The Commodities Feed: Oil prices hold steady

Crude oil prices opened marginally lower this morning as the threat of US oil supply disruptions from the ongoing hurricane faded. Meanwhile, the recent decision of Saudi Aramco to trim oil OSPs has further weighed on the prices

Energy – Saudi Aramco slashes crude oil OSPs

The oil market traded little changed in the early trading session today following the latest decision of Saudi Aramco to trim oil OSPs for Asia due to soft demand. Meanwhile, the latest data from the Hurricane Centre and Bureau of Ocean Energy Management shows that the threats of oil and gas supply disruptions in the Gulf of Mexico are easing as the storm spares major drilling areas and platforms in US federal waters.

Saudi Aramco slashed prices for all oil grades to Asia for a second straight month as it expects extended weakness in demand from the Asian market. The Saudi's flagship Arab Light into Asia decreased by US$0.60/bbl month-on-month to US$1.80/bbl over the benchmark in August. In comparison, the market expected Aramco to lower the official selling price by around US$0.90/bbl for next month. On the other hand, Saudi Aramco raised prices for Northwest Europe and the Mediterranean by US$0.90/bbl for August. Prices of some of the grades in the US were also raised slightly.

Recent reports from Reuters suggest that Rosneft and Lukoil will cut crude oil exports from the Black Sea port of Novorossiysk in July as they resume operations at their refineries. Rosneft oil exports from the port could fall to 0.62mt this month from 1.06mt in June. Meanwhile, Lukoil's exports could fall to just 0.19mt in July from 0.58mt seen last month.

Meanwhile, the latest data from Insights Global shows that refined product inventories in the ARA region fell by 40k tonnes over the last week, to 6.2m tonnes. The decline was driven by fuel oil inventories with stocks falling by 103kt to 1.42mt over the reporting week. However, the build of 102kt seen in the Jet-Kerosine inventories helped to offset the decline reported in the other products stocks partially.

Lastly, data from Mysteel OilChem shows that Chinese state and independent oil refiners cut run rates to 76.1% of capacity for the week ending on 5 July, the lowest in two weeks. Meanwhile, the independent refiners in Shandong reduced run rates to 50.5% of capacity in the above-mentioned period, the weakest since 20 April.

Metals – Chinese steel inventories decline

Steel inventories at major Chinese steel mills fell to 14.7mt (after reporting gains for two consecutive weeks) in late June, down 10.54% compared to mid-June levels, according to data from the China Iron and Steel Association (CISA). Steel inventories are 0.6% lower than in the same period last year. Crude steel production at major mills fell marginally by 0.8% from mid-June to 2.17mt/d in late June, the lowest since 20 April 2024.

Meanwhile, iron ore prices fell this morning after rising for five consecutive sessions and traded around $110/t, despite a fall in the Chinese weekly steel inventories. Market participants continue to focus on robust mine supply and sluggish demand which is expected to leave the global seaborne market in a surplus this year. Along with that, port stocks in China jumped to a two-year high last month which is expected to put additional pressure on iron ore prices.

Author

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com