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The Commodities Feed: Trade optimism buoys oil prices

Oil prices edged higher yesterday amid optimism over trade talks. This optimism is offsetting expectations of supply increases from Venezuela



Energy- Venezuelan oil supply set to increase

Oil prices firmed yesterday amid optimism over trade talks, despite the Trump administration reportedly allowing Chevron to resume operations in Venezuela. The move continued in early morning trading today. Roughly two months ago, the US government ended Chevron's ability to produce in Venezuela. This reversal coincides with the release of some Americans detained in the South American country. This should see Venezuelan oil exports increase by a little more than 200k b/d, welcome news to US refiners that will ease some tightness in the heavier crude market.

Trade talk optimism appears to be offsetting expectations for stronger Venezuelan supply. Ahead of the 1 August deadline, the US says it has managed to conclude several trade deals this week, including with Japan and the Philippines. It looks like talks with the EU are moving in the right direction. These deals should help reduce uncertainty and also ease some of the demand concerns that have been lingering in the oil market.

ICE gasoil cracks have weakened recently, falling back below US\$25/bbl, after hitting US\$28/bbl

earlier this week. However, cracks remain at elevated levels amid tightness in the middle distillate market. In Europe, gasoil inventories in the Amsterdam-Rotterdam-Antwerp region fell by 8kt week on week to 1.75mt, the lowest level since January 2024.

While distillate stocks in the US increased by 2.93m barrels over the last week, they are still at their lowest level for this time of year since 1996. In Singapore, meanwhile, middle distillate stocks fell by 1.19m barrels WoW. The strength in middle distillate cracks has pushed refinery margins higher, which should see refiners increase run rates. OPEC+ supply increases should also increase the availability of medium sour crude moving forward, helping to push middle distillate yields higher.

US natural gas prices settled higher yesterday, ending a three-day streak of downward pressure on prices. The Energy Information Administration reported yesterday that US natural gas storage increased by 23 bcf over the last week, which was lower than the 27 bcf increase the market was expecting and below the 5-year average increase of 30 bcf.

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