Oil eases on stronger dollar, China demand concerns

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Sun, August 13, 2023 at 8:53 PM EDT·2 min read

SINGAPORE (Reuters) - Oil prices eased on Monday after seven straight weeks of gains supported by tightening supply on OPEC+ output cuts, as concerns about China's faltering economic recovery and a stronger dollar weighed.

Brent crude futures fell 29 cents, or 0.3%, to $86.52 a barrel by 0033 GMT while U.S. West Texas Intermediate crude was at $82.95 a barrel, down 24 cents, or 0.3%.

Prices slipped as the U.S. dollar index extended gains on Monday after a slightly bigger increase in U.S. producer prices in July lifted Treasury yields despite expectations that the Federal Reserve is at the end of hiking interest rates. [FRX/]

Oil may be range-bound this week as China's sluggish economic recovery and a stronger U.S. dollar could depress prices, but OPEC+ would do whatever it takes to keep supply tight and stabilise markets, CMC Markets analyst Tina Teng said.

Supply cuts by Saudi Arabia and Russia, part of the alliance between the Organization of the Petroleum Exporting Countries and their allies, or OPEC+, are expected to erode oil inventories in the rest of this year, potentially driving prices even higher, the International Energy Agency said in its monthly report on Friday.

Reflecting tightening supply, the price spread between first and second month Brent held steady on Monday after settling at 67 cents on Friday, the widest since March.

A Russian warship fired warning shots at a cargo ship in the Black Sea on Sunday, ratcheting up tensions in a key area for commodities exports from Ukraine and Russia.

"Escalating tensions between Russia and Ukraine has raised the prospect of disruption to trade in the Black Sea," ANZ analysts said in a note, adding that the Black Sea handles around 15%-20% of oil that Russia sells.

In the U.S., the number of operating oil rigs held steady at 525 last week, after falling for eight weeks in a row, according to Baker Hughes weekly report.

(Reporting by Florence Tan; Editing by Sonali Paul)