

The Commodities Feed: Middle East tensions grow

Oil prices moved higher yesterday with tensions continuing to grow in the Middle East



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Energy – tensions linger

Further tension in the Middle East pushed oil prices higher yesterday. ICE Brent managed to settle a little more than 3.1% higher on the day. Two car bomb explosions at a memorial for Qassem Soleimani (a senior Iranian general who was killed in a US airstrike in Iraq in 2020) left nearly 100 people dead. While it is not clear who was behind the attack, it only adds to the growing tensions in the region.

In North Africa, Libya has also been forced to shut its largest oil field, Sharara, after protesters entered the field, which was producing around 270Mbbls/d ahead of the shutting.

Preliminary production numbers for OPEC are starting to come through. Bloomberg's survey shows that the group's output fell by a marginal 40Mbbls/d MoM to 28.05MMbbls/d in December. Nigeria saw the largest increase over the month, growing by 50Mbbls/d, whilst the UAE saw the largest decline, falling by 70Mbbls/d. Given that some OPEC+ members agreed on additional voluntarily cuts of almost 900Mbbls/d for 1Q24, OPEC output will edge lower this month.

The US Department of Energy announced yesterday that it is looking to buy up to 3MMbbls of sour crude oil for the Strategic Petroleum Reserve (SPR) for delivery in April. This is part of the US government's continued effort to refill the SPR after releasing 180MMbbls from it in 2022.

API numbers released overnight were rather mixed. US crude oil inventories fell by 7.42MMbbls over the week, which is constructive. However, this was more than offset by large product builds. Gasoline and distillate stocks grew by 6.91MMbbls and 6.69MMbbls respectively.

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