

The Commodities Feed: Chinese oil demand falls

Chinese data continues to point towards weaker domestic oil demand. Despite this, oil prices are trading stronger this morning



Energy - Weak Chinese oil data

Oil prices are trading stronger in the early morning session in Asia today [despite weaker-than-expected data out of China over the weekend](#). The oil-specific numbers were also weak. Chinese refiners processed around 12.6m b/d of crude oil in August, down almost 10% MoM and 17.5% lower YoY. The numbers suggest that apparent oil demand fell below 12.5m b/d, down more than 15% YoY and to its weakest level since August 2022. The numbers also indicate that crude oil inventories in China built at a pace of around 3.2m b/d in August, the largest monthly build in Chinese crude oil inventories going as far back as 2015.

Demand fears have left speculators increasingly bearish towards the oil market. The latest positioning data shows that speculators sold 54,325 lots in ICE Brent over the last reporting week, leaving them with a net short of 12,680 lots, the first time speculators have held a net short in Brent. The move was driven by a combination of longs liquidating and fresh shorts. The gross long fell by 33,861 lots over the week, while the gross short increased by 20,464 lots.

The latest data from Baker Hughes shows that the US oil rig count increased by 5 over the last

week to 588, the highest level since June. However, it is unlikely that this momentum will be maintained given the recent weakness in the market. While spot WTI prices are trading just below \$69/bbl, forward prices are even less attractive for US producers with calendar 2025 and 2026 prices trading at around \$66 and sub-\$65/bbl respectively.

There is little on the energy calendar for this week. Instead, broader markets, including commodity markets will be focused on the upcoming FOMC meeting on Wednesday. While a cut is priced in, the uncertainty is whether we get a 25bp or 50bp cut. A 50bp cut could be slightly bearish for oil as it may raise recession fears.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.