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.

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