

Oil Market Monthly Report

April-2021

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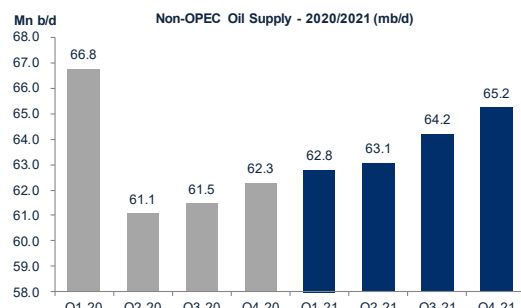
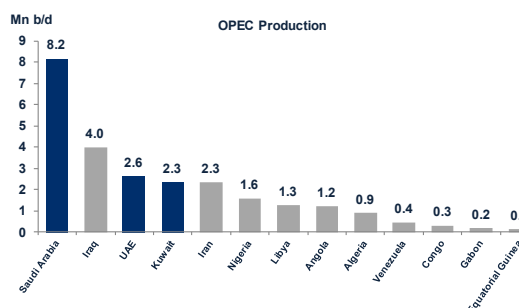
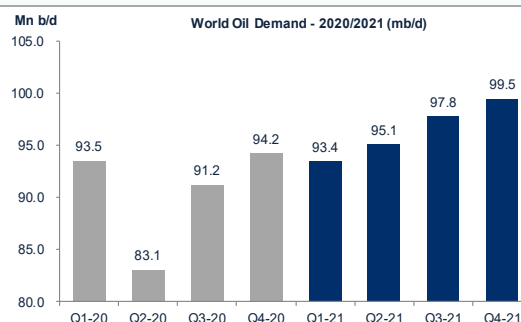
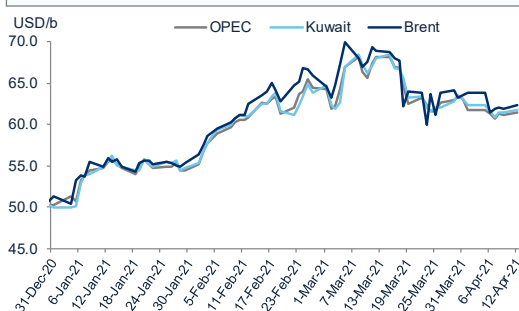
Oil recovers partially after trading near 8-week low on demand optimism...

After touching a 14-month high last month, the rally in oil prices eased after witnessing consistent declines at the start of April-2021. Demand trends across markets remained clouded but the broader optimism saw rising output across the board. However, despite the increasing pace of vaccinations worldwide that supported oil prices as end product demand surged, the resurgence in Covid-19 cases in key oil markets in Europe and in India over the last few weeks forced crude oil to trade near USD 60/b. Trends across markets remained extremely divergent as seen from increasing travel trends in the US and strong trade data in China, as compared to new restrictions and curbs in Germany, France and India and a number of new restrictions in several other countries.

There were hopes of higher global oil demand as vaccinations efforts have picked up globally and is expected to support economic activity. All the three agencies, IEA, OPEC and EIA, have made upward revisions to demand forecast for 2021 ranging from 150 tb/d to 200 tb/d in their latest monthly reports. However, the bulk of the growth in oil consumption is expected to come during 2H-2020, while the IEA slashed prediction for the current quarter. In terms of product category, the demand for jet fuel is seen rising as daily departures are now back to levels seen in March last year. In addition, gasoline demand in the US remained high as interstate vehicle miles traveled recently was above the levels seen in 2019, according to data from the US government.

The elevated levels of oil price last month triggered an increase in oil output from both OPEC and non-OPEC producers as drillers are more confident of future oil demand and prices. Data published by the US EIA showed oil production from major shale sites rising for the third consecutive month in May-2021 to 7.61 mb/d mainly coming from the Permian Basin that is expected to reach a one-year high production rate of 4.47 mb/d. However, the increase is also seen as activation of incomplete wells that were affected by the cold wave. On the other hand, the CEO of Occidental Petroleum said that achieving 13 mb/d of production would be difficult as drillers focus on reducing debt and increasing shareholder returns at the cost of lower capital expenditure. The current rate of production in the US stood at 10.9 mb/d, almost 2 mb/d less than the production rate in January last year.

OPEC production was once again up by over 0.2 mb/d during March-2021 after seeing a decline during the previous month. The increase came mainly on the back of higher production by Iran and Angola. In the latest OPEC+ meeting, the group decided to increase production and Saudi Arabia said it would gradually roll back its voluntary cuts that would result in higher production ranging between 0.6 mb/d in May-2021 to 0.85 mb/d in July-2021 led by confidence in near term oil demand.



Sources : OPEC, EIA, Bloomberg

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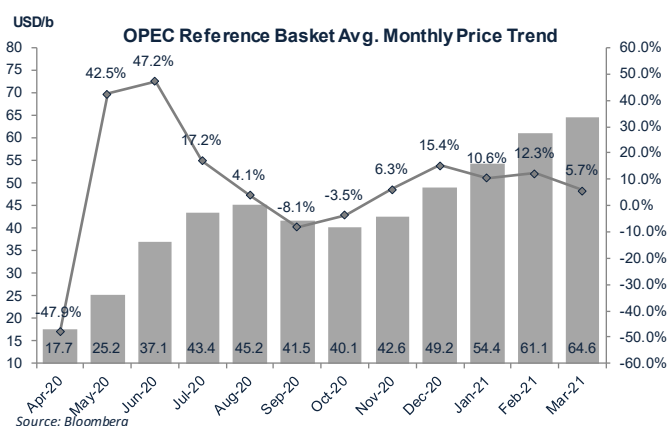
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Oil Prices

The rally in oil prices came to a halt during the second half of March-2021 led by a number of factors but was primarily led by sentiment that the levels of around USD 70/b were unsustainable as there were indications of higher output from US as well as speculations over OPEC+ next move on its near term output policy. However, prices stabilized after touching USD 60/b despite the announcement of increasing output from the OPEC+. The resilience indicated confidence in the demand outlook for the year that was backed by forecasts from several agencies across the board. The US EIA raised its oil price forecast for this year and the next. In its STEO, the agency now expects Brent crude prices to average of 62.28/b in 2021 vs. its previous forecast of 60.67/b in the previous forecast, whereas in 2022 prices are expected to average at USD 60.49/b vs. previous forecast of USD 58.51/b. The consensus estimates for Brent also shows the crude grade consistently above the USD 62/b mark over the next six quarters. The average price for OPEC crude basket stood at USD 64.6/b during March-2021, the highest in 14-months and a monthly increase of 5.7%. Kuwait crude grade also had a growth of 5.8% to average at USD 64.9/b whereas Brent spot crude averaged at USD 65.6/b, a 5.4% monthly increase from USD 61.3/b last month.

Data on oil inventory in the US also supported the recent stability in oil prices. According to the latest weekly EIA report, crude oil inventories in the US declined for the third consecutive week during the week ended 9-April-2021 by 5.89 mb/d taking the total US crude inventory to the lowest in 6-weeks at 492.4 million barrels. Refinery utilization in the US increased to levels since the early days of the pandemic last year that resulted in higher gasoline inventories. A Bloomberg report showed that crude inventories in the US East Coast are at their lowest in 30 years whereas oil demand for the week increased by 1.1 mb/d. In response, US drillers have increased the pace of drilling in the country. The latest weekly oil rig count data from Baker Hughes although showed no change in rig counts for the latest week but historical data showed increasing rig count for 25 out of the previous 29 weeks.



Average Crude Oil Prices, USD/b	Feb-2021	Mar-2021	Change (USD)	Avg 2019	Avg 2020
OPEC Reference Basket	61.1	64.6	3.5	51.4	60.2
Arab Light	61.5	65.2	3.7	52.9	60.7
Basrah Light	61.4	65.2	3.8	50.6	60.7
Bonny Light	62.2	65.6	3.3	52.2	61.2
Djeno	54.8	58.1	3.3	48.6	53.6
Es Sider	60.8	63.6	2.7	50.1	59.4
Girassol	63.0	66.0	3.1	51.5	61.8
Iran Heavy	60.7	64.3	3.6	49.3	60.0
Kuwait Export	61.3	64.9	3.6	51.9	60.6
Merey	42.9	46.5	3.6	36.9	42.5
Murban	61.0	64.3	3.3	52.8	60.3
Rabi	61.8	65.1	3.3	47.9	60.6
Saharan Blend	62.4	65.8	3.4	52.3	61.3
Zafiro	62.5	66.0	3.5	50.8	61.4
Other Crudes					
Brent	62.2	65.6	3.3	50.0	61.1
Dubai	60.8	64.4	3.6	50.6	60.2
Isthmus	58.9	61.9	3.0	42.3	57.8
LLS	61.2	64.5	3.3	48.0	60.2
Mars	59.4	62.6	3.3	45.7	58.6
Minas	59.8	63.6	3.8	49.2	59.1
Urals	61.5	64.3	2.8	49.0	60.4
WTI	59.1	62.4	3.3	45.9	58.1
Differentials					
Brent/WTI	3.2	3.2	0.1	4.1	3.0
Brent/LLS	1.0	1.0	0.0	2.0	0.9
Brent/Dubai	1.4	1.2	(0.2)	(0.6)	0.9

Source: OPEC Monthly Oil Market Report - Apr-2021

World Oil Demand

The OPEC raised world oil demand estimates for 2020 by around 0.1 mb/d and demand for the year is expected to have contracted at a slightly lower pace of 9.5 mb/d to average at 90.5 mb/d. The upward revision reflected positive changes to demand estimates for both the OECD and the non-OECD regions. For the former, demand estimates was relatively marginally mainly backed by better-than-expected data for Q4-2020 resulting in a demand decline of 5.6 mb/d for the OECD region. The data for OECD Americas and Europe were revised upwards led by better demand from the petrochemical sector. For the non-OECD countries, the upward revision was much bigger by almost 0.1 mb/d and demand is now estimated to have contracted by 3.9 mb/d. The positive revision mainly reflected better demand data for China.

World Oil Demand - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.65	24.35	20.01	22.72	23.15	22.56	(3.09)	(12.06)
of which US	20.86	19.67	16.38	18.67	19.04	18.44	(2.42)	(11.60)
Europe	14.25	13.34	11.03	12.85	12.56	12.45	(1.80)	(12.64)
Asia Pacific	7.79	7.75	6.54	6.69	7.34	7.08	(0.71)	(9.11)
Total OECD	47.69	45.44	37.58	42.27	43.05	42.09	(5.61)	(11.75)
China	13.48	11.34	13.25	13.87	14.28	13.19	(0.29)	(2.18)
India	4.91	4.84	3.58	4.01	5.15	4.40	(0.52)	(10.54)
Other Asia	9.04	8.30	7.79	8.11	8.33	8.13	(0.91)	(10.06)
Latin America	6.59	6.11	5.61	6.20	6.12	6.01	(0.58)	(8.83)
Middle East	8.20	7.88	6.91	7.94	7.65	7.60	(0.60)	(7.37)
Africa	4.45	4.37	3.77	3.95	4.28	4.09	(0.35)	(7.94)
Eurasia	3.61	3.44	3.04	3.20	3.43	3.28	(0.33)	(9.20)
of which Russia	1.24	1.07	0.99	1.01	1.23	1.07	(0.16)	(13.04)
of which other Eurasia	0.76	0.71	0.55	0.64	0.69	0.65	(0.12)	(15.33)
Total Non-OECD	52.29	48.05	45.49	48.94	51.16	48.42	(3.87)	(7.40)
Total World	99.98	93.49	83.07	91.21	94.21	90.51	(9.48)	(9.48)

Source: OPEC Monthly Oil Market Report - Apr-2021

World oil demand forecast for 2021 was also raised by the OPEC by around 0.1 mb/d. Demand is now expected to average at 96.5 mb/d this year showing an increase of 6.0 mb/d. The revision reflected an upward revision to demand data for 2H-2020 that was partially offset by a downward revision for 1H-2020. OPEC expects 1H-2021 demand to be lower due to the new Covid-19 related restrictions in OECD Europe and a sluggish Q1-2021 oil demand data for the non-OECD region. However, for 2H-2021, a stronger expected economic rebound supported by the stimulus programmes and easing of Covid-19 restrictions and an acceleration of vaccine administrations mainly in the OECD region is expected to result in stronger-than-expected demand recovery. In terms of product category, gasoline is expected to record the biggest growth this year followed by diesel, while strong petrochemical demand mainly in China, the US and India, is expected to drive stronger demand for petrochemical feedstock. On the other hand, demand for jet fuel would continue to see increasing uncertainty although the latest data suggest an increase in activity in the sector, especially in the US. According to the IEA, demand for jet fuel and kerosene is expected to rise by 802 tb/d in 2021 to 5.5 mb/d, well below 2019 demand of 7.9 mb/d.

World Oil Demand - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	22.56	23.84	24.45	24.54	24.58	24.36	1.80	7.98
of which US	18.44	19.38	19.86	20.09	20.28	19.91	1.47	7.95
Europe	12.45	12.12	12.71	13.59	13.74	13.05	0.60	4.81
Asia Pacific	7.08	7.39	7.18	7.17	7.55	7.32	0.24	3.45
Total OECD	42.09	43.34	44.34	45.30	45.87	44.73	2.64	6.28
China	13.19	12.95	14.27	14.93	15.05	14.30	1.11	8.43
India	4.40	4.94	4.56	4.83	5.61	4.99	0.59	13.48
Other Asia	8.13	8.33	8.96	8.57	8.47	8.58	0.45	5.54
Latin America	6.01	6.15	6.19	6.46	6.40	6.30	0.29	4.79
Middle East	7.60	7.87	7.62	8.30	7.97	7.94	0.35	4.57
Africa	4.09	4.41	3.97	4.18	4.49	4.26	0.17	4.10
Eurasia	3.28	3.57	3.37	3.37	3.58	3.47	0.19	5.93
of which Russia	1.07	1.18	1.19	1.14	1.28	1.2	0.12	11.31
of which other Eurasia	0.65	0.69	0.62	0.68	0.74	0.68	0.04	5.44
Total "Other Regions"	48.42	50.09	50.75	52.45	53.58	51.73	3.31	6.83
Total World	90.51	93.43	95.09	97.75	99.45	96.46	5.95	6.58

Source: OPEC Monthly Oil Market Report - Apr-2021

World Oil Supply

World liquids production showed a sharp increase during March-2021 after showing a steep decline during February-2021. Total production witnessed a monthly increase of 1.22 mb/d during March-2021 to average at 93.23 mb/d. The increase reflected an increase in production by both OPEC and non-OPEC producers. OPEC producers increased production by 0.2 mb/d, according to OPEC secondary sources during March-2021 mainly led by an increase in production by Iran, Libya and Angola. On the other hand, non-OPEC producers increased production by a relatively higher rate of 1.02 mb/d and produced at an average rate of 68.19 mb/d. The increase came mainly from higher production in the US by 0.93 mb/d led by the return of drilling and completion operations after the cold snap earlier this year. The steeper increase in production by non-OPEC producers resulted in a 0.1% decline in OPEC's market share during the month to 26.9%.

Non-OPEC Oil Supply - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.77	26.59	23.55	24.10	24.65	24.72	(1.05)	(4.08)
of which US	18.43	19.05	16.81	17.34	17.30	17.62	(0.80)	(4.35)
Europe	3.71	4.05	3.90	3.80	3.89	3.91	0.20	5.32
Asia Pacific	0.52	0.53	0.54	0.54	0.52	0.53	0.01	1.61
Total OECD	30.01	31.17	27.99	28.43	29.06	29.16	(0.84)	(2.82)
China	4.04	4.13	4.12	4.13	4.08	4.12	0.07	1.76
India	0.82	0.79	0.76	0.76	0.76	0.77	(0.06)	(6.74)
Other Asia	2.69	2.61	2.47	2.46	2.5	2.51	(0.18)	(6.70)
Latin America	6.09	6.35	5.83	6.14	5.91	6.06	(0.03)	(0.51)
Middle East	3.20	3.19	3.20	3.15	3.17	3.17	(0.03)	(0.83)
Africa	1.50	1.44	1.44	1.40	1.37	1.41	(0.08)	(5.51)
Eurasia	11.61	11.68	10.38	10.01	10.31	10.59	(1.02)	(8.78)
of which Russia	3.07	3.16	2.92	2.73	2.85	2.91	(0.16)	(5.13)
of which other Eurasia	0.12	0.12	0.12	0.11	0.11	0.12	0.00	(3.27)
Total Non-OECD	33.14	33.46	31.23	30.90	31.06	31.66	(1.49)	(4.48)
Total Non-OPEC Production	63.15	64.63	59.22	59.34	60.12	60.82	(2.33)	(3.69)
Processing gains	2.26	2.15	1.85	2.15	2.15	2.07	(0.19)	(8.47)
Total Non-OPEC Supply	65.42	66.77	61.07	61.48	62.27	62.89	(2.52)	(3.86)
OPEC NGLs and non-conventionals	5.26	-	-	-	-	5.13	(0.13)	(2.47)
OPEC Crude Oil Production	29.34	28.25	25.58	23.86	24.94	25.65		
Total World Supply	100.02	-	-	-	-	93.67		

Source: OPEC Monthly Oil Market Report - Apr-2021

Non-OPEC oil supply estimates for 2020 witnessed an upward revision of 42 tb/d and supply is estimated to have declined by 2.52 mb/d to an average of 62.89 mb/d. The revision reflected higher supply from the OECD Europe region, Malaysia and the US. The forecast for 2021 non-OPEC oil supply was also revised up by 24 tb/d and production is expected to now grow at 0.9 mb/d to average at 63.83 mb/d. The revision was mainly on the back of lower expected supply from Russia (-58 tb/d) and Qatar (-14 tb/d) partially offset by an expected increase in supply from Azerbaijan (+27 tb/d), Australia, Oman, China and Canada. The OPEC expects continued growth in the US as drilling pickup led by higher prices and incomplete wells are completed. In addition, although E&P capex is expected to increase y-o-y in 2021, it will remain well below 2019 levels.

Non-OPEC Oil Supply - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	24.72	24.58	24.52	25.51	26.15	25.19	0.47	1.90
of which US	17.62	17.15	17.50	17.94	18.52	17.78	0.16	0.90
Europe	3.91	4.02	3.95	3.97	4.17	4.03	0.12	3.13
Asia Pacific	0.53	0.54	0.56	0.55	0.55	0.55	0.02	3.12
Total OECD	29.16	29.14	29.02	30.04	30.87	29.77	0.61	2.09
China	4.12	4.21	4.13	4.13	4.18	4.16	0.04	1.07
India	0.77	0.76	0.75	0.74	0.73	0.75	(0.02)	(2.62)
Other Asia	2.51	2.45	2.46	2.47	2.46	2.46	(0.05)	(2.00)
Latin America	6.06	6.01	6.31	6.32	6.51	6.29	0.23	3.87
Middle East	3.17	3.18	3.21	3.23	3.24	3.21	0.04	1.24
Africa	1.41	1.36	1.35	1.34	1.32	1.34	(0.07)	(5.14)
Eurasia	10.59	10.47	10.59	10.67	10.67	10.6	0.01	0.09
of which Russia	2.91	2.91	2.93	2.95	2.95	2.94	0.02	0.71
of which other Eurasia	0.12	0.11	0.11	0.11	0.11	0.11	(0.01)	(6.92)
Total "Other regions"	31.66	31.46	31.83	31.96	32.17	31.86	0.20	0.62
Total Non-OPEC Production	60.82	60.59	60.86	61.99	63.03	61.63	0.81	1.32
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.17
Total Non-OPEC Supply	62.89	62.79	63.06	64.19	65.23	63.83	0.93	1.48

Source: OPEC Monthly Oil Market Report - Apr-2021

OPEC Oil Production & Spare Capacity

OPEC crude oil production increased during March-2021 after seeing a steep decline during February-2021 that had pushed production to a four month low. Monthly production averaged at 25.33 mb/d for the group, registering a m-o-m increase of 0.3 mb/d, according to data from Bloomberg. OPEC's secondary sources showed a slightly slower production growth of 0.2 mb/d to an average of 25.04 mb/d. The increase came mainly on the back of higher production from Iran that produced at 2.3 mb/d with a monthly increase of 140 tb/d. According to data from Bloomberg, Iran has increased production gradually and consistently over the last six months from one of the lowest historical levels of 1.92 mb/d during Aug-2020. Libya and Angola also increased production by 100 tb/d each and produced at 1.25 mb/d and 1.2 mb/d, respectively, while Iraq added 60 tb/d and produced at 3.97 mb/d. On the other hand, Saudi Arabia reported the biggest decline in production at 60 tb/d (33 tb/d

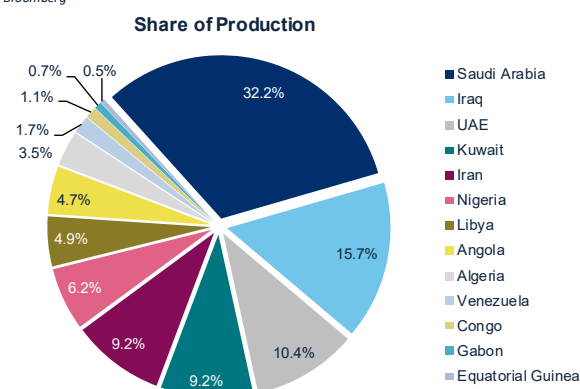
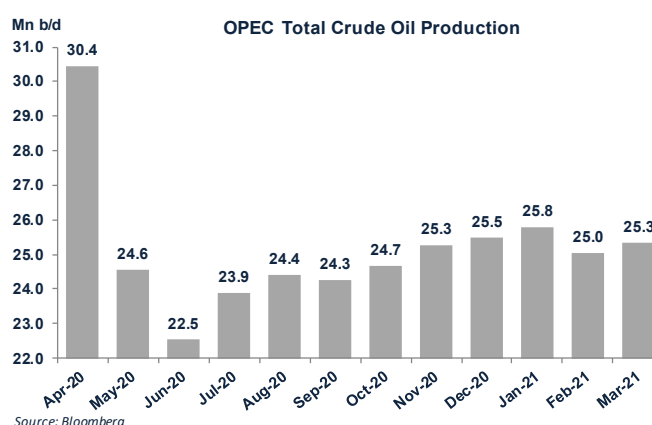
Production ('000 b/d)	Feb-21	Mar-21	Change		Capacity	Spare Capacity
Total OPEC-13	25,030	25,330	300	1.20%	34,535	9,205
Saudi Arabia	8,210	8,150	-60	-0.7%	11,500	3,350
Iraq	3,910	3,970	60	1.5%	4,800	830
UAE	2,630	2,630	0	0.0%	4,200	1,570
Kuwait	2,350	2,320	-30	-1.3%	3,075	755
Iran	2,180	2,320	140	6.4%	3,830	1,510
Nigeria	1,600	1,580	-20	-1.3%	2,000	420
Libya	1,150	1,250	100	8.7%	1,300	50
Angola	1,100	1,200	100	9.1%	1,450	250
Algeria	880	880	0	0.0%	1,080	200
Venezuela	470	440	-30	-6.4%	600	160
Congo	260	290	30	11.5%	330	40
Gabon	190	180	-10	-5.3%	220	40
Equatorial Guinea	100	120	20	20.0%	150	30
Total OPEC-12	21,120	21,360	240	1.14%	29,735	8,375

Source: Bloomberg, OPEC

according to OPEC secondary sources) and produced at a 9-month low rate of 8.15 mb/d. Kuwait and Venezuela also reported lower production by 30 tb/d each and produced at 2.32 mb/d and 440 tb/d, respectively.

Libya crude production stood at near full capacity during the month and was the highest in at least 8 years. In an interview with Bloomberg, Libya's oil minister said that the sector is getting the necessary funding for field maintenance and development, and this would help the country to maintain current production levels this year. According to a report from S&P Platts, Libya's NOC plans to increase production to 1.45 mb/d by the end of 2021 as some eastern oil fields resume production. With production stabilizing at current levels, there were reports that the country may be included in the OPEC+ quotas.

After much speculations at the start of the month, OPEC+ decided to raise production highlighting promising growth in oil demand in the near term. In addition, Saudi Arabia also announced to pare its voluntary cuts over the next three months. The net impact on overall OPEC+ production is expected to be an increase of 0.6 mb/d in May-2021, 0.7 mb/d in June-2021 and 0.9 mb/d in July-2021, according to the announcement. In addition, an official said that the OPEC+ is testing the market and could course correct depending on the market in the group next meeting at the end of the month.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q2 21	Q3 21	Q4 21	Q1 22
Deutsche Bank AG	12/Apr/21	65.0	67.0	70.0	65.0
Rabobank International	12/Apr/21	66.2	66.6	67.1	67.6
Natixis SA	7/Apr/21	67.0	64.0	66.0	68.0
Commerzbank AG	7/Apr/21	65.0	60.0	60.0	60.0
Market Risk Advisory Co Ltd	2/Apr/21	63.0	64.0	60.0	60.0
TD Securities	31/Mar/21	66.0	63.0	63.0	65.0
Emirates NBD PJSC	24/Mar/21	70.0	70.0	70.0	
Barclays PLC	22/Mar/21	64.0	67.0	71.0	73.0
HSBC Holdings PLC	19/Mar/21	64.0	70.0	65.0	
CIMB	12/Mar/21	70.0	68.0	65.0	63.0
Intesa Sanpaolo SpA	12/Mar/21	70.0	72.0	73.0	
Capital Economics Ltd	11/Mar/21	72.5	77.5	75.0	69.0
ABN AMRO Bank NV	5/Mar/21	65.0	63.0	61.0	59.0
Banco Santander SA	4/Mar/21	57.0	55.0	54.0	55.0
MPS Capital Services Banca per le Imprese SpA	26/Feb/21	61.0	62.0	64.0	
Landesbank Baden-Wuerttemberg	25/Feb/21	65.0	60.0	60.0	60.0
MUFG Bank	17/Feb/21	73.7	71.8	65.4	58.4
Westpac Banking Corp	5/Feb/21	56.0	55.0	54.0	53.0
Prestige Economics LLC	29/Dec/20	55.5	57.0	60.0	
BNP Paribas SA	23/Nov/20	54.0	55.0	59.0	62.0
Median		65.0	64.0	64.5	62.0
Mean		64.5	64.4	64.1	62.5
High		73.7	77.5	75.0	73.0
Low		54.0	55.0	54.0	53.0
Current Fwd		62.9	61.8	60.9	60.2
Difference (Median - Current)		2.1	2.2	3.6	1.8

Source: Bloomberg

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