

## Oil Market Monthly Report

December-2021

### In this Report...

Oil Prices .....	2
Oil Demand .....	3
Oil Supply .....	4
Production & Capacity	5
Oil Price Forecast .....	6

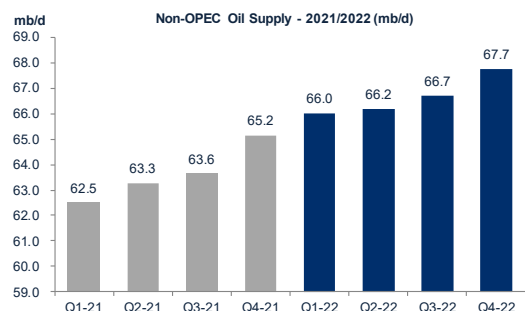
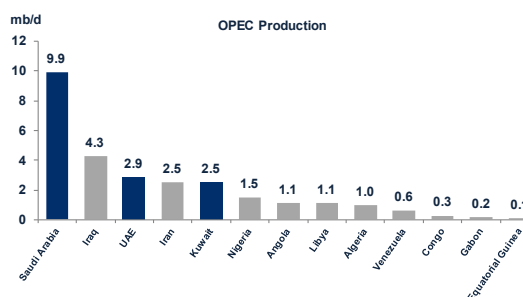
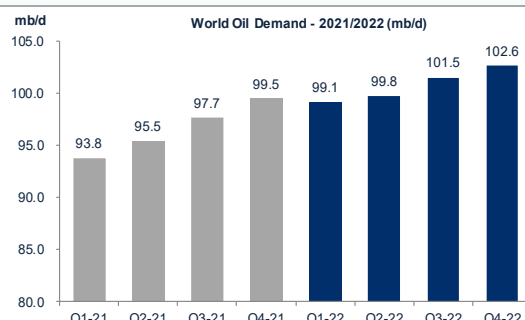
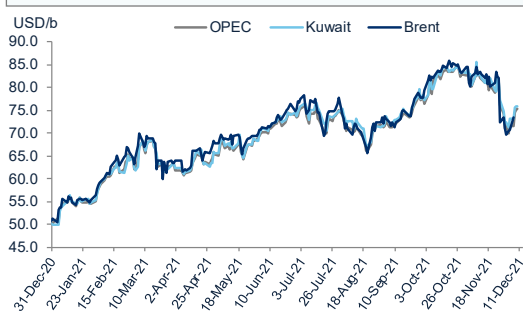
### Oil rebounds as Omicron threat retreats...

After declining by 15% during November-2021 on the back of Omicron and additional supply from strategic reserves, oil prices rebounded and regained the USD 70/b mark during the first week of December-2021. A slew of positive news supported the oil price rally including the lowered severity of the Omicron variant, controlled supply from the OPEC+ producers as well as positive economic news from Asia. Moreover, after releasing oil from its strategic petroleum reserve last month that affected prices, the latest announcement by the US to further release from the SPR had minimal impact on oil prices. However, rising inflation levels globally remains a concern and is forcing central banks in several countries to raise interest rates which may change the course of future oil demand.

The panic following the Omicron variant reported in more than 60 countries that was initially thought to be more serious than the Delta variant receded significantly after several recent reports suggested that the variant is not causing serious illness and a third booster dose of the Covid-19 vaccine is expected to provide immunity against the variant. Nevertheless, infection rates have increased globally with almost 700,000 new cases daily making it a cause of concern in a number of countries. WHO also termed it as a "very high" global risk as some studies have suggested that it evades vaccine protection. Travel restrictions continue to remain in place globally, affecting the revival of jet fuel demand, as countries like UK, Hong Kong, India and several others imposed stricter restrictions or extended the ongoing travel bans.

On the supply side, the US consistently increased oil production over the last three weeks adding an aggregate 300 tb/d with average production reaching 11.7 mb/d for the week ended 3-December-2021. An EIA report suggested that oil production at the Permian basin is expected to hit a record high next month to reach 5.03 mb/d, higher than the pre-pandemic high. The increase also comes as oil rig count data showed consistent new rigs over the past few weeks. OPEC also increased production during November-2021 by around 0.3 mb/d to an average of 27.7 mb/d, according to OPEC secondary sources. Moreover, despite global pressure, in its monthly meeting, the OPEC+ producers decided to stick to its original plan to increase production by 0.4 mb/d in January-2022.

Demand side factors remained promising after the risk of Omicron was downplayed. In addition, China continues to remain a key growth factor for future oil demand growth as current demand remains subdued due to strict restrictions related to Covid-19. The country's air traffic failed to recover to pre pandemic levels due to smaller outbreaks. However, a recent comment from an official that the country is looking at stabilizing the economy added to optimism that China may announce a fiscal stimulus in early 2022.



Sources : OPEC, EIA, Bloomberg

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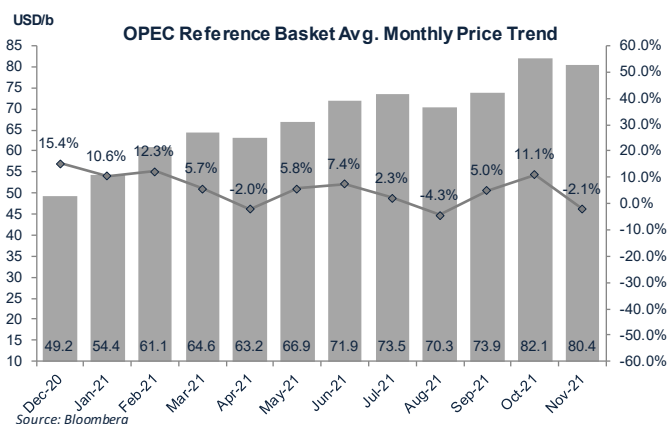
## Oil Prices

Oil prices showed its first weekly gain last week after declining for six consecutive weeks that saw prices going below the USD 70/b mark. The decline last month was led by fear of Omicron's impact on economic growth and oil demand as well as higher supply from the producers outside of the OPEC+ group in order to counter the output cuts and lower oil prices. Prices declined by more than 15% in November-2021 but a swift recovery was seen this month backed by easing concerns related to the Omicron variant as well as lower than expected supply increase from the OPEC+ producers. Moreover, the aggregate impact of the release of oil reserve by the US was minimal. The US recently announced that it would release an additional 18 million barrels of crude oil from its strategic reserve next week. However, the initial plan by the US to tap the reserves in tandem with five other countries (India, China, Japan, South Korea and UK) is yet to be executed as these countries have not yet announced the exact volume and timing of the release.

Some analysts even suggested that the reluctance to execute the plan also comes from the fact that these consumers don't want to jeopardize their relationship with the sellers, especially at a time when oil demand is seasonally higher during the winter season. In addition, the Omicron-led price decline also resulted in a delayed response from the five countries.

Meanwhile, in a recent report, the EIA said that oil market may balance during early next year with higher supplies after seeing demand exceed supply for six consecutive quarters. The increase in production from OPEC+ and non-OPEC producers coupled with higher US shale output is expected to ease pressure on oil prices during Q1-2022, according to the OPEC. The higher output was already evident from oil rig count data from the US that has seen consistent growth over the last several weeks to reach 471 rigs last week, the highest level since April-2020.

OPEC crude benchmark averaged at USD 80.4/b during November-2021, a decline of 2.1% from October-2021. Brent crude also declined by a slightly higher 2.6% to average at USD 81.37/b while Kuwait export crude grade dropped by 1.9% to average at USD 81.13/b.



Average Crude Oil Prices, USD/b	Oct-2021	Nov-2021	Change (USD)	Avg 2020	Avg 2021
<b>OPEC Reference Basket</b>	<b>82.1</b>	<b>80.4</b>	<b>(1.7)</b>	<b>40.8</b>	<b>69.5</b>
Arab Light	82.8	80.8	(2.0)	41.2	70.2
Basrah Light	81.5	79.6	(1.9)	40.8	69.4
Bonny Light	82.9	80.7	(2.2)	40.8	70.3
Djeno	76.1	73.9	(2.2)	35.2	63.0
Es Sider	81.6	80.3	(1.3)	39.3	68.8
Girassol	84.5	82.3	(2.2)	41.8	70.9
Iran Heavy	82.1	80.5	(1.6)	40.0	69.3
<b>Kuwait Export</b>	<b>82.7</b>	<b>81.1</b>	<b>(1.6)</b>	<b>40.8</b>	<b>70.0</b>
Merey	62.7	61.2	(1.5)	27.7	51.1
Murban	82.7	82.1	(0.7)	42.4	69.7
Rabi	83.1	80.9	(2.2)	39.4	70.0
Saharan Blend	83.5	82.0	(1.6)	41.4	70.4
Zafiro	84.1	82.3	(1.9)	40.7	70.8
<b>Other Crudes</b>					
Brent	83.5	81.4	(2.2)	40.9	70.5
Dubai	81.5	80.3	(1.2)	41.6	69.0
Isthmus	78.2	75.5	(2.7)	35.7	66.0
LLS	82.2	79.4	(2.8)	40.6	69.3
Mars	78.7	75.7	(3.0)	39.4	66.9
Minas	81.3	79.4	(2.0)	40.5	68.4
Urals	81.9	80.1	(1.9)	41.1	69.1
WTI	81.4	79.1	(2.3)	38.7	67.8
<b>Differentials</b>					
Brent/WTI	2.2	2.3	0.1		2.7
Brent/LLS	1.3	2.0	0.6		1.2
Brent/Dubai	2.1	1.1	(1.0)		1.5

Source: OPEC Monthly Oil Market Report - December-2021

## World Oil Demand

World oil demand estimates for 2021 remained unchanged with an expected growth of 5.7 mb/d to average at 96.63 mb/d. However, upward adjustments were made to demand data for 1H-2021 led by higher-than-expected demand from the transportation sector in the OECD countries that was offset by a downward revision to demand during 2H-2021. According to OPEC, demand was affected during Q3-2021 led by an increase in Covid-19 cases, softer industrial production in China and softening transportation fuel consumption in India. For Q4-2021, demand was lowered marginally led by Covid-19 restrictions in Europe and the potential impact of the new Covid-19 variant. Oil demand in China rebounded during November-2021 with data showing a monthly increase of 14.3% in crude oil imports that reached 10.17 mb/d. The increase was seen across the commodity landscape in China and for crude oil, the increase was specifically due to the government granting fresh import

World Oil Demand - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	22.44	22.73	24.33	24.94	24.46	24.13	1.68	7.50
of which US	18.35	18.65	20.21	20.47	20.20	19.89	1.54	8.41
Europe	12.44	11.91	12.65	13.82	13.49	12.98	0.54	4.35
Asia Pacific	7.14	7.67	7.04	7.15	7.63	7.37	0.23	3.24
<b>Total OECD</b>	<b>42.02</b>	<b>42.31</b>	<b>44.02</b>	<b>45.91</b>	<b>45.58</b>	<b>44.48</b>	<b>2.46</b>	<b>5.84</b>
China	13.52	13.79	14.55	14.52	15.11	14.49	0.97	7.20
India	4.51	4.94	4.50	4.59	5.52	4.89	0.38	8.41
Other Asia	8.13	8.56	8.98	8.34	8.62	8.63	0.50	6.10
Latin America	6.01	6.25	6.16	6.46	6.40	6.32	0.31	5.09
Middle East	7.55	7.95	7.77	8.24	8.02	8.00	0.45	6.01
Africa	4.08	4.37	4.08	4.15	4.43	4.26	0.17	4.28
Eurasia	3.39	3.65	3.42	3.63	3.74	3.61	0.22	6.55
of which Russia	1.07	1.23	1.24	1.09	1.28	1.21	0.14	12.70
of which other Eurasia	0.70	0.78	0.72	0.73	0.79	0.75	0.06	8.29
<b>Total Non-OECD</b>	<b>48.96</b>	<b>51.52</b>	<b>51.43</b>	<b>51.74</b>	<b>53.91</b>	<b>52.16</b>	<b>3.20</b>	<b>6.54</b>
<b>Total World</b>	<b>90.98</b>	<b>93.83</b>	<b>95.45</b>	<b>97.66</b>	<b>99.49</b>	<b>96.63</b>	<b>5.65</b>	<b>6.22</b>

Source: OPEC Monthly Oil Market Report - December-2021

quotas to independent oil refiners that is supposed to be utilized by the end of the year. However, the trend is expected to continue next year only if the government issues quotas for the new year. Nevertheless, demand this year remained soft as compared to last year with YTD-Nov-21 demand down by 7.3% as compared to the same period last year. Meanwhile, data from India's oil ministry showed fuel demand declined by 11.4% y-o-y and 4% m-o-m during November-2021 to 17.13 million tonnes. The decline came after recording a seven-month high demand during October-2021. The y-o-y decline was mainly led by fall in diesel consumption after the festival season last month, whereas gasoline demand remained strong in November-2021 and surpassed pre-pandemic demand.

For 2022, OPEC once again kept its forecast unchanged at a growth of 4.2 mb/d to average at 100.6 mb/d, but said that the recovery expected in Q4-2021 would not shift to Q1-2022 followed by a steady recovery during 2H-2022. OPEC said that the Omicron variant is expected to have a mild and short-lived impact on world demand as the world becomes used to dealing with the pandemic.

World Oil Demand - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	24.13	24.04	25.42	25.97	25.27	25.18	1.06	4.38
of which US	19.89	19.69	21.07	21.44	20.92	20.79	0.90	4.51
Europe	12.98	12.63	13.23	14.46	14.01	13.59	0.61	4.73
Asia Pacific	7.37	7.91	7.22	7.29	7.73	7.54	0.17	2.27
<b>Total OECD</b>	<b>44.48</b>	<b>44.58</b>	<b>45.87</b>	<b>47.71</b>	<b>47.01</b>	<b>46.31</b>	<b>1.84</b>	<b>4.13</b>
China	14.49	14.64	15.44	15.00	15.55	15.16	0.66	4.58
India	4.89	5.48	4.82	4.97	5.84	5.28	0.39	7.99
Other Asia	8.63	9.25	9.59	8.93	8.95	9.18	0.55	6.38
Latin America	6.32	6.49	6.33	6.61	6.56	6.50	0.18	2.84
Middle East	8.00	8.30	8.01	8.49	8.26	8.27	0.27	3.34
Africa	4.26	4.54	4.21	4.27	4.56	4.40	0.14	3.22
Eurasia	3.61	3.75	3.47	3.68	3.79	3.67	0.07	1.81
of which Russia	1.21	1.30	1.29	1.12	1.32	1.26	0.05	3.72
of which other Eurasia	0.75	0.80	0.73	0.74	0.81	0.77	0.02	2.18
<b>Total "Other Regions"</b>	<b>52.16</b>	<b>54.55</b>	<b>53.90</b>	<b>53.82</b>	<b>55.62</b>	<b>54.47</b>	<b>2.32</b>	<b>4.44</b>
<b>Total World</b>	<b>96.63</b>	<b>99.13</b>	<b>99.77</b>	<b>101.53</b>	<b>102.64</b>	<b>100.79</b>	<b>4.15</b>	<b>4.30</b>

Source: OPEC Monthly Oil Market Report - December-2021

## World Oil Supply

World liquids production once again increased during November-2021 with preliminary data indicating a monthly growth of 0.88 mb/d to an average of 98.28 mb/d. Non-OPEC producers once again contributed to the bulk of the monthly production growth adding 0.6 mb/d to record an average production of 70.6 mb/d. By contrast, OPEC producers increased production by 285 tb/d to an average of 27.72 mb/d, according to OPEC secondary sources.

Non-OPEC liquids supply growth estimates for 2021 was also unchanged at a growth of 0.7 mb/d to an average of 63.7 mb/d, although adjustments were made to country-level production data for the year. Upward revisions were made to supply estimates for the US and Canada by 86 tb/d and 24 tb/d, respectively, that were offset by downward revision to estimates for

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	24.10	25.17	25.21	25.94	25.11	0.41	1.66
of which US	17.61	16.63	17.93	17.83	18.23	17.66	0.05	0.30
Europe	3.90	3.96	3.52	3.81	3.91	3.80	(0.10)	(2.58)
Asia Pacific	0.52	0.50	0.45	0.53	0.53	0.51	(0.02)	(2.98)
<b>Total OECD</b>	<b>29.12</b>	<b>28.56</b>	<b>29.13</b>	<b>29.56</b>	<b>30.37</b>	<b>29.41</b>	<b>0.29</b>	<b>1.01</b>
China	4.16	4.30	4.34	4.33	4.32	4.32	0.16	3.86
India	0.77	0.76	0.75	0.75	0.74	0.75	(0.01)	(1.78)
Other Asia	2.51	2.52	2.46	2.34	2.42	2.43	(0.07)	(2.85)
Latin America	6.04	5.96	5.99	6.11	6.10	6.04	0.00	0.04
Middle East	3.19	3.22	3.23	3.24	3.29	3.24	0.05	1.57
Africa	1.41	1.37	1.35	1.32	1.31	1.34	(0.08)	(5.33)
Eurasia	10.59	10.47	10.74	10.81	11.15	10.79	0.20	1.91
of which Russia	2.91	2.96	2.89	2.79	3.04	2.92	0.00	0.17
of which other Eurasia	0.12	0.12	0.11	0.11	0.11	0.11	(0.01)	(4.66)
<b>Total Non-OECD</b>	<b>31.71</b>	<b>31.67</b>	<b>31.86</b>	<b>31.80</b>	<b>32.50</b>	<b>31.96</b>	<b>0.25</b>	<b>0.80</b>
<b>Total Non-OPEC Production</b>	<b>60.82</b>	<b>60.23</b>	<b>61</b>	<b>61.36</b>	<b>62.87</b>	<b>61.37</b>	<b>0.55</b>	<b>0.90</b>
Processing gains	2.15	2.28	2.28	2.28	2.28	2.28	0.13	6.03
<b>Total Non-OPEC Supply</b>	<b>62.97</b>	<b>62.51</b>	<b>63.28</b>	<b>63.64</b>	<b>65.15</b>	<b>63.65</b>	<b>0.68</b>	<b>1.08</b>
<b>OPEC NGLs and non-conventionals</b>	<b>5.05</b>	-	-	-	-	<b>5.14</b>	<b>0.10</b>	<b>1.78</b>
<b>OPEC Crude Oil Production</b>	<b>25.65</b>	<b>25.16</b>	<b>25.52</b>	<b>26.89</b>	-	-		
<b>Total World Supply</b>	<b>93.67</b>	-	-	-	-	-		

Source: OPEC Monthly Oil Market Report - December-2021

Brazil (-73 tb/d) and Norway (-25 tb/d) mainly led by a decline in output during Q4-2021. Upward adjustments to Q4-2021 data for US primarily reflected a faster-than-expected production growth in the Gulf of Mexico coupled with consistent monthly growth in shale output, particularly in the Permian Basin. Meanwhile, Canadian liquids production reached a record high of 5.8 mb/d during October-2021 led by higher production by oil sand producers in Alberta and pipeline capacity expansion.

For 2022, supply forecast was also unchanged at a growth of 3.0 mb/d to average at 66.7 mb/d. However, upward revisions made to supply from the US (+87 tb/d), Argentina and Cameroon were offset by downward revisions to supply data for Brazil (-41 tb/d), the UK (-23 tb/d) and Colombia (-21 tb/d).

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.11	26.02	26.06	26.44	26.82	26.34	1.23	4.89
of which US	17.66	18.35	18.60	18.75	19.06	18.69	1.03	5.84
Europe	3.80	3.87	3.76	3.82	4.14	3.90	0.10	2.68
Asia Pacific	0.51	0.54	0.54	0.53	0.53	0.54	0.03	5.94
<b>Total OECD</b>	<b>29.41</b>	<b>30.43</b>	<b>30.36</b>	<b>30.79</b>	<b>31.50</b>	<b>30.77</b>	<b>1.36</b>	<b>4.62</b>
China	4.32	4.33	4.33	4.37	4.45	4.37	0.04	1.02
India	0.75	0.73	0.75	0.78	0.8	0.77	0.01	1.59
Other Asia	2.43	2.45	2.42	2.4	2.38	2.41	(0.02)	(0.91)
Latin America	6.04	6.35	6.29	6.23	6.44	6.32	0.28	4.67
Middle East	3.24	3.34	3.34	3.36	3.36	3.35	0.11	3.29
Africa	1.34	1.29	1.27	1.25	1.22	1.25	(0.08)	(6.26)
Eurasia	10.79	11.51	11.83	11.88	11.88	11.78	0.98	9.12
of which Russia	2.92	3.10	3.12	3.16	3.22	3.15	0.23	7.86
of which other Eurasia	0.11	0.11	0.11	0.10	0.10	0.10	(0.01)	(6.90)
<b>Total "Other regions"</b>	<b>31.96</b>	<b>33.19</b>	<b>33.45</b>	<b>33.52</b>	<b>33.86</b>	<b>33.51</b>	<b>1.55</b>	<b>4.84</b>
<b>Total Non-OPEC Production</b>	<b>61.37</b>	<b>63.62</b>	<b>63.81</b>	<b>64.31</b>	<b>65.35</b>	<b>64.28</b>	<b>2.91</b>	<b>4.73</b>
Processing gains	2.28	2.39	2.39	2.39	2.39	2.39	0.11	4.91
<b>Total Non-OPEC Supply</b>	<b>63.65</b>	<b>66.02</b>	<b>66.2</b>	<b>66.7</b>	<b>67.74</b>	<b>66.67</b>	<b>3.02</b>	<b>4.74</b>

Source: OPEC Monthly Oil Market Report - December-2021

## OPEC Oil Production & Spare Capacity

OPEC oil production was up for the 7th consecutive month during November-2021 with a monthly increase of 350 tb/d to an average of 28.0 mb/d, the highest since April-2020, according to data from Bloomberg. OPEC secondary sources showed a slightly lower production growth of 285 tb/d to an average of 27.72 mb/d. The bulk of the producers in the group increased production during the month with Saudi Arabia, Iraq and Nigeria showing the biggest m-o-m increase. On the other hand, lower production in Angola, Congo and Libya partially offset the overall growth during the month. The increase in production during the month by OPEC resulted in a compliance level of 118.5% to OPEC+ quotas, according to S&P Platts. Saudi Arabia once again showed the biggest increase in production by 101 tb/d (+70 tb/d as per Bloomberg) and produced at an average rate of 9.9 mb/d, the highest production rate in 19 months. OPEC report also showed the second-biggest increase in

Production ('000 b/d)	Oct-21	Nov-21	Change		Capacity	Spare Capacity
<b>Total OPEC-13</b>	<b>27,650</b>	<b>28,000</b>	<b>350</b>	<b>1.27%</b>	<b>33,345</b>	<b>5,345</b>
<b>Saudi Arabia</b>	9,810	9,880	70	0.7%	11,500	1,620
Iraq	4,180	4,280	100	2.4%	4,800	520
<b>UAE</b>	2,840	2,870	30	1.1%	4,200	1,330
Iran	2,530	2,520	-10	-0.4%	3,830	1,310
<b>Kuwait</b>	2,500	2,530	30	1.2%	2,715	185
Nigeria	1,440	1,530	90	6.3%	1,600	70
Angola	1,100	1,110	10	0.9%	1,200	90
Libya	1,150	1,130	-20	-1.7%	1,200	70
Algeria	940	950	10	1.1%	1,060	110
Venezuela	580	630	50	8.6%	600	-30
Congo	290	290	0	0.0%	300	10
Gabon	180	190	10	5.6%	220	30
Equatorial Guinea	110	90	-20	-18.2%	120	30
<b>Total OPEC-12</b>	<b>23,470</b>	<b>23,720</b>	<b>250</b>	<b>1.07%</b>	<b>28,545</b>	<b>4,825</b>

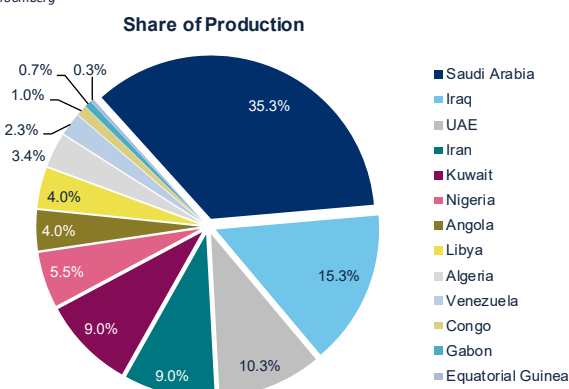
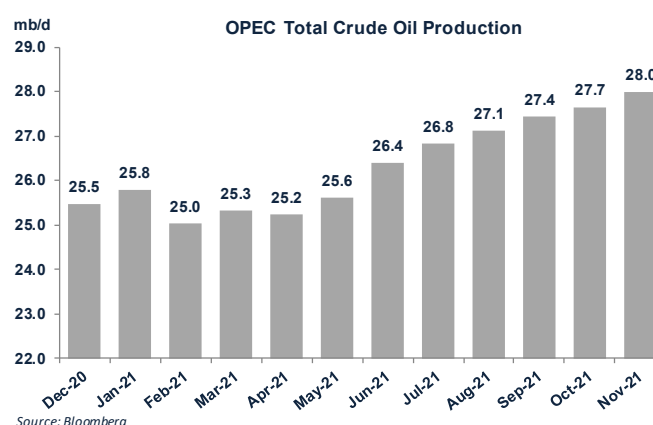
Source: Bloomberg, OPEC

production was in Iraq with a growth of 91 tb/d to an average of 4.24 mb/d followed by Nigeria and Kuwait with production growth of 85 tb/d and 29 tb/d, respectively, during November-2021.

Production in Iraq reached a 19-month high during November-2021 at 4.24 mb/d, according to OPEC secondary data, slightly above the OPEC+ quota of 4.192 mb/d. The output increase also resulted in higher exports during the month that reached 3.273 mb/d, according to official data and S&P Platts. The country also recently announced plans to increase production in the near term.

Nigeria regained its position as the top oil producer in Africa with an output of 1.42 mb/d in November-2021, according to OPEC secondary sources. The country faced multiple disruptions related to the oil sector including an oil spill followed by a force majeure on crude exports. However, things stabilized towards the end of last month with Shell announcing the lifting of force majeure from Bonny light terminal after repairs.

On the other hand, Libya's production declined during the month by 15 tb/d to an average of 1.14 mb/d. The decline was led by repair work on key oil pipeline that affected production at the Waha oil fields. According to S&P Platts, the repair work could affect output by 45 tb/d - 90 tb/d, thereby putting further pressure on the country's poor infrastructure amid lack of funds.



Source: Bloomberg

## Brent Crude Oil Price Forecast

Firm	As Of	Q4-21	Q1-22	Q2-22	Q3-22
Intesa Sanpaolo SpA	8/Dec/21	80.0	65.0	67.0	68.0
Commerzbank AG	24/Nov/21	85.0	75.0	70.0	70.0
Market Risk Advisory Co Ltd	1/Nov/21	82.5	79.0	73.0	71.0
Landesbank Baden-Wuerttemberg	28/Oct/21	83.0	82.0	80.0	75.0
Emirates NBD PJSC	28/Oct/21	80.0	75.0	70.0	67.5
Westpac Banking Corp	26/Oct/21	81.0	74.0	71.0	68.0
Banco Santander SA	25/Oct/21	82.8	78.0	74.0	70.0
Australia & New Zealand Banking Group Ltd	25/Oct/21	84.0	85.2	79.0	75.8
BNP Paribas SA	19/Oct/21	85.0	86.0	78.0	78.0
Capital Economics Ltd	19/Oct/21	79.3	77.5	72.5	67.5
ABN AMRO Bank NV	14/Oct/21	79.0	83.0	83.0	78.0
MUFG Bank	1/Oct/21	82.8	80.1	74.7	72.4
Natixis SA	23/Sep/21	75.0	75.0	74.0	72.0
Rabobank International	13/Sep/21	77.6	77.8	78.1	78.6
MPS Capital Services Banca per le Imprese SpA	13/Aug/21	74.0	72.0	65.0	
Deutsche Bank AG	29/Jul/21	72.0	70.0	60.0	65.0
<b>Median</b>		<b>80.5</b>	<b>77.6</b>	<b>73.5</b>	<b>71.0</b>
<b>Mean</b>		<b>80.2</b>	<b>77.2</b>	<b>73.1</b>	<b>71.8</b>
<b>High</b>		<b>85.0</b>	<b>86.0</b>	<b>83.0</b>	<b>78.6</b>
<b>Low</b>		<b>72.0</b>	<b>65.0</b>	<b>60.0</b>	<b>65.0</b>
<b>Current Fwd</b>		<b>76.9</b>	<b>75.2</b>	<b>74.2</b>	<b>72.9</b>
<b>Difference (Median - Current)</b>		<b>3.6</b>	<b>2.4</b>	<b>-0.7</b>	<b>-1.9</b>

Source: Bloomberg



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