Oil rebounds on strong China refinery data

Oil rebounded on Thursday after the previous day's plunge, as data showed a jump in refinery runs at the world's top crude importer China, though a weak economic backdrop capped gains.

Both benchmarks fell 1.5% on Wednesday after the U.S. Federal Reserve projected the need for more rate hikes this year, triggering fears that a higher interest rate environment would slow the economy and lower oil demand.

China's oil refinery throughput in May rose 15.4% from a year earlier, data showed on Thursday, hitting its second highest total on record.

The higher throughput came as refiners brought units back online from planned maintenance and independent refiners processed cheap imports.

But a weak economic outlook capped price gains on Thursday, as China's industrial output and retail sales growth in May missed forecasts.

China's industrial output grew 3.5% in May, down from an expansion of 5.6% in April and slightly below a 3.6% increase expected by analysts in a Reuters poll, as manufacturers struggled with weak demand at home and offshore.

The country's retail sales, a key gauge of consumer confidence, rose 12.7%, missing forecasts of 13.6% growth and slowing from April's 18.4%.

A high-for-longer rate outlook may lead to further growth pressures and keep oil demand conditions in check, said Yeap Jun Rong, a market strategist at IG.

"Until market participants are convinced that the worst is over in terms of (the) economic outlook, which has not been receiving much validation, oil prices could remain low for longer," Yeap said.

Adding to market jitters about weaker fuel demand, the European Central Bank is all but certain to raise borrowing costs to their highest level in 22 years on Thursday and leave the door open to more hikes.

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