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SEPTEMBER 15th, 2025

MONDAY MORNING QUARTERBACK

ENERGY MARKETS
CEO BRIEFING NOTE

"Oil Markets Approach Q4 Under a Cloud of Weakening Demand Outlook & Fragile Stability"

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Chinese stockpiling, U.S. rate cuts and geopolitical tremors are keeping crude afloat, but weakening demand and oversupply loom large -- without a genuine revival in consumption, the market risks sliding into a sharper correction.

By Sean Evers, Managing Partner, Gulf Intelligence

The Limits of Artificial Demand Support

Oil prices remain under pressure as seasonal demand fades. Brent could drift below to $60 per barrel range with the end of the Northern Hemisphere's summer driving season and reduced Gulf summer crude burn weighing on balances. Central bank liquidity injections may cushion the fall, but without stronger real consumption, the market's footing is precarious.

For much of 2025, China's crude buying spree has been the anchor of stability. An estimated half a million barrels a day have gone into reserves, absorbing OPEC+ increases and preventing sharper declines. Yet cracks are showing. Data released by Beijing's National Bureau of Statistics revealed retail sales rose only 3.4% in August, below forecasts and weaker than July's 3.7%. The numbers reflect the reality of an economy weighed down by a prolonged property downturn, sluggish domestic demand, and the cumulative drag of the U.S. trade war. Fu Linghui, the bureau's spokesperson, admitted that the economy still faces "multiple risks and challenges" despite claims of overall stability.

This backdrop raises the likelihood that Chinese buyers will recalibrate their strategy. Rather than continue stockpiling at current price levels, Beijing may deliberately slow imports, using its storage

PLATTS APPEC conference forecasting $10 drop in Brent crude oil through Q4?

Israel's attack on Qatar is a game changer for Middle East Geopolitics?

Trump's words on putting big squeeze on Russian oil revenue ring hollow?

China has saved oil market this year by adding 500k bpd to inventories - do you expect that to continue through Q4?

OPEC+ is likely to continue with supply increases through Q4 as long as Brent remains close to happy place at $65?

(nb. Polling conducted with 100 Energy Market Stakeholders Sept. 8-12)

capacity as leverage to push crude lower into the $50–60 range. If that shift occurs, the market could lose its most important stabilizer almost overnight.

The United States offers little relief. The Federal Reserve is widely expected to cut rates again before year-end, but these cuts reflect weakness rather than strength. Liquidity may buoy equity markets and bonds, yet oil demand will remain constrained by sluggish consumption and eroding industrial momentum. The American economy is showing multiple signs of strain: job growth has softened, unemployment has ticked higher, and consumer sentiment has weakened under the weight of high costs. Unlike previous cycles, monetary easing is unlikely to ignite a new wave of demand for crude.

The contrast between frothy financial markets and a slowing real economy highlights the fragility of current prices. Oil is not gold or technology stocks; it cannot rely solely on speculative liquidity. For crude, stability in the mid-60s may prove temporary, masking deeper weaknesses in underlying consumption.

A Market Fractured by Oversupply, Sanctions, and Geopolitics

OPEC+ has opted for cautious recalibration. Its latest quota increase of 137,000 barrels a day is more symbolic than material, designed primarily to preserve unity within the group. The move reflects a balancing act: appeasing members pressing for higher output while avoiding a collapse in prices. At the same time, the coalition retains up to 4 million barrels a day of spare capacity. This cushion reassures markets that disruptions can be offset, but it also serves as a ceiling, reminding traders that any sustained rally will likely trigger more supply.

Sanctions remain porous. Despite U.S. efforts to restrict Russian and Iranian flows, oil continues to find its way to global markets through a vast "dark fleet" of older, uninsured tankers now representing nearly one-fifth of global shipping capacity. This parallel system ensures that barrels keep moving to China, India, and other buyers. Yet it comes at a cost: systemic risks are rising, with the possibility of a major spill or accident estimated in the billions of dollars. In effect, sanctions have reshaped the logistics of trade without materially reducing supply.

Geopolitics continues to rattle nerves without disrupting flows. Israeli strikes on Qatar this month underscored the erosion of Gulf security guarantees, yet prices barely flinched. Unless infrastructure or major export corridors are directly affected, the market is unlikely to react strongly. Gulf producers remain committed to stability, and Washington is determined to prevent crude from spiking above $80–90 per barrel. The result is a market that responds with short bursts of volatility but resists sustained disruption.

At a structural level, the energy landscape is being redrawn by shifting alliances. Gulf states are gradually pivoting eastward, deepening trade ties with China and strengthening security dialogue with Turkey. India, despite U.S. tariff threats, has doubled down on discounted Russian crude, reshaping long-standing flows. Meanwhile, Western influence is eroding. The "America First" doctrine has translated into "America Alone" in the eyes of many Asian partners. Opinion polls even in long-time allies such as Australia show trust in Washington falling to historic lows. This fragmentation is accelerating: supply chains are becoming more regionalized, and the rules-based trading system that underpinned energy flows for decades is giving way to transactional deals. For oil markets, this shift means greater uncertainty, thinner buffers, and more unpredictable alignments.

Oversupply remains the binding reality. OPEC+ barrels are gradually returning, U.S. shale output remains resilient despite financial headwinds, and Russian and Iranian flows continue unabated. This steady stream of crude collides with weakening demand in both developed and emerging markets. The result is a market drifting into what could become a "low-price cure" phase, where prices must fall to levels that force higher-cost producers to cut back. In the U.S., production costs for shale hover near $55 per barrel. Sustained weakness below that threshold could slow drilling and choke investment. But such adjustments take time, leaving the market vulnerable to further downside in the interim.

Conclusion: Fragile Stability at Risk of Collapse

The oil market enters Q4 skating on thin ice. Prices may appear steady in the mid-60s, but this balance rests on artificial props rather than solid ground. Chinese stockpiling has masked the extent of weak demand, U.S. liquidity has propped up financial sentiment, and geopolitical tremors have distracted from the underlying glut. Strip those supports away, and the market's vulnerability becomes stark.

The latest Chinese data is particularly sobering. Retail sales growth of just 3.4% in August illustrates a consumption slowdown that could translate into lower crude imports. If Beijing pulls back, the market will lose its most important source of support. Meanwhile, U.S. rate cuts may boost Wall Street, but they will not reverse the erosion of real oil demand. OPEC+ remains flexible, but its spare capacity acts as a cap. Sanctions remain ineffective, and geopolitical shocks have yet to target critical infrastructure.

This leaves the market suspended in a state of fragile stability—one misstep away from sharper correction. Unless Chinese consumption revives or a geopolitical event physically disrupts supply, the path of least resistance is lower. The low-price cure may soon become the only mechanism capable of resetting balances, forcing uneconomic production offline. Until then, the oil market rests uneasily, supported by props that cannot hold indefinitely. ■

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