

09:09 09 Aug 2019

Crude stockpiles rise amid "growing evidence of an economic slowdown"

Mid-summer is not the time of year the market expects a stock build, but additional barrels added to inventories last week surprised traders.

The looming escalation of the trade war is causing nervousness and in Friday trading, Brent crude was priced above US\$57 with WTI holding above US\$52 a barrel.

The market lost more than 4.5% mid-week when the US data on inventories was released.

We're seeing a slight recovery as the week closes. This took prices to an unexpected seven-month low and fears of slowing demand compounded the decline.

Build in barrels

The US Energy Information Administration reported a build of 2.4 million barrels when the market had anticipated a fall of about this much. Inventories have been declining in recent weeks yet holding above the five-year average.

Gasoline inventories were also up more than 4 million barrels and distillates rose 1.5 million barrels. This is the highest inventory figures recorded for this time of year.

We're still in the driving season, so supplies could have been expected to decline rather than build.

Tough talk about the all-out trade war with China and additional tariffs on imported goods has traders running scared. An additional 10% duty threatens global trade, but US President Donald Trump is determined to bring the Chinese to the table, despite indicating that a trade war will not be drawn out.

The beginning of September is the deadline, with little response in his favour as of yet. Analysts at PVM Oil Associates said that China could use their high oil imports from the US as a bargaining tool in negotiations. China is currently importing about a quarter of a million barrels of oil a day from US supplies.

Oil demand growth

Oil demand growth has been revised downwards this year by OPEC and the International Energy Agency but this week the IEA decided a further revision was needed. Looking ahead to the rest of this year and 2020, the agency says it expects growth to be lower by 100,000 barrels a day for this year.

That puts total demand growth at 1.1 million barrels a day. Looking at 2020, it expects a decline of 50,000 barrels putting total demand growth at 1.3 million barrels a day. The IEA says it's all about the "growing evidence of an economic slowdown," which will impact demand for energy as well as the pending trade war between the US and China.

The agency sees lower demand in the US also at a time when supply is abundant with American production expected to rise above 12 million barrels a day this year.

The investments banks are now looking at lower price revisions with Standard Chartered saying that Brent should

Share Information

Code:**Listing:****Sector:****Website:**action@proactiveinvestors.com

average US\$66 for the year and WTI down to US\$57 a barrel.

Little change in geopolitics

There's been little change in the geopolitical situation in the Middle East, but most analysts see this priced into the market. The nuclear treaty stand-off between the US and Iran continues with no resolution in sight. The powers that be remain concerned for global maritime safety but tankers remain seized as everyone searches for a resolution.

OPEC stands ready to react to market swings and reports this week say that Saudi Arabia was calling on other producers to pay close attention to the recent slide in oil prices.

Saudi Arabia has said it intends to maintain exports around 7 million barrels a day. The UAE energy and industry minister, Suhail Al Mazrouei took to twitter to say that Abu Dhabi will support actions to maintain balance in the oil market.

The minister is currently in preparation mode for the World Energy Congress to be held in Abu Dhabi in early September, where the OPEC joint monitoring committee will meet and review the global oil situation

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.