

## MNI Oil Weekly: Supply Signals Pressure Crude

By Andrew Couper and David Lee (22/10/2025)

### Executive Summary:

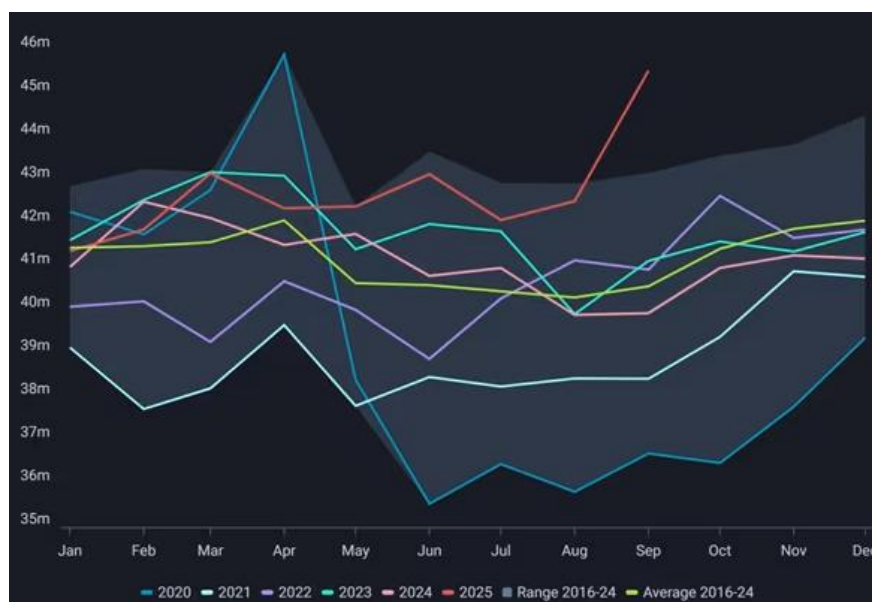
- **Supply Signals Pressure Crude:** A number of key signals point to oversupply for global crude markets into October, a fear widely touted earlier this year once OPEC+ meaningfully began unwinding voluntary cuts.
- **Oil Markets:** Crude markets have rallied amid reports that the US and India are closer to a trade deal after bearish sentiment weighed on crude pricing last week. Gasoline cracks are facing pressure this week from the Dangote gasoline unit restart while diesel cracks have risen this week after further Ukrainian strikes on Russian oil refineries.
- **Analyst Views:** See oil market views and outlooks from key industry names.

### Supply Signals Pressure Crude:

Oil markets have been trying to weigh up whether growing supply onto the market can be soaked up or whether it leads to a substantial longer term glut as OPEC and non-OPEC supply floods the market.

- On the demand side, China stockpiling has formed a key component of soaking up supply this year, but recent figures suggest that trend has slowed – leading to further pressure on near term pricing.
- The overall oil surplus averaged 1.9 mb/d from January through September 2025 according to the IEA. Crude oil prices remained largely resilient, as stock builds were concentrated in areas that have less direct influence on price formation, notably crude in China.
- Observed global oil inventories built by 225 million barrels from January through August, reaching a four-year high of 7.9 billion barrels the IEA reported. More than one-third of the increase occurred in Chinese crude stocks, which now sit 30% above their 2019 level.

Global Crude and Condensate Exports – Source: Vortexa



- In September, global crude and condensate exports reached near-peak levels of over 45mbd, similar to those seen in April 2020 according to Vortexa.
- The unwinding of OPEC+ production cuts began to show up in September, as export volumes jumped to a 29-month high of 22mbd. Saudi led the charge while Kazakh non-compliance remains a key supply factor and Ukraine's drone strikes on Russian refineries causes it to push more crude onto the water. Non-OPEC supply from Guyana, Brazil and the US also add supply support.

### Oil in transit soars – source: Bloomberg graphics/Vortexa data



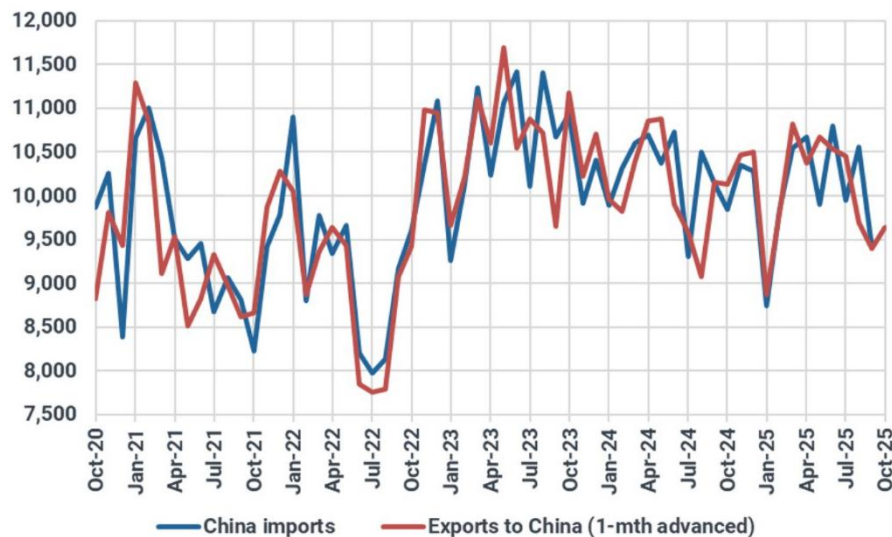
- The impact of higher global exports is apparent on oil in transit which has soared to new high's this month. A total of 1.24 billion barrels of crude and condensate was moving on tankers in the week to Oct. 17, Vortexa reported.
- This is starting to play into the narrative in the market this year of a Q4 glut developing, pressing near time pricing and supporting storage plays while longer transits also play their part.

### Crude tanker TCE Index's - Source: Baltic Exchange



- The surging level of crude on the water has sent crude tanker rates surging – most notably for VLCC's but also smaller tankers.

**China Crude Imports vs Exports to China** – Source: Kpler



- Chinese crude imports dipped last month, along with inventory levels. Flows bound for China (a good indicator for imports the next month) ticked higher last month, but the increase was limited. Kpler said it expects inventories to remain flattish this month unless there is a ramp in Iranian floating storage brought onshore.
- There was also a big m/m drop in Chinese allocation of Saudi's November exports (from >50 Mbbls to <40 Mbbls) - already hinting at a third consecutive month of no stockbuilding from China.
- Signs of stockpiling weakness out of China and rising production in key markets looks set to sustain pressure on crude through Q4 until something gives. Short term support comes over U.S./India trade optimism on the idea India back away from Russian barrels – something that would appear unlikely to meaningfully transpire at present.

## Oil Markets:

Crude markets have rallied on Wednesday amid reports that the US and India are close to a deal. Bearish sentiment weighed on crude pricing last week with US-China trade tensions adding to demand uncertainty and rising global supplies.

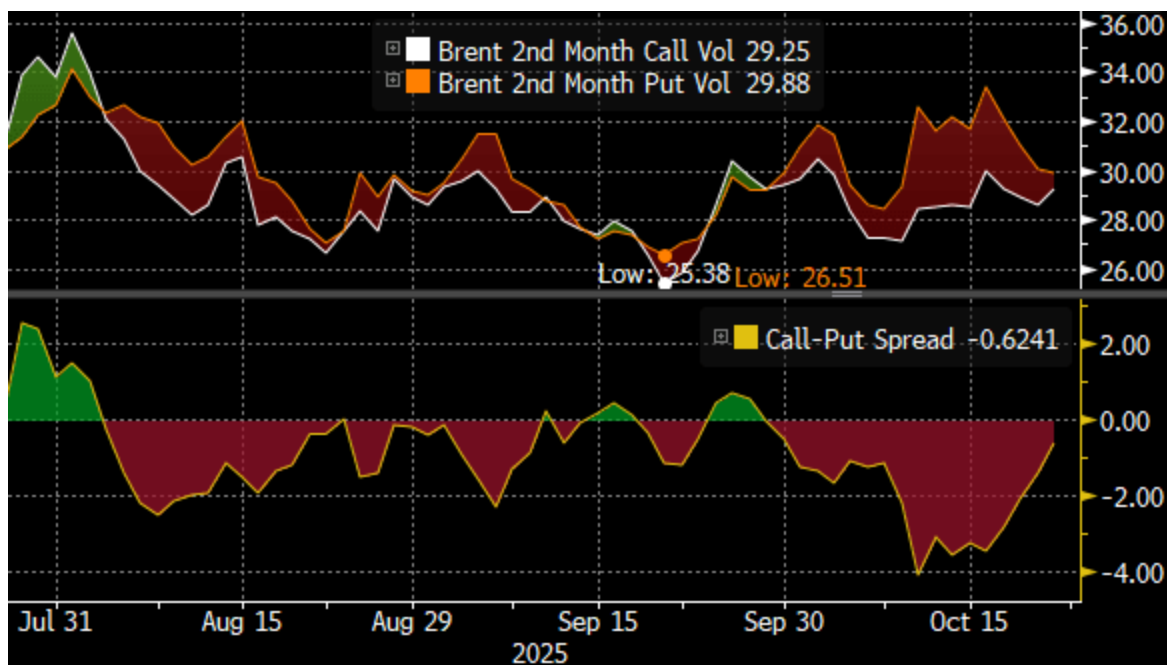
- Signs of the expected market surplus have started to appear with rising volumes of oil on water while building storage in China has slowed. Risk of a market surplus weighs as more than 1.15bn barrels have been amassed on the world's tanker fleet, according to Vortexa, the largest amount since 2020.

### Markets:

Crude time spreads have also recovered some ground after extending the recent downward moves last week. The Brent Dec25-Dec26 spread showed the strongest contango since the start of June at a low of -\$1.24/bbl on Oct. 20.

- The near term Brent crude call-put spread has narrowed this week to the least bearish since late September driven a decline in put volatility. The Brent second month 25 delta call-put spread has narrowed to around -0.6% from around -4% as week ago. Dec26 call-put spreads have resumed the narrowing trend after a paused last week following the IEA forecast of another record surplus for next year.
- Money managers cut net long Brent crude oil positions in the week to Oct. 14 to the lowest since May 6. The long only position was the lowest since May and short only was the highest since Sep. 2024.

Brent second month 25 delta call-put volatility spread – Source: Bloomberg





**Russia:**

Plans for a summit between Trump and Putin in Budapest have been shelved after an apparently unproductive phone call between US secretary of state Marco Rubio and Russia's foreign minister Sergei Lavrov. However, Hungarian Prime Minister Viktor Orban has said that preparations for the discussions will continue.

- European diplomats said countries were working with Ukraine on a new proposal for a ceasefire along current battle lines. Some 35 allies of Ukraine will meet on Friday in London for a summit among countries willing to provide long-term support to Kyiv.
- Turkey is set to maintain its imports of Russian Urals crude oil in October at around 280kb/d, unchanged from September, according to LSEG data and Reuters sources. Turkey shows continued demand for Russian barrels due to its competitive pricing compared with other grades available in the Mediterranean.
- Russia's four-week average seaborne crude shipments in the week to Oct. 19 rose to the highest since May 2023 at 3.82mb/d, according to Bloomberg. Drone strikes on Russian refineries and diversion of crude to export terminals may have contributed to the recent increase in shipments while production has been increasing under the OPEC+ agreement.
- Shipments may be close to a peak with ports operating close to historical highs while effective capacity at export terminals may be set for a seasonal downturn into winter. Russia's port of Novorossiisk has reached maximum capacity to export, according to Reuters sources, leaving traders struggling to reroute the crude oil that cannot be refined domestically.
- Earlier this month Denmark announced tighter regulation of oil tankers located at Skagen Red as Europe targets Russia's shadow fleet. The enhanced checks introduce a new layer of operational risk, including the potential for costly delays, demurrage charges, and vessel rejections, Kpler said.

**India:**

A US-India trade deal is apparently close to completion which would allow the current 50% US duties to be reduced to around 15%, according to Bloomberg citing Mint. The agreement could be announced at the 26-28 October ASEAN meeting.

- US President Trump appeared to signal that India would curb rather than halt Russian oil purchases. India's government as previously suggested purchases would continue if economically viable. Trump told reporters on Oct. 15 he had received assurances from Modi that India would halt its purchases "within a short period of time."
- India said the cut was not yet visible, though it could be reflected in import numbers for December or January, Reuters sources said. The Indian gov. has not yet informed refiners of a request to cut Russian imports, the sources added.
- India's Reliance Industries bought Middle Eastern crudes last week and may place more orders, in a sign that Western pressure against Russian flows may be starting to impact its procurement patterns, Bloomberg reports.

- Indian refiners IOC and HPCL have bought Guyanese crude oil from Exxon Mobil in rare purchases from the South American producer, Reuters said. Diversified crude sources could help refiners to replace some imports of Russian oil.

#### China:

China's crude oil stockpile flows dropped sharply in September as lower imports and higher refinery processing cut the surplus available for storage, according to Reuters' Clyde Russell. China's surplus of crude stood at 570k b/d in September, down from 1.01m b/d in August.

- Imports dropped in September to 11.5m bbl, the lowest level since January, as refiners trimmed purchases after prices surged in June during the Israel-Iran conflict. China's crude oil imports from the trans-shipment hub of Malaysia fell in September to the lowest since August 2023, according to Customs data.
- China's onshore crude inventories fell to 1.17 billion barrels this week from a record high of 1.2 billion barrels in mid-August, due to draws in commercial stockpiles, according to Kayrros. China's commercial stockpiles fell to about 756m bbl, but strategic reserves have remained unchanged at around 415m bbl over the past two months. The draw is "consistent with the seasonal trends" said Antoine Halff and no "conspicuous draw" was detected in the Rizhao area, he said.
- US Treasury Department sanctions against the Iran oil trade, announced last week, included the Rizhao Shihua crude oil terminal, which handles about 9% of China's crude imports.
- State-owned oil companies in China have paused crude stockpiling, shifting to drawdowns, following the US sanctioning of the key import terminal, according to Vortexa on Oct. 14.
- China has set the crude oil import quota for non-state trade at 257m metric tons for 2026, a commerce ministry statement showed, unchanged from the quota for 2025, Reuters says.

#### OPEC:

The Kuwaiti Oil Minister said OPEC is planning to hire one of the top consulting firms to assess member productive capacity. As quotas are rising, spare capacity will become increasingly important as the organization may not be able to ramp to meet any demand shock.

- Russia's Orenburg gas plant has restarted receiving gas from Kazakhstan's Karachaganak field, Kazakhstan's energy minister said on Oct. 22 and production at Karachaganak will be gradually restored.
- Output at Karachaganak on Monday was down to between 25k and 28k metric tons from the usual 35k to 35.5k metric tons, sources told Reuters, following a Ukrainian drone attack on the Orenburg gas processing plant at the weekend with no alternative to process gas from the field.
- Tengizchevroil will carry out planned maintenance at the Tengiz field in November, Bloomberg reported. The work will lead to around a 150k b/d reduction in production. Kazakhstan's Tengiz oilfield has been undergoing maintenance which is due to be completed on Oct. 24, Energy Minister Erlan Akkenzhenov said.
- Loadings of Caspian CPC Blend are expected to fall to 1.5m-1.6m b/d in November, compared with a record 1.72m b/d in September, and supporting Caspian CPC Blend differentials, according to Bloomberg.

- The restart of Kirkuk crude oil flows via the Ceyhan pipeline has exceeded expectations, with Kurdish oil exports averaging a robust 178k b/d so far in October, according to Kpler. The initial loading pace is significantly stronger than the pre-shutdown volume, which historically averaged 50-90k b/d and only occasionally peaked above 100k b/d.
- Floating storage of Iranian oil grew after the US sanctioned a key Chinese import terminal last week exacerbating the impacts of weakened demand from teapots, Bloomberg reports. The number of Iranian barrels held at sea climbed to over 31m since last week, the highest since mid-July, according to Kpler. Vortexa figures show a similar trend.
- Discounts on Iran Light widened in the past month to over \$7/bbl to ICE Brent, following fresh sanctions last week, according to traders but interest remains tepid due to tight quotas.

### Americas:

The US will buy 1mbbl for the SPR for December and January delivery to take advantage of low prices. Trump has vowed to refill the reserve which currently holds 408mbbl of its 700mbbl capacity.

- Canadian crude exports to China are on pace for a record month as Beijing looks away from purchasing oil from the US, according to Bloomberg. About 5mbbl have left Vancouver for Chinese ports so far in October, the most in a 15-day period to start the month, according to Vortexa data. China recently imposed retaliatory port fees on US-linked vessels which have shot up the freight rates for US to Asia.
- Kpler forecasts that overall US crude supply will enter a downward trend in 1H 2026, suggesting a future tightening of the domestic market. The growth trajectory appears unsustainable given the number of active rigs in the Permian Basin has fallen to between 250-260, a steep fall from the 300+ rigs seen last year.

### Japan:

Japan's crude oil imports for October are positioned to reach an annual high near 2.5m b/d if all vessel discharges are realised by the month end, according to Kpler. The aggressive feedstock loading is linked to the seasonal recovery of domestic refining operations and is structurally aligned with the post-summer maintenance cycle concluding in October.

## Oil Products:

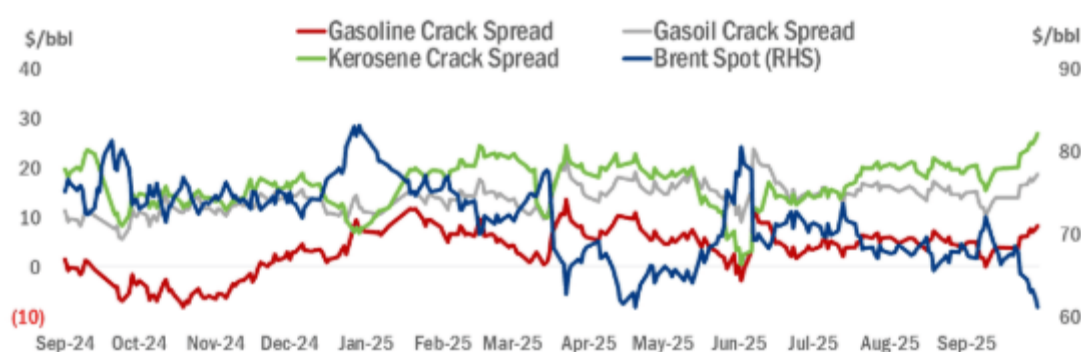
**Gasoline cracks** are facing pressure this week after a rally last week amid reports that **Dangote's gasoline unit has restarted** as planned. Diesel cracks have risen after further Ukrainian strikes on Russian oil refineries over the weekend, alongside ongoing global seasonal refinery maintenance

- **ICE Gasoil net longs** fell again in the week to Oct. 14 to the lowest since mid-June to extend the decline seen last week
- **Ukrainian drone strikes** on Russian refinery facilities since early August have led to tighter domestic fuel markets and a drop in oil product exports. Russian oil refineries are set to postpone planned maintenance in order to saturate the market with fuel according to Energy Minister Sergei Tsivilev on Oct. 15.
- Ukraine's drones hit the **Orenburg gas processing plant** as well as the **Novokuibyshevsk oil refinery** in Russia over the weekend. The attack on the Novokuibyshevsk oil refinery damaged a primary crude oil processing unit and caused a fire and a series of explosions, according to Ukraine's general staff.
- Ukrainian drones also struck an oil refinery in Russia's Saratov Oblast overnight on Oct. 16. **The Ufaneftkhim oil refinery** halted crude processing at least at one of its four CDUs after a fire broke out following a drone attack on Oct. 15, Reuters reports.
- Total **Russian seaborne refined fuel shipments** fell to the lowest since at least the start of 2022 to an average of 1.88mb/d in the first 10 days of October, according to Vortexa data cited by Bloomberg. A slight rebound in diesel was set against a record low for naphtha shipments.
- **The European Commission** published on Oct. 16 updated guidelines on the documentation and due diligence required for complying with the import ban on refined products processed from Russian oil set to take effect on Jan. 21. Operators should exercise enhanced due diligence especially in cases where shipments come from Turkey, India or China, or countries known for mixing crude of various origins.
- **Global clean product exports**, excluding LPG, rose to seasonal highs over 25mb/d in September, according to Vortexa. The rise was driven largely by middle distillate and gasoline margin strength but with uncertainty over demand to absorb the barrels. Seaborne exports growth is driven by exports from India West Coast, Northwest Europe and the Med and strong margins enabling refiners to run harder pushing out more barrels on the water.
- **China's crude oil throughput** in September rose 6.8% on the year earlier to the highest since Sep. 2023 at 62.69m tons, NBS showed. Jan-Sep. throughput rose 3.7% on the year to 550.81m tons, or 14.73mb/d.
- **China apparent oil demand** rose 6% year on year to 15.03mb/d compared to 14.53mb/d in August, according to data compiled by Bloomberg. Apparent demand for Jan-Sep. was 3.33% higher on the year at 14.46mb/d.
- **Throughput was boosted** by refinery operating rates rising to their highest so far this year. CDU capacity utilisation rates at domestic state-owned refineries in China were up 3.55 percentage points on the year at 81.05% while rates at independent refineries were up 3.02 percentage points to 62.17%, OilChem said.
- **CDU capacity utilisation rates at China's state-owned** refineries are expected to fall in the week to Oct. 23 according to OilChem, primarily due to state-owned refineries scaling down the crude throughput as well as Lanqiao Petrochem and Xinhai Petrochem starting overhaul. CDU capacity utilisation rates at China's state-owned refineries fell by 1.03%pts in the week to Oct. 17 to average at 81.23%, OilChem said. By comparison, CDU capacity utilisation rates at independent refineries in China fell by 0.28%pts on the week to 61.96%.



- **China's Sep. domestic crude oil production** rose 4.1% year on year to 17.77m tons, or 4.32mb/d, and with year to date up 1.7% at 162.63m tons or 4.35mb/d, NBS data showed.
- **China's gasoline demand** is projected to contract this week with the absence of holidays, and travel frequency will also subside as temperatures fall, OilChem said. The gasoil demand recovery is still underway with slow progress of outdoor projects in the southern part of China and ongoing harvest season in the northern region. China's gasoil demand in October is estimated at 597,000 mt/d up 2.1% from September but 3.4% lower year on year.

China Refined Oil Crack Spread (\$/bbl) – source: OilChem



- **China's refined oil exports** are seen at 3.33m mt in October compared to 2.08m mt in September, according to OilChem. The third batch of export quotas totalling 8.395m mt was issued in late September. OilChem said that this was likely the last batch to be released in 2025.
- **Nigeria's Dangote refinery restarted** production at its 204k b/d gasoline unit as planned on October 19 at a run rate of 60%, according to IIR cited by Reuters. The unit is expected to maintain that rate until a planned maintenance shutdown between Dec. 2025 and Jan. 2026 is completed, IIR added. Kpler data shows gasoline exports from Europe to West Africa on track to reach about 300k b/d in October, their highest since May.
- **Nigeria's Dangote oil refinery** is expected to purchase fewer than 300k b/d of crude this month and more than 50% down from a peak in July, according to Bloomberg. Limited buying could persist into next year and keep supporting gasoline prices.
- Less than two years after the 650k b/d Dangote refinery's 2024 launch, the Nigerian billionaire Aliko Dangote is now **seeking to double the facility's size** with Middle Eastern backing, which would make it the largest refinery in the world, Platts said.
- SK Energy suspended regular maintenance of the No. 2 residual fluid catalytic cracker unit at the 669kb/d **Ulsan refinery** in South Korea following a fire on Oct. 17, according to a regulatory filing. Maintenance at the 170kb/d No.3 CDU, RFCC and a residue desulphurisation was originally planned from mid-October until around Nov. 20. Downstream petrochemical units remained unaffected with sufficient feedstock supplies to continue production, Argus added.

- **BP's Whiting refinery** had a fire on Thursday at the larger of its two fluid catalytic crackers resulting from an exchanger leak according to Bloomberg sources. BP was trying to restart the unit according to the sources suggesting its not significantly damaged. Runs at the refinery were already lowered for fall turnaround.
- **Marathon Galveston Bay** refinery reported controlled shutdown of a unit after valve leak on a catalyst line, and vent streams were sent to the flare system for control.

## Analyst Views:

### Bank of America:

Bank of America said that if US-China trade tensions escalate in the midst of an OPEC+ production ramp-up, Brent could drop below \$50/bbl, according to a report cited by Rigzone.

- Nevertheless, BofA is maintaining its Brent price forecast of \$61/bbl in Q4 2025 and \$64/bbl in Q1 2026.
- Rapid strategic oil stockpiling in China and a looming surplus in 1H26 have resulted in an odd term structure in Brent, with backwardation in the front and contango in the back of the curve.
- "Yet, oil prices have come down quickly in recent days as China reimposed some limits on rare earth metals, the US threatened China with fresh tariffs, and Iran threw down the gauntlet by turning on transponders to show the world where its oil is going," BofA said.
- The bank notes that the crude curve structure is an outlier and is unlikely to last.
- BofA notes that rising oil-on-water tends to lead to a rise in onshore inventories, though the process can take around 3 to 4 months.
- Oil balances "could look cleaner" by 2H26 thanks to fiscal and monetary policy easing and a relatively weak USD.

### JPMorgan:

Softness in oil demand seen in early October persisted into the second week, with both US and Chinese port activity continuing to weaken, according to JPMorgan.

- Global oil demand averaged 105.6m b/d in the first two weeks of October, expanding by 250k b/d y/y but 110k b/d lower than the bank's estimates.
- In China, the slowdown was largely due to the mid-autumn festival break, while in the US it reflected the end of front-loading and the impact of higher tariffs.
- Europe's German truck toll mileage fell 1.4% y/y, marking eight consecutive weeks of decline and East Asian naphtha imports have also eased so far this month.
- US air travel remains robust, with throughput rising 6% y/y through Oct. 14, outpacing seasonal averages, according to TSA data.
- Globally, liquid inventories expanded by 23m bbl last week, marking the sixth consecutive weekly build and bringing the year-to-date increase to 305m bbl.
- The surge has been fuelled by a 264m bbl rise in crude stocks and a 41m bbl gain in oil product inventories.
- Year-to-date, global oil demand has risen by 0.79m b/d, below a projected 0.82m b/d.

**Morgan Stanley:**

Tightness in middle distillates in Q4 could support the current strength in European refining margins into early 2026 although upside from current levels could be limited, according to Morgan Stanley cited by Bloomberg.

- Q3 margins are their strongest since the Q1 2024 with gasoline and diesel cracks supported by outages at Russian refineries and Dangote. Current unplanned outages in Russia are estimated about 1.7mb/d
- September was the strongest month in Q3 with Morgan Stanley's indicator margin about \$16.7/bbl.
- "Many of the factors that have driven the persistent tightness in the European middle distillate market remain unresolved, which should support further tightness this winter"
- "Autumn refinery maintenance will limit regional output, with reduced Russian diesel exports also raising the risk of supply shortages"

**UBS:**

Oil prices are expected to stabilize around current levels, according to UBS cited by Reuters.

- Prices could come under pressure if trade tensions escalate further although not the base case.
- The oil market is seen as oversupplied, but not to the extreme that the IEA is currently forecasting.