

Oil prices rise nearly 2% on optimism about China

Oil prices rose nearly 2% on Thursday, with investors returning for the first trading day of the new year, optimistic about China's economy and fuel demand following President Xi Jinping's promise to promote growth.

Brent crude futures increased by \$1.29, or 1.73%, to \$75.93 per barrel, after gaining \$0.65 on Tuesday, the last trading day of 2024. U.S. crude (WTI) rose by \$1.41, or 1.97%, to \$73.13.

"A move like this can become self-perpetuating until prices reach a sufficiently high level to attract short hedges and profit-taking, which will set the stage for a return to lower levels," said Jim Ritterbusch of Ritterbusch and Associates in Florida.

Ritterbusch, who attributed much of the gains to optimistic Chinese economic data, said he expects WTI to advance to over \$74.

In his New Year's speech on Tuesday, Xi stated that China would implement more proactive policies to promote growth in 2025.

China's manufacturing activity grew in December, according to a Caixin/S&P Global survey released on Thursday, but at a slower pace than expected, amid concerns about how proposed tariffs by U.S. President-elect Donald Trump will affect trade transactions.

Some analysts believe that weaker Chinese data is positive for oil prices, as it may prompt Beijing to accelerate its stimulus package.

The increase in fuel stocks reported in the United States had little effect on prices.

Data on U.S. inventories released on Thursday showed that gasoline stocks rose by 7.7 million barrels for the week, to 231.4 million barrels, while distillate stocks, which include diesel and heating oil, increased by 6.4 million barrels, to 122.9 million barrels.

Crude oil inventories, in turn, fell less than expected, decreasing by 1.2 million barrels to 415.6 million barrels last week, compared to analysts' expectations in a Reuters survey of a decrease of 2.8 million barrels.

As traders return to the desks, they are likely assessing the rising geopolitical risks and the possibility of Trump overheating the U.S. economy against the anticipated impact of tariffs, said market analyst Tony Sycamore from IG.

Oil Prices Drop 3% in 2024, Declining for the 2nd Consecutive Year

Oil prices fell nearly 3% in 2024, marking the second consecutive year of decline, as the post-pandemic demand recovery lost momentum, China's economy faced challenges, and the U.S. and other non-OPEC producers increased oil output in a well-supplied global market.

Brent crude futures rose 65 cents on Tuesday (the last trading day of the year), or 0.88%, to \$74.64 a barrel. U.S. crude (WTI) increased by 73 cents, or 1.03%, to \$71.72 a barrel.

The benchmark Brent price dropped approximately 3% compared to the closing price in 2023, which was \$77.04, while WTI remained nearly stable compared to last year's year-end price.

In September, Brent futures closed below \$70 a barrel for the first time since December 2021, and this year, they have largely traded below the highs seen in previous years as the post-pandemic demand recovery and price shocks from Russia's invasion of Ukraine in 2022 began to fade.

Oil is expected to trade around \$70 a barrel in 2025 due to weak Chinese demand and rising global supply, which will offset OPEC+ efforts to support the market, a monthly Reuters survey showed on Tuesday.

A weaker demand outlook in China, in particular, forced both the Organization of the Petroleum Exporting Countries (OPEC) and the International Energy Agency (IEA) to cut their oil demand growth expectations for 2024 and 2025.

The IEA anticipates that the oil market will enter 2025 with a surplus, even after OPEC and its allies delayed their plan to start increasing production until April 2025 in a declining price scenario.

U.S. oil production increased by 259,000 barrels per day in October, reaching a record 13.46 million bpd, with demand at its highest levels since the pandemic, according to data from the U.S. Energy Information Administration (EIA) released on Tuesday.