

# The Commodities Feed: Oil weighed down by US stock build

Oil prices settled lower yesterday with a large increase in US crude oil inventories, while surplus expectations for the global oil market will also be providing some headwinds



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## Energy – TTF fund short grows to record high

It was a choppy session for the oil market on Wednesday, but ultimately a relatively bearish EIA inventory report ensured that Brent settled more than 1.4% lower on the day. US crude oil inventories increased by 5.2m barrels over the last week, driven by a 873k b/d increase in crude oil imports. However, refined product numbers were more constructive, with gasoline inventories falling by 4.73m barrels over the week, leaving US gasoline stocks at their lowest level since November 2022. Seasonally, we should start to see gasoline inventories edging higher in the weeks ahead, as refinery run rates recover following maintenance season. Meanwhile, distillate fuel oil stocks fell by 643k barrels, leaving total distillate stocks around 8% below the seasonal five-year average.

While the outlook for the oil market remains bearish with expectations for a large surplus in 2026, there are clear and obvious risks in the form of potential disruptions to Russian oil flows.

Furthermore, the continued strength seen in refinery margins provides some resistance to the bearish outlook for the crude market. However, a large part of the strength seen in refinery margins is driven by supply concerns rather than due to stronger demand.

Meanwhile, Saudi Aramco cut its official selling prices (OSPs) for all grades of crude oil into Asia for December loadings. The Saudis cut the OSP on the flagship Arab Light into Asia by \$1.20/bbl MoM to leave it at a premium of \$1/bbl over the benchmark – the lowest level since January. The cut in OSPs follows OPEC+ agreeing on another supply hike of 137k b/d for December, while also deciding to pause further supply increases over the first quarter of next year, amid expectations of a growing surplus.

Turning to natural gas, the latest positioning data shows that investment funds cut their net long in TTF by 24.8TWh over the last week to 21.4TWh, the smallest net long held since March 2024. In fact, the investment fund gross short stands at a record high of a little more than 393TWh, despite the European balance remaining vulnerable in the 2025/26 winter, with storage 83% full vs. a five-year average of 92%. The large gross short does leave some positioning risk in the market, particularly if there are any surprises through the heating season.

Finally, given the strength in the EU allowance (EUAs) market over the last week, it is no surprise that investment funds increased their net long in EUAs by 2.6k contracts to 96.5k contracts – the largest position held since May 2021. And given the further strength seen in EUAs so far this week, it is likely that funds have only increased their net long further. The outlook for the EUA market through 2026 is constructive, with supply set to tighten considerably next year.

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