

MNI Oil Weekly: U.S./India Trade Deal Remains Fragile

By Andrew Couper & David Lee (28/01/2026)

Executive Summary:

- U.S./India Trade Deal Remains Fragile:** Comments by U.S./Indian officials suggested a trade deal was nearing on a drop in Russian oil flows, but U.S. comments on Wednesday suggest there is more work to do. Regardless of its near-term outcome, Russian oil flows are losing an outlet.
- Oil Markets:** Crude prices are holding onto gains and near the highest since Sep. as the market monitors geopolitical risks in Iran, a slow recovery in resumption of Kazakhstan supply, and cold weather in the US. Diesel cracks are near the highest since November as US refineries face disruption and with the surge in heating demand.
- Analyst Views:** See oil market views and outlooks from key analyst names

U.S./India Trade Deal Remains Fragile

The US-India trade deal, anticipated to address tariffs and enhance bilateral economic ties, remains in an advanced but uncertain stage as of January 28, 2026. Progress has been tied closely to India's reduction in Russian oil imports, a key US demand amid geopolitical tensions stemming from Russia's invasion of Ukraine.

- Initial optimism arose from US Treasury Secretary Scott Bessent's comments on January 24, suggesting a path to removing the 25% tariffs imposed on Indian goods in August 2025 due to India's Russian oil purchases reducing. However, US Trade Representative Jamieson Greer's remarks on January 28 indicate that India has "a ways to go" to fully satisfy US concerns around Russian oil, potentially delaying the deal.
- This comes amid India's diversification of oil sources, a slump in Russian imports to 1.2-1.3 mn bpd (down from 1.8mn bpd in November), and broader trade shifts, including a new EU-India deal criticized by the US. The outlook hinges on India's sustained pivot away from Russian crude, which could lead to tariff relief but risks fragility due to ongoing negotiations and global oil dynamics.
- Preliminary data for January 2026 shows further declines, averaging 1.12 million bpd in the first 25 days of January Bloomberg/Vortexa reports.

India Imports of Russian crude by destination terminal and total Russian crude arrivals (mbd) – Source: Vortexa



Reduction in Flows:

India's Oil Minister Hardeep Singh Puri confirmed on January 27 to Bloomberg TV that imports from Russia fell from 1.8 million bpd to 1.3 million bpd, with potential for further drops.

- He said India now imports from 41 nations, up from 27, emphasizing Middle Eastern grades as a key replacement.
- The pullback has left Russia with excess crude: shipments averaged 3.18 million bpd in the four weeks to January 25, down 680,000 bpd from pre-Christmas peaks. Consequently, tankers carrying Russian oil are idling off India's coast and near Oman, with some redirecting to China. Russian floating storage is surging.

Indian Diversification:

India's crude/condensate imports are on track to reach record levels of 5.2mb/d in January, Vortexa said. A surge in non-Russian crude arrivals more than offset the decline in Russia-origin crude imports.

- Russian arrivals are expected to fall to a two-year low in January with the drop concentrated at terminals linked to Reliance and HMEL. An overall decline in Russia crude imports to India is expected in the coming months. If a successful US-India trade deal is reached, the decline in NOCs purchases will outweigh any potential resumption in Reliance purchases.
- Higher arrivals are anticipated of sour crude from the Middle East, U.S. and Canada, and sweet crude from South America and West Africa when the Brent-Dubai arbitrage economics are favourable.

EU-India Deal and US Reaction:

India's new trade deal with the EU, signed last week, has drawn US criticism. Bessent accused the EU of "financing the war against themselves" by partnering with India amid US tariffs on Indian Russian oil buys (ABC News interview). The White House views this as undermining US pressure.

Outlook:

The US-India deal's success depends on India's continued reduction in Russian imports, potentially outweighing any minor resummptions (e.g., by Reliance) and leading to higher demand for Middle Eastern, US, Canadian, South American, and West African crudes.

- Greer's caution suggests negotiations remain "fragile," with risks of further US pressure if imports rebound. India's diversification strengthens its position but trade progression with the EU and Canada
- As it stands, US/India trade talks may drag out further, sustaining pressure on Russian barrels that only really have an outlet in China and will be forced into stronger discounts than they have achieved in recent years.

Oil Markets:

Crude prices are holding onto gains and near the highest since Sep. as the market monitors geopolitical risks in Iran, a slow recovery in resumption of Kazakhstan supply, and cold weather in the US.

Markets:

The prompt Brent 1-2 spread has risen to the highest since July and Jun26-Dec26 spread the highest since Jan 2025 despite the expected return of Kazakhstan supply and previous oversupply concern with focus on geopolitical risks, particularly in Iran.

- Crude call volatilities are still holding a strong premium over the puts. The second month call-put skew is just below the highest since June around +9% on Jan. 28.
- Money managers increased net long Brent and WTI crude positions to the most bullish since August in the week to Jan. 20. Brent net longs are the highest since September and WTI the highest since early August.

Brent Second Month 25 Delta Call-Put Volatility Spread – Source: Bloomberg Finance L.P.



Kazakhstan:

On Jan. 28, Kazakhstan's energy minister, Yerlan Akkenzhenov, said the Tengiz field is restarting in stages and is aiming to reach full potential within a week. Reuters reported on Jan. 27 that Tengiz is likely to have restored less than half of its normal production by February 7 as it slowly recovers from a fire and power outage.

- The shutdown at Tengiz and Korolev had led to a loss in oil production of about 900k tonnes, or 7.2mbb. He said the lost volumes would be made up and that overall Kazakh production would not be affected in annual terms. Kazakhstan is likely to be within the OPEC+ quotas due to the oil output decline, Energy Minister said.
- The CPC Black Sea terminal has concluded repairs and resumed operations of mooring 3 after running at reduced capacity since a drone attack in November damaged mooring 2.
- The restart of CPC's SPM-3 and the gradual recovery at Tengiz are bearish for Mediterranean light sweet crude differentials, Platts said. Loadings of CPC Blend at the Black Sea terminal have picked up sharply after

a second mooring returned to service, Bloomberg said. Around 2.64m mt of CPC Blend have been shipped so far this month, equivalent to roughly 835kb/d.

US:

A severe winter storm in the US disrupted significant crude and natural gas production over the weekend, with estimates of up to 2mb/d lost, with Permian restoration expected by January 30, Energy Aspects said. More than 5m bbl of US crude output was temporarily shut in by Fern but could top 9m bbl total as several regions are still recovering.

Iran:

Trump told Axios in an interview on Jan. 26 that the situation with Iran is 'in flux' as he sent a big armada to the region but added he thinks Tehran genuinely wants to cut a deal.

- US warships in the Indian Ocean head towards the middle east following the US President's orders, in an apparent show of force for the Iranian leadership.
- Iran Foreign Minister Abbas Araghchi has been exchanging "informal" messages with US special envoy Steve Witkoff on various issues, according to IRNA reports. It suggests there may be some elements of negotiation going on to avoid escalations.

Venezuela:

US officials are working to issue a general license soon that would lift some sanctions on Venezuela's energy sector, Reuters reported. The move would be a shift from a previous plan to grant individual exemptions to sanctions for companies seeking to do business in the country.

- Venezuela is set to discuss unwinding the state monopoly and let private companies control oil activities, alongside a reduction in royalties charged, to lure international oil companies back.
- The National Assembly has received more than 80 proposals seeking changes to a major reform of the country's oil law, complicating efforts to secure final approval as early as next week, Reuters reported.
- Venezuela's proposed oil industry reforms would help companies already in Venezuela but falls short of President Trump's plans to attract big investments, analysts told WSJ.
- Chevron has sent 15 ships to Venezuela this month, up from 9 last month, to expedite the export of crude from the country as the US's grip over the country's oil sector tightens.
- Cargoes have mostly been shipped to storage terminals in the Caribbean, before marketing and selling the crude to global refiners. This week saw the first tanker to depart Venezuela direct to the US as part of the agreed 50m bbl supply deal, Reuters said. Valero and Phillips 66 have bought cargoes of Venezuelan crude from Vitol at a discount of \$8.50-9.50/bbl to Brent crude, Reuters said.
- Shipments of Venezuelan oil are bound for Europe for the first time in a year.
- Traders are increasingly booking non-sanctioned tankers to lift Venezuelan crude, signalling a shift away from the so-called "dark fleet" that has dominated exports in recent years, sources told Argus.

India:

Hopes of an imminent relief from tariffs for India may have stalled after US Trade Representative Jamieson Greer said more work is needed to satisfy US concerns about Russia oil purchases.

- US Treasury Secretary Scott Bessent previously said there is potential tariff relief for India for buying Russian oil, noting that oil imports from Moscow have seen a sharp decline.
- India's crude imports from Russia are expected to continue to decline, Oil Minister Hardeep Puri said Jan. 27. Imports from Russia have slipped to 1.3mb/d from 1.8mb/d, Puri said. India is now buying oil from 41 nations, compared with 27 countries it bought from earlier, including more from Middle East, Africa and Latin America.
- Indications suggest imports falling further to 1.12mb/d in Jan. 1-25 after a drop to 1.2mb/d in Dec, Bloomberg said, amid sanctions on Russian producers and the EU ban on oil products made from Russian crude which started Jan. 21.
- India's HCPL is looking to buy Venezuelan crude for the first time as the refiner aims to increase heavy oil processing.
- India's crude oil imports in December rose by 6.9% year on year to 21.6m tons, the highest since March, and compared to 21.06m tons in November, according to provisional PPAC data.

Russia:

A US security agreement for Ukraine is "100% ready" to be signed, Ukrainian president Volodymyr Zelenskyy has said after two days of talks involving representatives from Ukraine, the US and Russia. Fairly vague messaging came out following the talks suggesting little progress has been made. Officials referred to the latest talks as 'constructive' but in the backdrop, significant attacks on Ukraine sustained.

- February Urals cargoes traded at close to the widest discounts to Brent in Indian ports since 2022, two sources told Reuters. Urals cargoes to be supplied in Feb. traded at discounts of \$10/bbl to Brent, a \$3-5/bbl increase from estimates late last year.
- The price of Russian Urals for delivery to China has dropped to about \$10/bbl below Brent this week compared to a premium of about \$1/bbl in August, Bloomberg said. China imports of Russian Urals are the highest since 2023 at 405kb/d in early Jan with prices lower than Iranian oil, Reuters said.
- Russia said Ukrainian drones hit the Black Sea port of Taman late Wednesday, setting four fuel terminals on fire, Bloomberg reports.
- Russia's four-week average seaborne crude shipments were almost unchanged in the week to Jan. 25 but still near the lowest since August and about 680kb/d below the December peak, according to Bloomberg. The weekly shipments rose by 240kb/d to 3.34mb/d driven by higher flows from the Baltic ports of Primorsk and Ust-Luga.
- The amount of Russian crude held on tankers has stabilized around 60m bbls higher than August at about 140m bbl. At least three cargoes have discharged into storage in Indonesia in recent weeks, Bloomberg said.
- The volume of Urals held on tankers has surged to the highest level in at least a decade at more than 13m bbl, Kpler data shows.

OPEC:

OPEC+ delegates said they're currently expecting to stick with plans to keep oil production steady in March when they meet on Feb. 1, Bloomberg reports. There's no sign of any need to respond to this month's tumultuous events in members Venezuela and Iran, a delegates said. However, a significant supply disruption could prompt OPEC and its partners to bolster output, another delegate said.

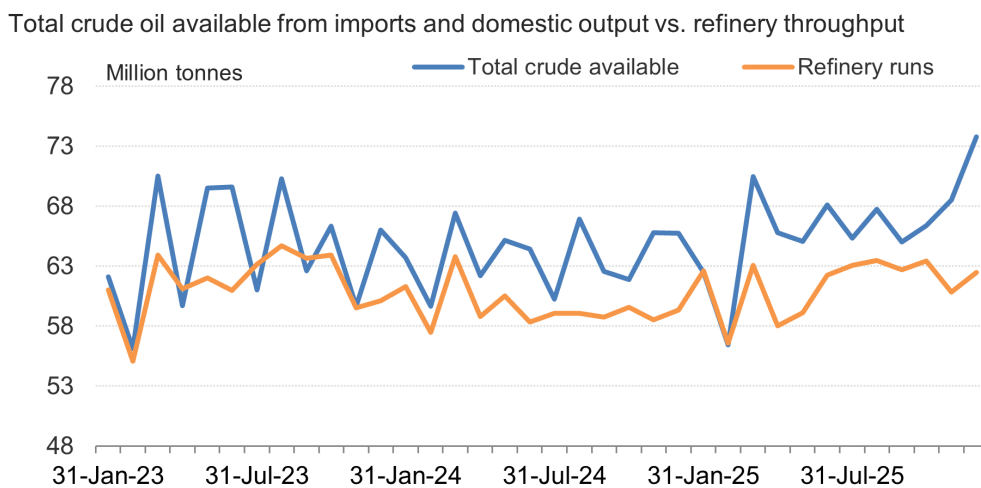
- Commenting on Venezuelan output, one of the three delegates told Reuters that a recovery would take time and was not yet likely to have a major impact on the global oil market balance.

China:

China's crude surplus rose in December to 2.67mb/d from 1.88mb/d the previous month driven by record imports, Reuters showed. Total crude available to refiners in the month was 17.37mb/d, including 13.18mb/d of imports and domestic output of 4.19mb/d, while refiners processed 14.7mb/d of crude. The crude surplus was 1.13mb/d for 2025.

- China crude purchases helped to offset the global market surplus in 2025 with focus on the rate of stockpiling in 2026. China has scope to continue purchases with aims to build strategic reserves but imports typically ease when oil prices rise.
- China is expected to add about 300kb/d of crude to its inventories this year, according to Vortexa cited by Bloomberg. Around 100m bbl of storage capacity will be added by the first half of this year, she said.
- PetroChina has told its traders not to buy or trade Venezuelan crude since the US took control of its exports, Reuters sources said. PetroChina's decision to refrain from buying is further evidence that Venezuelan oil supply to China will remain tight and nudge Chinese buyers towards Canada, Iran and Russia instead.

China Crude Availability vs Refinery Throughput – Source: Reuters



Oil Products:

Diesel cracks are holding onto gains from mid-Jan as refineries faced disruption amid cold weather in the US while some utilities may lean on supplemental supplies to cover the surge in heating demand. Gasoline demand could take a hit from the recent snowstorms that have many working from home in several states.

- **Diesel markets also remain supported by** geopolitical risk sentiment as well as impending turnarounds and low stocks. Focus is also on the EU ban on imported fuels made from Russian crude with uncertainty over how rules are interpreted. Vortexa said Europe should see limited tightness linked to the EU ban amid signs of restructuring operations in India and Turkey.
- **The US diesel crack spread** has risen from about \$30/bbl in early Jan to the highest since Nov. around \$39/bbl this week.
- The **prompt ICE Gasoil spread** has risen as high as \$16/mt after trading between \$2-\$5/mt from mid-Dec and mid-Jan. The Jun26-Dec26 spread is also at the highest since November around \$20/mt.

- **European ARA Gasoil stocks** were 5.8% below the five-year average last week while US distillate stocks rose to 0.3% below normal and Singapore Middle Distillates were 9.8% below normal.
- **Diesel strength** is expected to continue into the short to medium term while almost all major ULSD arbs close into almost all ULSD pricing centres, Sparta Commodities said.
- **ICE Gasoil net longs** rose again to extend a recovery from a low in Dec. while Nymex diesel maintained a very narrow net short in the week to Jan. 23. Nymex gasoline positions edged slightly lower but held a net long position.
- **Refineries in the Houston Ship Channel** operated by INEOS, Pemex, Shell and LyondellBasell all reported flaring as US temperatures fell over the weekend, Bloomberg said.
- Exxon Mobil was **shutting units at its Baytown**, Texas, petrochemical complex because of the freezing weather, Reuters said. Citgo Petroleum’s 165kb/d Corpus Christi refinery reported flaring from a malfunction and Phillips 66 345kb/d Wood River refinery also reported a process upset and Delek’s Big Spring refinery reported emissions due to equipment faults.

Global Seaborne Clean Product Exports, Y-o-Y change – Source: Vortexa



- Marathon Petroleum 631kb/d **Galveston Bay refinery** in Texas reported operational issues at a FCCU on the morning of Jan. 22, according to a TCEQ filing.
- Valero 380kb/d **Port Arthur refinery** was restarting the FCCU on Jan. 27, Reuters sources said, after shutting over the weekend due to the severe cold. The large coker at Motiva 640kb/d Port Arthur refinery malfunction on Jan. 26 amid the cold.
- **Russia’s weekly crude processing rates** averaged about 5.41mb/d in the period of Jan. 15-21 as Ukraine reduced the intensity of drone strikes and some major refineries increased throughput, Bloomberg said. The weekly average is about 100kb/d above the average level for the first two weeks of the month.
- **Ukrainian drones** reportedly struck an oil refinery in the town of Slavyansk-on-Kuban in Russia’s Krasnodar Krai overnight on Jan. 25-26, according to local media.

- **China's CDU capacity utilisation rates** at state-owned refineries are likely to increase in the week to Jan. 29, as Sinopec Shanghai is likely to continue its post-maintenance ramp-up, OilChem said. Independent refineries will likely keep focusing on destocking before Chinese New Year holiday, reducing the gasoil-to-gasoline production ratio based on demand dynamics.
- **Overall demand** is likely to remain flat, as end-users are yet to begin intensive stockpiling, OilChem said. Gasoil consumption is anticipated to stay on a downtrend amid traditional seasonal lows.
- **China's refineries** face a growing refined oil supply surplus in 2026, as reduced planned maintenance equates to a crude throughput of around 70m mt, OilChem said. Combined gasoline and gasoil demand is expected to fall by over 17m mt, potentially leaving a surplus in the market.
- **Seaborne clean product exports** have held well above the five-year average in Jan 1-20 at ~600-700kb/d and around a 4% increase month-on-month, Vortexa said. Focus of 2026 is on which products and regions clear incremental barrels most easily. Diesel strength reflects the supply push from Russia and Europe and regional redistribution rather than structural demand growth.
- **Dangote refinery** said it plans to shut its CDU for a week, probably this week, an Argus source reports. Nigeria's downstream regulator said on Jan. 11 that the refinery's RFCC was offline. IIR said last week that the restart of the 204kb/d RFCC unit was pushed back from Jan. 26 to Feb. 10. Four low-sulphur straight run (LSSR) fuel oil cargoes totalling 358k tons loaded from Dangote across Jan. 4-20, Kpler said. This is the highest since Sep. 2025, when Dangote's RFCC had works scheduled.
- **Nigeria's Dangote is still months away** from stabilising runs as the reliability of the RFCC is the key swing factor in the uneven ramp-up of the refinery, Kpler said. Kpler expects average runs of ~350kb/d in Q1 and 400kb/d in 1H at Dangote, which has a nameplate capacity of 650kb/d. The refiner has shifted to lighter crudes in recent months to minimise the impact of the RFCC problems and preserve feed availability for other units, Kpler said.
- **Nigerian domestic crude** receipts at the country's 650kb/d Dangote refinery jumped to 402kb/d in December, with Atlantic Basin barrels dropping out entirely, Kpler said.
- **Indian refiners** appear well positioned to continue to export oil products to Europe after the EU rules restricting refined products made from Russian barrels came into effect last week, Kpler said.
- **India's total oil product exports** fell 6.0% year on year to 5.41m tons in Dec. but edged up from 5.25m tons in November, PPAC showed. Diesel exports fell by 6.0% year on year to 2.34 tons while gasoline exports rose 5.3% on the year to 1.55m tons. Data released earlier this month showed December fuel consumption in India rose by 2.4% month-on-month and by 5.3% year-on-year to 21.75m metric tons.
- **South Korean refiners** plan to collectively supply about 400m bbl of clean oil products in 2026, Platts reports. The plan will ensure roughly steady deliveries y/y to key customers across Asia, Oceania and North America, despite weaker refining margins and a low oil price early in the year.
- **Aramco is set to start maintenance** work lasting about 55 days at its 550kb/d Ras Tanura refinery on Feb. 1, Bloomberg reports. The maintenance will include work on a condensate splitter and reformer units.
- **A Mol executive said on Saturday** the Hungarian refiner's bid for a stake in Serbia's Naftna Industrija Srbije was agreed by Gazprom Neft. This comes following efforts to move the refinery away from Gazprom ownership due to U.S. sanctions. Mol aims to sign the contract by the end of March, following regulatory consultations but requires U.S. Office of Foreign Assets Control approval.

Analyst Views:

Goldman Sachs:

Global crude stockpile builds slowed to about 700kb/d over the last two weeks dropping below expectations on disruptions in Kazakhstan and cold weather, according to Goldman Sachs cited by Bloomberg.

- The inventory growth of 700kb/d over the last two weeks compares with an average of 1.7mb/d over the past four weeks.
- Still, most of the stockpile builds were mainly in the most visible pricing centres of the global oil market.
- OECD commercial inventories accounted for “essentially all” of the estimated global builds in the last two weeks.
- Oil-on-water peaked earlier this month but remains high, Goldman says.
- Sanctioned suppliers – Russia, Iran, Venezuela – account for two-thirds of current storage on water versus only 14% of global production.
- Brent trading at \$64-\$65/bbl is \$4-\$5/bbl above Goldman’s January expectations.
- Disruption in Kazakhstan’s production likely accounted for about half of the upside surprise, with the remainder due to a rise in geopolitical risk premium over Iran.

JPMorgan:

Kazakhstan’s production is set to average just 1m-1.1mb/d in January amid the shutdown at the Tengiz oil field, JPMorgan analysts said in a note.

- Output is typically about 1.8mb/d, the bank added.
- Tengiz is producing just 360,000b/d so far this month, less than half normal levels, amid power supply disruptions
- Outage in Kazakhstan is among series of “significant — albeit largely temporary — supply disruptions.

Deutsche Bank:

Deutsche Bank has raised its Brent crude forecast for 2026 to \$61.50/bbl on expectations a surplus will narrow in the second half of the year.

- The oil market’s two biggest unknowns are whether China will resume accumulating its strategic oil inventory, and whether OPEC+ will resume reviving production after a Q1 pause, the bank said.
- “Moving into the second half of 2026, supply-demand modelling indicates a much smaller surplus.”
- This “could well become a balanced or even deficit market after adjustment for unplanned supply outages is applied.”

Saudi Aramco:

Global oil glut predictions are seriously exaggerated as demand growth remains strong and global oil stocks are depleted, Amin Nasser, CEO of Aramco said on Thursday, cited by Reuters.

- Analysts have been forecasting significant oversupply and crude price declines this year due to production growth from the US, OPEC+ and other producers, Reuters says.
- On Tuesday, the IEA slightly increased its forecasts for oil demand growth in 2026, trimming its glut outlook in return.

- Stockpiles are theoretically on track to climb by 3.7 million barrels a day this year, according to the IEA's latest assessment, though the agency has cautioned that the actual overhang may not reach these levels in practice.

ADNOC:

The head of ADNOC said global oil demand will remain above 100m bbl per day through 2040, while demand for both LNG and electricity will grow by 50% or more, Reuters reports.

- Managing Director and CEO Sultan Ahmed Al Jaber said ADNOC now counts India as its top market for LNG and said the firm is also expanding its gas portfolio to Asia and Africa.
- This month, India signed a \$3bn deal to buy LNG from the UAE.
- The deal will see ADNOC Gas supply 0.5m tons of LNG per year to India's HPCL for 10 years beginning in 2028.
- By 2029, ADNOC Gas will operate 15.6m mtpa of LNG capacity, according to Platts, with around 20% contracted to Indian buyers. Supplies will come from the Das Island LNG facility.

Sparta Commodities:

The tightness that has rallied light sweet grades, particularly in Europe, may have reached its peak, and demand will likely fall as refinery maintenance season starts, Sparta's Neil Crosby said.

- The tightness has been driven by significant outages in the Mediterranean and Black Sea regions, including Libya and mainly the CPC pipeline,
- This has led to unusually high premiums, such as the 18 month high Forties grade.
- Cracking margins are near zero in several locations, further limiting light sweet crude purchases.
- With the large refinery turnarounds rumoured in Europe and the US, light sweet demand could fall rapidly as some supply returns next month.
- Sparta added that the combination of high premiums, tight margins, and upcoming maintenance could mark a turning point in the market, signalling that current extreme price levels may not be sustainable.
- For medium-heavy crudes, the market still points to overall lengthening in supply.

The NYMEX ULSD to ICE Gasoil spread has surged on cold weather and low stocks in the US but MRs booked to move ULSD from NWE to New York should cap upside, according to Sparta Commodities.

- Feb/Mar ICE Gasoil spreads have climbed by more than \$3.5/mt since Friday while Feb/Mar ULSD spreads have widened by over \$12.50/mt over the same period.
- The ULSD to Gasoil spread has surged by nearly \$47/mt over the last 10 days, driven by low diesel stocks in PADD 1 & 2, with extreme cold late last week adding further momentum and pushing it up by more than \$15/mt over the weekend, Sparta says.
- In response, a large number of MRs were booked late last week to move ULSD from NWE to New York for prompt loadings.
- These inbound barrels should put a ceiling on further gains in ULSD timespreads and ULSD to ICE Gasoil spreads in the short to medium term.