Trump's new sanctions on Russia which was an attempt to leverage Vladimir Putin to consider peace talks around the senseless war being waged in Ukraine - Ignited oil prices

The announcement as at Wednesday close of business was worth \$5 a barrel to the upside of ICE Brent. However, prices eased a little lower by Thursday, but investors were too on edge to even twitch after such a dramatic rise in the numbers the previous evening which had given them a shorter time frame to react before the market close.

Yet again the soothsayers and magicians who had persistently forecast ever lower prices in anticipation of a glut of oil to come in the next 3 months were sent packing, when will we ever wake up to the fact this market is geared to shock and awe news rather than the paper mathematics of arb potential and statistics!?

The reaction to Donald's announcement was cuttingly precise, what does this mean for the fate of oil prices going forward, Russian oil supply in the market place, and why did the market act so violently?

We should mull over how the biggest buyers of Russia oil India and China, the root of the problem will react to the sanctions. India's past lack of compliance with those rejecting Russian oil has driven wedges between America and themselves but more latterly India has indicated they are prepared to slow their buying of Russian crude oil probably as a result of a nod and a wink from Donald he was about to act against Russia's oil giants. The recent relationship between America and India could be best described as moody but India are a little stuck in their Russian bed.

Reuters reports they have signed a 10 year supply deal with Rosneft last year to buy 500,000 barrels per day of Russian crude oil, to complicate matters Russia owns a 49% stake in Indian refiner Nayara, whose 400,000 bpd Vadinar refinery relies exclusively on Russian oil.

However, that Indian refiner is subject to European Union and British sanctions already, which have caused it to reduce its operating rates to something around 75% of capacity.

In summary Rosneft (the bigger of the two) and Lukoil (as of late 2024 and early 2025), produced a combined total of roughly 5% of the world's oil supply. This translates to approximately 5.3million barrels per day (bpd).

Should American sanctions stick they will affect oil prices for sure as refiners look to buy alternative grades to Russian, alternative origin crude purchases will comply with the new sanctions leaving unsold Russian crude oil cargoes remaining in the market place but they are likely to be offered at temptingly heavy discounts (as they have since the war with Ukraine began) to market prices so there is no certainty the sanctions will work.

China is also caught up in these new sanctions and very much back in the spotlight because of both that and huge trade talks to begin on Thursday.

The direct impact of the new sanctions on Lukoil and Rosneft and the implications for both India and China will change the dynamics of the oil market but how and when only time will tell always remains aware of the ever present elephant in the room, the prophecy of an oil glut to come and the prediction ICE Brent will soon be pricing in the \$50's.

Nigeria is getting ready to make a bold move at the upcoming OPEC meeting in November. The Minister of State for Petroleum Resources (Oil), Heineken Lokpobiri, revealed that the country plans to push for a higher production quota, saying Nigeria now has the capacity to pump over 2 million barrels of crude per day.

Currently producing about 1.7 million barrels daily (including condensates), the Minister said recent progress in infrastructure repairs, renewed investments, and better security in the Niger Delta have boosted confidence in the sector. If OPEC approves the request, Nigeria could see a major lift in export earnings and more crude available for local refiners like Dangote and Port Harcourt, creating fresh opportunities across the downstream value chain.

This week's closing guide prices:

Name	Price	Last Week
Ice Brent	\$65.69	+4.35
WTI	\$61.50	+3.96
Ice Gas Oil	\$712.00	+77.50
Euro Mogas Swaps	\$689.50	+26.25
Euro Naphtha Swaps	\$537.2	+35.75
Nymex Gasoline	\$1.9227	+9.27 ¢/gal
LPG Swaps	\$427.25	+26.25
OPEC Basket	\$67.25	
Gold	\$4137	