

Oil prices plunge amid demand concerns and focus on the middle east

Oil prices experienced a sharp decline on Tuesday, October 15, extending recent losses as concerns grow over a slowdown in global demand. The decline was also influenced by reports indicating that Israel will not target Iran's oil facilities.

On Monday, oil prices fell about 3% after China, the world's largest importer, reported a fifth consecutive month of declining imports, raising fears of weakened demand. These concerns were heightened by the Organization of the Petroleum Exporting Countries (OPEC) lowering its global oil demand forecast for the third consecutive month.

MORE DETAILS: OPEC Cuts Oil Demand Growth Forecast for 2024 and 2025

As of 8 a.m. Brasília time, Brent crude oil, the international benchmark and for Petrobras (BVMF), was down 4.61% at \$73.89, while West Texas Intermediate (WTI), the U.S. benchmark, fell 4.81%, trading at \$70.28 in the futures market.

The increasing expectations of a slowdown in oil demand were a key factor pressuring prices, especially following weaker signals from China, the largest global importer.

Over the weekend, China's Ministry of Finance announced several fiscal measures to support the economy. However, investors were disappointed by the lack of clarity regarding the timeline and scope of these measures, as well as the absence of specific actions to stimulate private consumption.

Data released on Monday also showed that China's oil imports fell for the fifth consecutive month, signaling that weak economic conditions are reducing China's appetite for oil.

Concerns over demand were reinforced by OPEC, which has downgraded its global oil demand growth forecasts for 2024 and 2025 for the third time in a row.

The cartel now projects that oil demand will grow by 1.93 million barrels per day in 2024, a decrease from the previous forecast of 2.03 million barrels per day, with China identified as a key factor in this revision.

Oil prices were also pressured by the likelihood of less intense escalation of tensions in the Middle East, after a report released on Monday indicated that Israel would not attack Iran's oil and nuclear facilities.

Such an attack had been viewed as a significant escalation in the conflict, and the potential for it had been raising the risk premium in oil prices.

In recent weeks, fears of a large-scale war in the Middle East have been a major factor driving up oil prices, especially following missile launches by Iran against Israel earlier in October. Attention is now focused on a possible Israeli retaliation