

Oil Market Monthly Report

December-2020

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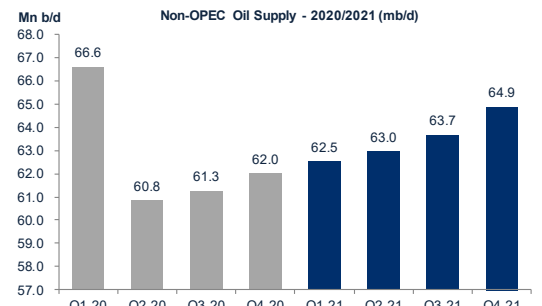
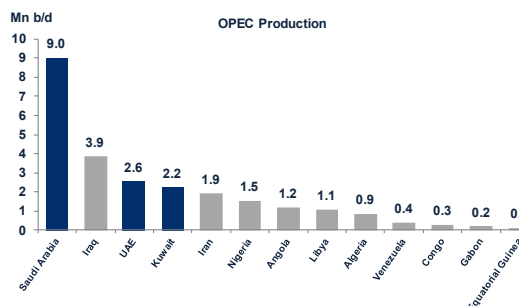
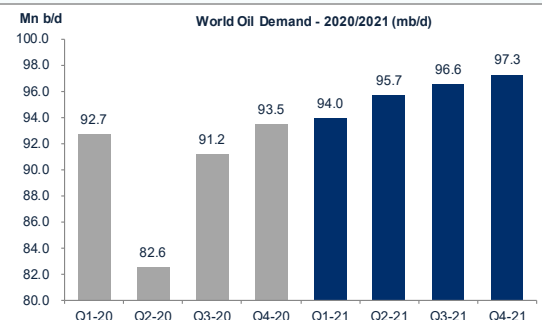
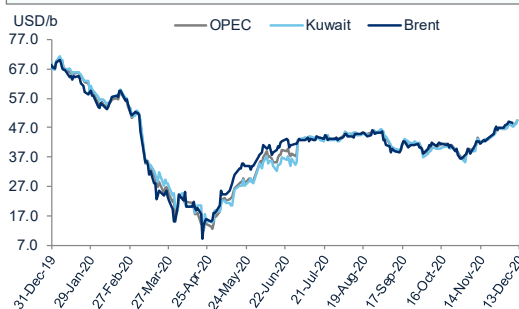
Oil cracks USD 50/b level as Asian demand is back at pre-covid levels...

Oil prices traded at 9-month high level at around the USD 50/b mark backed by Covid-19 vaccine deployment across several countries. Traders were excited on the expected impact on oil demand in the coming months as the rising cases of Covid-19 are countered with a successful vaccine. A Bloomberg report showed that European demand for gasoline and diesel is once again gaining pace after declining in November-2020. This further supported ongoing strong consumption in Asia and Latin America that more than offsets weak demand trend in the US. On the other hand, tougher restrictions were imposed across several cities globally including in California, New York and London, as the number of Covid-19 cases have once again started increasing. Germany was the latest country added to this list after the ongoing soft shutdowns failed to control the rising cases and was converted to a hard lockdown starting this week with tighter restrictions.

Geopolitics also had its fair share of impact on the oil market. Higher oil demand is expected in the near term as US prepares a relief package worth USD 908 Bn to tackle the economic downturn caused by the pandemic, while Brexit talks are now being extended. On US China trade, data showed rising Chinese exports to the US as it reached the highest level in the last four years. However, trade relations between the two countries continue to be one of the key issues in the new president's agenda as reports show that the tariffs on China will not be removed immediately and the spat is expected to continue in the near term. Iran, on the other hand, is hopeful of easing sanctions on the country next year after the new US Presidency takes over. Iran's oil minister said that the country plans to pump 4.5 mb/d of oil and gas condensate in its next fiscal year (as compared to its current crude oil production of 1.91 mb/d as of November-2020) and exports of 2.3 mb/d.

Weak dollar also supported oil prices as oil purchases tends to be higher when the USD is weak. The greenback reached the lowest level in 2.5 years against a basket of currencies ahead of the US Fed's final meeting for the year 2020 this week, further supported by abating Covid-19 worries on vaccine hopes that pushed up optimism in global economies.

Meanwhile, the speculations on whether OPEC+ would taper cuts and to what extent was laid to rest, albeit temporarily, when the group announced that it would increase output by 0.5 mb/d in January-2021 and would decide on the future strategy and level of production on a monthly basis. The deal was reached after a marathon negotiation between OPEC+ members. OPEC production reached a 7-month high during November-2020, breaching the 25 mb/d mark for the first time since May-2020 to produce at 25.18 mb/d. The increase came mainly on the back of higher production by Libya, UAE and Venezuela while most of the remaining producers lowered output during the month.



Sources : OPEC, EIA, Bloomberg

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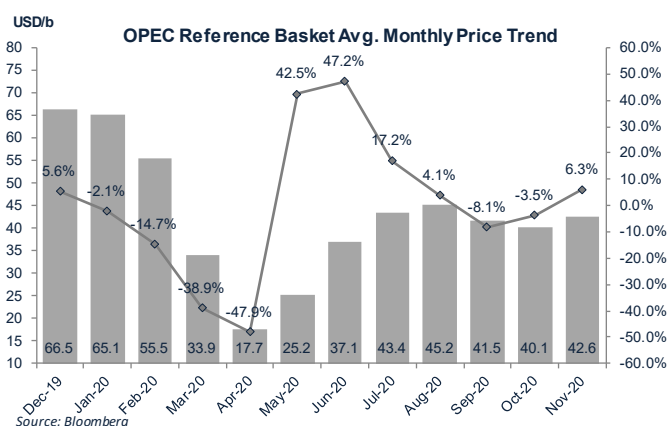
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Oil Prices

Oil prices reached a 9-month high level by mid-December-2020 after witnessing six consecutive weeks of gains backed by vaccine hopes and a recovery in oil demand. Crude prices broke the USD 50/b mark for the first time since March-2020 reaching pre-pandemic levels. That said, a resurgence of cases in Europe and several other parts of the world led to reimposition of tougher restrictions. This resulted in downward pressure and a slight decline in oil prices this week. On the other hand, a tanker explosion near a Saudi Arabia port resulted in temporarily stopped this decline.

Average OPEC crude prices reached USD 42.61/b during November-2020 registering a monthly increase of 6.3%. Gain in average Brent crude spot prices were also similar at 6.3% to average at USD 42.69/b whereas Kuwait crude grade averaged at 43.0/b with a monthly increase of 6.5%. Higher prices were also reflected in EIA's latest oil price forecast for 2020 and 2021. The agency raised Brent spot price average for 2020 to USD 41.43/b and to USD 48.53/b for 2021 vs. its previous forecast of USD 40.61/b and USD 46.59/b for 2020 and 2021, respectively.

Meanwhile, IEA also lowered its oil demand estimates for 2020 with a downward revision of 50 tb/d to a decline of 8.8 mb/d to reach 91.2 mb/d for the year. The agency's 2021 demand forecast underwent a steeper revision of 170 kb/d to a demand of 96.9 mb/d, according to our calculations, led by weak demand for jet fuel/kerosene. In terms of current inventory, the weekly data from EIA showed the biggest inventory build in 34-weeks with an increase of 15.2 million barrels or 3.1% during the week ended 4-December-2020. The EIA said that although inventories are expected to remain high, the stocks would decline at a faster pace next year led by rising global oil demand coupled with restrained OPEC+ production. Weekly data on crude production showed sustained level of output at 11.1 mb/d whereas rig count data continued to show weekly growth. According to Baker Hughes, oil rig in the US reached 246 during the week ended 4-December-2020, with a weekly increase of 5 rigs. Rig count has declined only during three out of the last 14 weeks and added 66 new rigs during the same time.



Average Crude Oil Prices, USD/b	Oct-2020	Nov-2020	Change (USD)	Avg 2019	Avg 2020
OPEC Reference Basket	40.1	42.6	2.5	63.8	40.8
Arab Light	40.3	43.0	2.7	64.7	41.2
Basrah Light	40.6	43.1	2.5	63.4	40.8
Bonny Light	39.6	41.9	2.3	65.4	40.8
Djeno	32.6	35.1	2.5	61.4	35.2
Es Sider	37.7	40.2	2.5	63.5	39.3
Girassol	40.7	44.1	3.4	65.8	41.8
Iran Heavy	40.2	42.9	2.6	61.7	40.0
Kuwait Export	40.4	43.0	2.6	64.1	40.8
Merey	26.2	27.1	0.8	54.4	27.7
Murban	41.1	43.1	2.0	64.6	42.4
Rabi	39.0	42.1	3.1	63.1	39.4
Saharan Blend	39.8	42.6	2.8	64.2	41.4
Zafiro	40.0	43.4	3.4	65.4	40.7
Other Crudes					
Brent	40.0	42.5	2.5	64.0	40.9
Dubai	40.7	43.3	2.6	63.4	41.6
Isthmus	38.2	40.3	2.1	63.3	35.7
LLS	40.8	42.9	2.1	62.6	40.6
Mars	40.0	42.0	2.0	60.8	39.4
Minas	39.3	41.4	2.1	60.0	40.5
Urals	40.3	43.4	3.1	64.1	41.1
WTI	39.5	41.5	2.0	56.8	38.7
Differentials					
Brent/WTI	0.5	1.0	0.5	7.2	2.2
Brent/LLS	(0.8)	(0.3)	0.5	1.3	0.3
Brent/Dubai	(0.7)	(0.8)	(0.1)	0.6	(0.7)

Source: OPEC Monthly Oil Market Report - Dec-2020

World Oil Demand

OPEC once again lowered oil demand forecast for 2020 in its latest monthly oil market report to a decline of 9.77 mb/d as compared to a decline of 9.75 mb/d as per its previous forecast, and demand is now expected to reach 89.99 mb/d in 2020. The downward revision reflected lower-than-expected oil demand data for the OECD region for Q3-2020 especially led by lower transportation fuel demand in the US and OECD Europe. This resulted in a downward revision of around 0.18 mb/d for the OECD region. However, an upward revision to demand data for the non-OECD countries resulted in an upward revision of 0.16 mb/d, partially offsetting the overall world oil demand. In the non-OECD region, demand in China was better-than-expected led by steady recovery across sectors further supported by increasing demand from India. China recorded its fifth consecutive month of oil demand growth during October-2020, although the y-o-y growth was slower than previous month at

World Oil Demand - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.70	24.34	20.03	22.91	24.30	22.9	(2.80)	(10.90)
of which US	20.86	19.66	16.38	18.79	19.98	18.70	(2.16)	(10.35)
Europe	14.25	13.35	10.98	12.84	12.03	12.30	(1.95)	(13.70)
Asia Pacific	7.79	7.75	6.54	6.74	7.23	7.06	(0.73)	(9.33)
Total OECD	47.75	45.44	37.56	42.49	43.56	42.27	(5.48)	(11.48)
China	13.30	10.70	12.85	12.97	13.58	12.53	(0.77)	(5.79)
India	4.84	4.77	3.51	3.55	4.34	4.04	(0.80)	(16.53)
Other Asia	9.02	8.23	7.79	8.33	8.7	8.26	(0.76)	(8.42)
Latin America	6.59	6.11	5.61	6.17	6.08	5.99	(0.60)	(9.11)
Middle East	8.20	7.88	6.91	7.88	7.50	7.54	(0.66)	(8.00)
Africa	4.45	4.37	3.77	3.97	4.20	4.08	(0.37)	(8.32)
Eurasia	5.61	5.21	4.58	4.85	5.11	4.94	(0.67)	(11.96)
of which Russia	3.61	3.44	3.04	3.20	3.24	3.23	(0.38)	(10.54)
of which other Eurasia	2.00	1.78	1.54	1.65	1.87	1.71	(0.29)	(14.53)
Total Non-OECD	52.02	47.27	45.02	48.67	49.91	47.73	(4.29)	(8.25)
Total World	99.76	92.71	82.57	91.16	93.47	89.99	(9.77)	(9.79)

Source: OPEC Monthly Oil Market Report - Dec-2020

0.08 mb/d vs. 0.2 mb/d during September-2020. Passenger car sales in China increased during October-2020 however a decline in miles travelled resulted in a drop in gasoline demand during the month. Jet fuel demand continued remain in the red led by an 11.7% y-o-y decline in air passenger traffic. On the other hand, China's oil refiners once again recorded the highest daily crude oil processing for the second consecutive month at 58.35 million tons in November-2020. This was enabled as new plants came online and refiners boosted run rates due to strong oil demand. Meanwhile, oil demand in India remained subdued as compared to last year's levels with a y-o-y decline of 3.6% to reach 17.83 million tons during November-2020. However, consumption increased m-o-m led by increasing transportation and business activity.

For 2021, global oil demand growth forecast underwent a steeper downward revision of 0.35 mb/d to a y-o-y growth of 5.9 mb/d to reach 95.89 mb/d. The revision reflected the uncertainty related to the structural impact of Covid-19 and the labour market on the OECD transportation fuel outlook during 1H-2021. A milder than normal winter forecast also affected growth estimates for middle distillates demand next year. OPEC estimates for 2021 assumes a growth of 4.4% in global economic activity that would lead to higher demand for industrial fuels, particularly in OECD Americas and China whereas demand growth for transportation fuels would depend on the impact of Covid-19 measures.

World Oil Demand - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	22.90	24.30	24.88	23.94	24.77	24.48	1.58	6.88
of which US	18.70	19.85	20.26	19.46	20.32	19.97	1.27	6.78
Europe	12.30	12.35	13.46	13.44	12.71	13.00	0.69	5.64
Asia Pacific	7.06	7.60	7.28	7.21	7.45	7.38	0.32	4.55
Total OECD	42.27	44.26	45.61	44.59	44.93	44.86	2.59	6.13
China	12.81	12.31	13.87	14.71	14.73	13.91	1.10	8.60
India	4.14	4.89	4.19	4.75	4.99	4.71	0.57	13.69
Other Asia	8.21	8.33	8.96	8.57	8.84	8.68	0.47	5.70
Latin America	6.00	6.21	6.27	6.41	6.31	6.30	0.30	5.00
Middle East	7.56	8.07	7.64	8.25	7.75	7.93	0.37	4.88
Africa	4.07	4.46	3.95	4.16	4.39	4.24	0.17	4.05
Eurasia	4.94	5.43	5.17	5.14	5.35	5.28	0.34	6.85
of which Russia	3.23	3.57	3.37	3.37	3.38	3.42	0.19	6.02
of which other Eurasia	1.71	1.86	1.81	1.77	1.97	1.85	0.14	8.43
Total "Other Regions"	47.73	49.71	50.06	51.98	52.36	51.04	3.31	6.93
Total World	89.99	93.97	95.68	96.57	97.29	95.89	5.90	6.56

Source: OPEC Monthly Oil Market Report - Dec-2020

World Oil Supply

World liquids production witnessed a monthly increase of 1.62 mb/d during November-2020 and averaged at 92.53 mb/d. The increase reflected higher production by both OPEC and non-OPEC producers. OPEC producers added 0.71 mb/d during the month mainly led by higher production from Libya. Non-OPEC producers increased production by 0.91 mb/d and produced at 67.42 mb/d during the month led by higher production by Canada, Norway and the US. Higher production by OPEC resulted in a 0.3% increase in the group's market share to 27.1%.

Non-OPEC liquids production forecast was lowered by 0.08 mb/d by OPEC and supply is now expected to contract by 2.5 mb/d to 62.67 mb/d during 2020. The revision reflected lowered supply forecast for Brazil (-55 tb/d), the US (-53 tb/d), the

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	24.07	24.60	24.7	(1.07)	(4.15)
of which US	18.43	19.05	16.81	17.33	17.45	17.66	(0.77)	(4.17)
Europe	3.71	4.03	3.87	3.77	3.88	3.89	0.18	4.85
Asia Pacific	0.52	0.53	0.54	0.54	0.55	0.54	0.01	2.72
Total OECD	30.00	31.16	27.96	28.38	29.03	29.13	(0.88)	(2.92)
China	4.05	4.15	4.16	4.17	4.15	4.16	0.11	2.60
India	0.83	0.8	0.77	0.78	0.77	0.78	(0.05)	(5.71)
Other Asia	2.71	2.64	2.47	2.5	2.52	2.53	(0.18)	(6.62)
Latin America	6.06	6.36	5.84	6.14	6.03	6.09	0.03	0.52
Middle East	3.20	3.19	3.18	3.13	3.13	3.16	(0.04)	(1.24)
Africa	1.53	1.49	1.48	1.45	1.40	1.46	(0.08)	(4.94)
Eurasia	14.52	14.67	13.13	12.57	12.83	13.29	(1.23)	(8.47)
of which Russia	11.44	11.51	10.21	9.84	10.01	10.39	(1.05)	(9.20)
of which other Eurasia	3.08	3.16	2.92	2.73	2.82	2.90	(0.18)	(5.76)
Total Non-OECD	32.90	33.29	31.02	30.74	30.83	31.47	(1.44)	(4.36)
Total Non-OPEC Production	62.91	64.44	58.98	59.12	59.86	60.59	(2.31)	(3.67)
Processing gains	2.26	2.15	1.85	2.15	2.15	2.07	(0.19)	(8.47)
Total Non-OPEC Supply	65.17	66.59	60.84	61.26	62	62.67	(2.50)	(3.84)
OPEC NGLs and non-conventionals	5.26	-	-	-	-	5.13	(0.13)	(2.47)
OPEC Crude Oil Production	29.34	28.25	25.58	23.84	-			
Total World Supply	99.77	-	-	-	-			

Source: OPEC Monthly Oil Market Report - Dec-2020

UK and Norway due to lower-than-expected output during Q4-2020. These declines were partially offset by upward revisions to supply coming from Russia (+40 tb/d), Canada (+26 tb/d), Mexico and other OECD Europe countries. For 2021, non-OPEC production was also lowered by 0.1 mb/d and supply is now expected to grow by 0.85 mb/d to reach 63.52 mb/d during the year. The revision in supply mainly reflected downward revisions to expected supply from Russia (-154 tb/d) following OPEC+ decision to go slow on tapering production cuts next year. Downward revisions were also made to supply coming from Malaysia (-35 tb/d), Sudans and India that was partially offset by increase in supply estimates for Brazil (+33 tb/d), Kazakhstan (+28 tb/d), Azerbaijan and Indonesia.

Non-OPEC Oil Supply - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	24.70	24.53	24.71	25.39	26.22	25.22	0.52	2.09
of which US	17.66	17.41	17.74	18.02	18.65	17.96	0.30	1.71
Europe	3.89	3.99	3.94	3.98	4.17	4.02	0.13	3.45
Asia Pacific	0.54	0.54	0.51	0.52	0.51	0.52	(0.02)	(3.27)
Total OECD	29.13	29.06	29.16	29.89	30.90	29.76	0.63	2.17
China	4.16	4.16	4.14	4.14	4.19	4.16	0.00	0.01
India	0.78	0.76	0.76	0.75	0.74	0.75	(0.02)	(2.96)
Other Asia	2.53	2.5	2.51	2.5	2.5	2.5	(0.03)	(1.16)
Latin America	6.09	6.36	6.35	6.33	6.50	6.38	0.29	4.80
Middle East	3.16	3.20	3.24	3.25	3.26	3.24	0.08	2.47
Africa	1.46	1.38	1.40	1.38	1.36	1.38	(0.08)	(5.44)
Eurasia	13.29	12.92	13.22	13.22	13.21	13.14	(0.15)	(1.12)
of which Russia	10.39	10.05	10.30	10.30	10.30	10.24	(0.15)	(1.42)
of which other Eurasia	2.90	2.87	2.92	2.91	2.91	2.90	0.00	(0.07)
Total "Other regions"	31.47	31.28	31.61	31.57	31.76	31.56	0.09	0.29
Total Non-OPEC Production	60.59	60.34	60.77	61.46	62.67	61.32	0.72	1.19
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.17
Total Non-OPEC Supply	62.67	62.54	62.97	63.66	64.87	63.52	0.85	1.36

Source: OPEC Monthly Oil Market Report - Dec-2020

OPEC Oil Production & Spare Capacity

OPEC oil production increased by 2.15% m-o-m during November-2020 to reach 25.18 mb/d primarily on the back of higher production in Libya, UAE and Venezuela, according to production data from Bloomberg. However, OPEC's secondary sources showed a steeper m-o-m decline of 0.7 mb/d during November-2020 and showed an increase in production in Iran by 39 tb/d vs. a decline of 20 tb/d estimated by Bloomberg. These overall increase were partially offset decline reported by most other producers in the OPEC. Libya reported a rapid increase in production that more than doubled to 1.05 mb/d in November-2020 with an increase of more than 0.6 mb/d. Reports show that Libya, which is exempt from OPEC+ production cuts, is currently producing at 1.2 mb/d and loading programs for December-2020 show expected exports of 1.24 mb/d. However, recent reports show revenue disputes in the country that could result in de-risking by international monetary institutions.

Production ('000 b/d)	Oct-20	Nov-20	Change		Capacity	Spare Capacity
Total OPEC-13	24,650	25,180	530	2.15%	34,035	8,855
Saudi Arabia	8,990	8,990	0	0.0%	11,500	2,510
Iraq	3,870	3,860	-10	-0.3%	4,800	940
UAE	2,490	2,560	70	2.8%	3,400	840
Kuwait	2,300	2,240	-60	-2.6%	3,075	835
Iran	1,930	1,910	-20	-1.0%	3,830	1,920
Nigeria	1,610	1,540	-70	-4.3%	2,000	460
Angola	1,230	1,180	-50	-4.1%	1,450	270
Libya	450	1,050	600	133.3%	1,300	250
Algeria	870	860	-10	-1.1%	1,080	220
Venezuela	340	400	60	17.6%	900	500
Congo	260	290	30	11.5%	330	40
Gabon	200	190	-10	-5.0%	220	30
Equatorial Guinea	110	110	0	0.0%	150	40
Total OPEC-12	20,780	21,320	540	2.60%	29,235	7,915

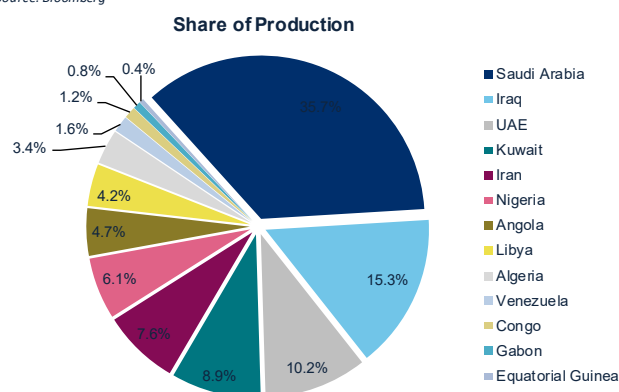
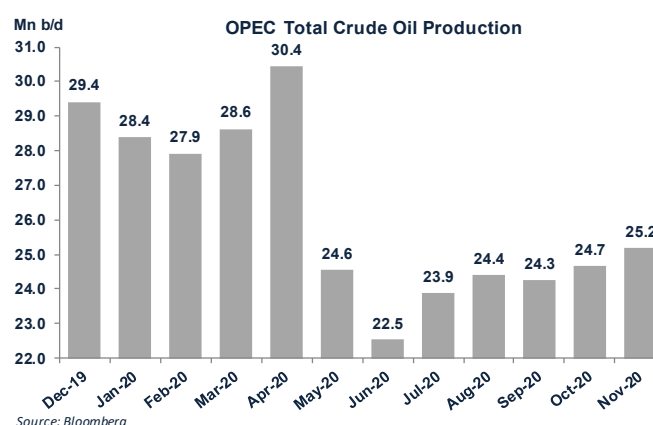
Source: Bloomberg, OPEC

Nigeria also reported a decline in production by 70 tb/d to reach average production of 1.54 mb/d led by ongoing quotas against the OPEC+ agreement in addition to damage to two oil pipelines in the Delta region that disrupted production of 30 tb/d.

Oil production in Venezuela showed increase for the second consecutive month during November-2020 after reports suggested that the country has resumed shipments to China. Monthly production increased by 60 tb/d during the month to reach 0.4 mb/d, the highest since May-2020.

Iraq once again lowered its production during November-2020 and produced at an average rate of 3.842 mb/d, according to State Oil Marketing Organization. This was below the country's OPEC+ quota of 3.804 mb/d, implying over compliance by the producer. Domestic consumption remained steady during the month but crude oil exports declined during the month to 2.709 mb/d. The decline was mainly due to five days of rough weather that affected tanker loadings, according to S&P Global Platts.

Meanwhile, after weeks of speculation on the level of production cuts to be adopted by OPEC+ producers, the group, after several rounds of negotiations, decided to go gradually taper the cuts in 2021 starting with 0.5 mb/d increase in production during January-2021. The group also decided to review these cuts on a monthly basis going forward.



Brent Crude Oil Price Forecast

Firm	As Of	Q4 20	Q1 21	Q2 21	Q3 21
Commerzbank AG	11/Dec/20	40.0	45.0	45.0	48.0
Intesa Sanpaolo SpA	11/Dec/20	44.0	45.0	50.0	53.0
ABN AMRO Bank NV	4/Dec/20	42.0	48.0	48.0	45.0
Citigroup Inc	30/Nov/20	44.0			
Prestige Economics LLC	30/Nov/20	45.5	51.5	55.5	57.0
Emirates NBD PJSC	25/Nov/20	40.0	42.5	47.5	47.5
BNP Paribas SA	23/Nov/20	45.0	56.0	54.0	55.0
Rabobank International	22/Oct/20	44.3	45.0	46.0	47.0
Westpac Banking Corp	16/Oct/20	41.3	38.0	35.7	33.0
Bank of Nova Scotia/The	13/Oct/20	43.0	46.0	49.0	51.0
Capital Economics Ltd	9/Oct/20	43.0	46.0	48.5	51.5
Market Risk Advisory Co Ltd	5/Oct/20	41.5	42.5	44.0	45.0
Banco Santander SA	24/Sep/20	42.4	42.5	43.0	44.0
CIMB	17/Sep/20	48.0	50.0	53.0	55.0
Deutsche Bank AG	14/Sep/20	45.0	45.0	45.0	50.0
MUFG Bank	2/Sep/20	48.4	49.2	54.6	60.8
Landesbank Baden-Wuerttemberg	20/Aug/20	45.0	45.0	47.0	50.0
Natixis SA	12/Aug/20	45.0	44.0	47.0	50.0
MPS Capital Services Banca per le Imprese SpA	15/Jul/20	45.0	48.0	52.0	
BBVA Research SA	25/Jun/20	42.9	44.5	50.8	51.6
Median		44.0	45.0	48.0	50.0
Mean		43.8	46.0	48.2	49.7
High		48.4	56.0	55.5	60.8
Low		40.0	38.0	35.7	33.0
Current Fwd		45.0	50.0	49.8	49.3
Difference (Median - Current)		-1.0	-5.0	-1.8	0.7

Source: Bloomberg

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