

Oil Market Monthly Report

May-2024

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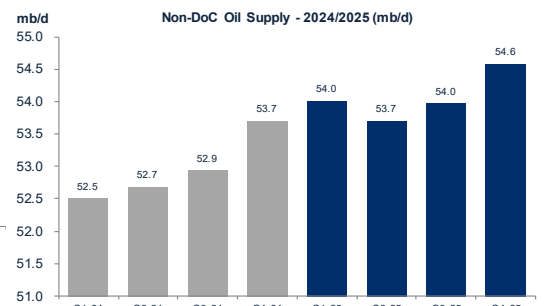
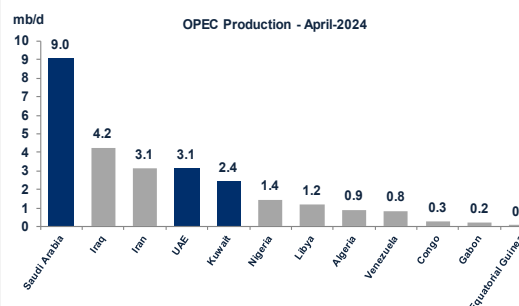
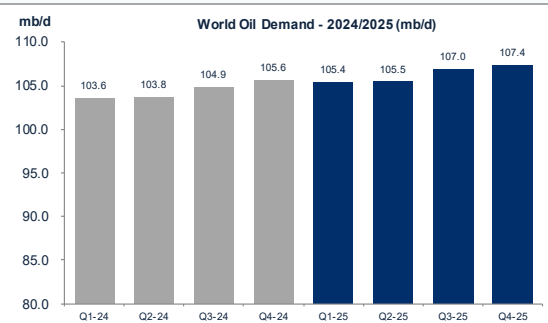
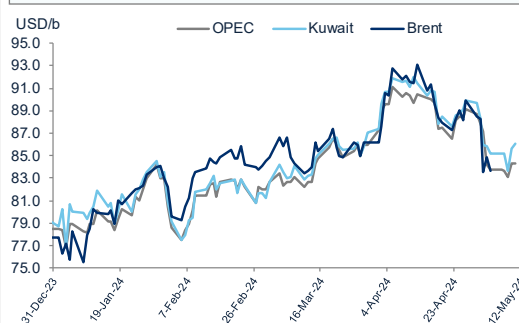
Oil trades at 9-week low on stock build and weak economic indicators...

Crude oil prices reached the lowest level since mid-March after indicators showed higher inventories in the US and declining war risk premium for supplies from the Middle East region. Moreover, the most recent data for the US labor market reflected the impact of higher-for-longer interest rates after unemployment claims increased. Nevertheless, lower-than-forecasted rate cuts during the year is expected to impact oil demand, especially in the US, while the ECB and Bank of England may implement earlier rate cuts. Further pressure on crude oil prices came from a strong USD that hovered around six-month highs against a basket of currencies. On the other hand, the decline in price was partially offset by wildfires in Canada that impacted supplies from the region as it approached the Alberta region.

In the product market, demand for diesel showed signs of weakness, resulting in lower prices. This affected refinery margins that prompted refiners to lower run rates and focus on gasoline and jet fuel production. The decline in diesel prices reflected higher supplies in the last few months anticipating winter demand. But a warmer-than-expected winter in the Northern Hemisphere resulted in higher diesel inventories. In the transport segment, diesel demand in China was affected by growing use of LNG powered trucks, threatening a long-term structural shift for the product. Meanwhile, jet fuel demand also remained uninspiring due to fall in demand from China and the MENA region, partially offset by growth in Eastern and Western Europe, according to data from Bloomberg.

Demand for gasoline is expected to pick up in the US vs. last month on the back of the upcoming holiday travel season with road trips expected to be the highest since 2000. However, this demand is expected to be at its weakest seasonal level since the 2020 pandemic, according to the EIA, indicating economic challenges as well as a rising share of renewable fuels and electric cars that are denting demand for fossil fuels. Meanwhile, oil inventories in the US remained elevated at around the highest level since June-2023 after registering increase in eleven out of the previous fifteen weeks. The higher inventories could also indicate stocking before the driving season.

On the supply side, oil production in the US remained stagnant at 13.1 mb/d for the eighth consecutive week. However, the country saw an increase in drilled-but-uncompleted projects, especially in the shale regions. Fracklog, as the wells are termed, increased for the second consecutive month during April-2024, according to the US EIA. An elevated count shows readiness to increase output in a short time depending on the price of crude oil. On the other hand, speculations on whether OPEC+ would extend the ongoing production cuts beyond June-2024 provided support to oil prices. Oil output from OPEC producers witnessed a marginal decline during April-2024 to reach 26.8 mb/d, according to Bloomberg data.



Sources : OPEC, EIA, Bloomberg

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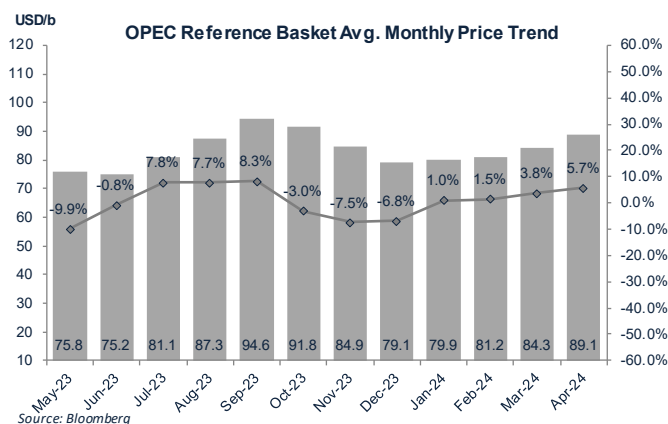
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Oil Prices

Crude oil prices remained subdued and traded around the USD 80/b level after data showed easing oil demand coupled with elevated supplies. Crude oil futures prices declined to reach the lowest level in nine weeks earlier this week also reflecting lower forecast for interest rate cuts this year. Bloomberg data showed WTI-Brent spread falling to the lowest since early April-2024 as gains in nearby WTI spreads outpaced the gain in Brent. Crude oil futures prices witnessed the biggest weekly decline in thirteen weeks during the week ended 3-May-2024 and continued to decline last week, albeit marginally, after a mid week recovery faltered on the last trading day. Meanwhile, the wildfires in Canada spread near the heart of the oil sands producing region in Alberta threatening supplies from the region. Prices also reflected mixed regional trend with demand expected to see a slow growth in the US while the European region is expected to see better-than-expected demand, although the warmer-than-expected winter in the northern hemisphere capped gain in crude oil prices. On the other hand, the hotter summers could also result in greater cooling demand for the rest of the year.

In terms of monthly price trend, prices of almost all crude grades reported gains for the fourth consecutive month during April-2024. Average spot Brent crude oil price was up by 5.2% to reach USD 89.9/b during April-2024 as compared to USD 85.4/b during March-2024. The gain in average OPEC reference basket price was slightly stronger at 5.8% to reach USD 89.1/b while Kuwait export grade crude witnessed a even bigger gain of 6.3% to average at USD 89.8/b during April-2024. Meanwhile, the consensus estimate for Brent crude underwent positive changes from last month's forecast for the remaining three quarters this year. Prices are expected to average at USD 85.0/b in Q2-2024 and remain elevated at this level till the end of the year. On the other hand, price forecasts from the US EIA was lowered in the latest report after seeing upgrades during the previous two months. The agency expects Brent to reach USD 88.0/b in 2024 vs. USD 89.0/b in the previous forecast whereas next year price is expected to come in at USD 85.0/b as compared to the previous forecast of 87.0/b.



Average Crude Oil Prices, USD/b	Mar-2024	Apr-2024	Change (USD)	YTD Avg. 2023	YTD Avg. 2024
OPEC Reference Basket	84.2	89.1	4.9	81.4	83.7
Arab Light	85.6	90.6	5.0	83.2	85.2
Basrah Light	82.1	87.0	4.9	78.2	81.7
Bonny Light	87.9	93.2	5.3	82.4	86.9
Djeno	78.0	82.4	4.5	74.5	77.4
Es Sider	85.3	89.3	4.0	80.8	84.6
Iran Heavy	83.5	88.8	5.3	81.6	83.2
Kuwait Export	84.4	89.8	5.3	82.7	84.1
Merey	71.0	74.9	3.9	60.7	69.9
Murban	84.5	89.2	4.7	82.3	83.4
Rabi	85.0	89.4	4.5	81.5	84.4
Saharan Blend	87.5	90.8	3.3	83.3	86.4
Zafiro	86.8	91.3	4.5	82.0	86.3
Other Crudes					
Brent	85.4	89.9	4.5	82.0	84.9
Dubai	84.2	89.1	4.9	81.0	83.2
Isthmus	78.7	82.9	4.2	68.5	77.4
LLS	83.5	87.6	4.1	79.5	81.7
Mars	80.2	85.1	4.8	75.2	79.0
Minas	90.7	96.4	5.7	80.3	87.2
Urals	68.2	73.0	4.8	46.9	67.5
WTI	80.5	84.6	4.1	76.8	79.0
Differentials					
Brent/WTI	5.0	5.3	0.4	5.2	5.9
Brent/LLS	1.9	2.3	0.4	2.5	3.1
Brent/Dubai	1.2	0.8	(0.5)	1.0	1.7

Source: OPEC Monthly Oil Market Report - May-2024

World Oil Demand

World oil demand growth forecast for 2024 was kept broadly unchanged by the OPEC in its latest monthly report at a 2.2 mb/d with demand expected to reach 104.5 mb/d. However, adjustments were made at the country level that offset the overall change. Demand from China witnessed an upward revision during Q1-2024 after better-than-expected demand during the quarter. This increase was offset by downward revision to demand data for the OECD Americas region during Q1-2024 and for the Middle East region for Q2-2024 and Q3-2024. Demand data for Europe was also adjusted lower for 1H-2024 that was fully offset by upward adjustment to data for 2H-2024. For 2025, world oil demand growth forecast was also kept unchanged at 1.85 mb/d with demand expected to average at 106.3 mb/d during the year. At the quarterly level, however, demand was raised for Q1-2025 and Q4-2025 that was offset by downward adjustment to data for Q2-2025. Meanwhile, the US EIA lowered its forecast for global oil demand for 2024 to 102.84 mb/d, registering a y-o-y growth of 0.92 mb/d during the year as compared to the agency's previous forecast that showed a demand growth of 0.95 mb/d this year.

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	25.03	24.57	25.38	25.58	25.44	25.25	0.22	0.88
of which US	20.36	19.98	20.67	20.67	20.85	20.54	0.18	0.90
Europe	13.40	13.15	13.56	13.69	13.35	13.44	0.04	0.28
Asia Pacific	7.32	7.80	6.97	7.09	7.49	7.34	0.01	0.16
Total OECD	45.75	45.53	45.92	46.36	46.28	46.02	0.27	0.59
China	16.26	16.50	16.81	17.23	17.33	16.97	0.71	4.38
India	5.34	5.66	5.64	5.40	5.59	5.57	0.23	4.26
Other Asia	9.28	9.69	9.74	9.49	9.51	9.61	0.33	3.56
Latin America	6.69	6.79	6.88	6.97	6.88	6.88	0.19	2.84
Middle East	8.63	8.76	8.56	9.23	9.00	8.89	0.26	2.96
Africa	4.46	4.64	4.37	4.39	4.82	4.56	0.10	2.19
Russia	3.84	3.89	3.80	3.99	4.08	3.94	0.10	2.61
Other Eurasia	1.17	1.28	1.24	1.08	1.28	1.22	0.05	4.09
Other Europe	0.78	0.82	0.78	0.77	0.84	0.80	0.02	2.07
Total Non-OECD	56.46	58.03	57.83	58.54	59.34	58.44	1.98	3.50
Total World	102.21	103.56	103.75	104.90	105.61	104.46	2.25	2.20

Source: OPEC Monthly Oil Market Report - May-2024

On the other hand, oil demand in China showed y-o-y growth during April-2024 after the economy recorded growth in exports and imports, improving hopes of an economic revival. However, shipments declined m-o-m as refineries shut for seasonal repairs. Government data showed crude oil imports in China increasing by 5.45% y-o-y to reach 10.9 mb/d during April-2024 as refiners stocked up for the holiday weekend starting in May-2024. Imports declined, however, as compared to last month by 5.8% due to higher crude oil prices. Oil demand in India increased by 4.8% or 220 tb/d y-o-y during the first four months of the year to 3.7 million tons, according to government data. Oil product consumption in April increased by 6.1% y-o-y, the biggest growth since January-2024, but declined by 5.9% m-o-m to 19.9 million tons, the data showed. Gasoline consumption increased by 14% y-o-y, the biggest growth since January last year, while jet fuel and diesel consumption increased by 13.1% and 1.4%, respectively.

World Oil Demand - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	25.25	24.64	25.43	25.70	25.52	25.33	0.08	0.31
of which US	20.54	20.02	20.70	20.73	20.89	20.59	0.04	0.21
Europe	13.44	13.17	13.57	13.71	13.36	13.46	0.02	0.12
Asia Pacific	7.34	7.81	6.98	7.10	7.50	7.35	0.01	0.14
Total OECD	46.02	45.62	45.99	46.51	46.38	46.13	0.11	0.23
China	16.97	16.93	17.19	17.67	17.72	17.38	0.41	2.42
India	5.57	5.88	5.88	5.61	5.82	5.80	0.23	4.09
Other Asia	9.61	9.98	10.07	9.82	9.81	9.92	0.31	3.24
Latin America	6.88	6.99	7.07	7.19	7.07	7.08	0.20	2.90
Middle East	8.89	9.14	8.90	9.69	9.35	9.27	0.38	4.30
Africa	4.56	4.76	4.47	4.52	4.93	4.67	0.11	2.47
Russia	3.94	3.95	3.85	4.05	4.12	3.99	0.05	1.37
Other Eurasia	1.22	1.32	1.27	1.12	1.31	1.25	0.03	2.58
Other Europe	0.80	0.83	0.79	0.78	0.85	0.81	0.01	1.40
Total Non-OECD	58.44	59.77	59.50	60.45	60.99	60.18	1.74	2.98
Total World	104.46	105.38	105.48	106.96	107.37	106.31	1.85	1.77

Source: OPEC Monthly Oil Market Report - May-2024

World Oil Supply

The OPEC reported oil supply data for non-DoC (Declaration of Cooperation or non OPEC+ global producers) in its latest monthly report. According to OPEC, oil supply growth from the non-DoC countries is expected to remain unchanged at 1.2 mb/d in 2024 to average at 53.0 mb/d during the year. Supply growth during the year is expected to come mainly from the US, Canada, Brazil and Norway. For 2025, the OPEC once again kept its forecast for supply growth unchanged at 1.1 mb/d with total non-DoC supply expected to average at 54.1 mb/d led by higher production in US, Brazil, Canada and Norway, partially offset by an expected decline in production in Angola.

Non-DoC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	26.60	26.87	27.00	27.37	27.88	27.28	0.69	2.58
of which US	20.90	20.93	21.20	21.42	21.81	21.34	0.44	2.12
Europe	3.65	3.67	3.75	3.73	3.91	3.76	0.11	3.02
Asia Pacific	0.44	0.44	0.42	0.43	0.43	0.43	(0.01)	(2.90)
Total OECD	30.69	30.99	31.17	31.53	32.22	31.48	0.78	2.56
China	4.52	4.62	4.59	4.46	4.46	4.53	0.02	0.35
India	0.77	0.78	0.79	0.79	0.78	0.78	0.01	1.32
Other Asia	1.61	1.62	1.58	1.57	1.57	1.58	(0.03)	(1.68)
Latin America	6.96	7.27	7.33	7.36	7.41	7.35	0.39	5.55
Middle East	2.02	2.00	2.02	2.01	2.02	2.01	(0.01)	(0.57)
Africa	2.22	2.26	2.22	2.24	2.26	2.24	0.03	1.17
Other Eurasia	0.36	0.36	0.36	0.36	0.36	0.36	0.00	0.28
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	(1.15)
Total Non-OECD	18.57	19.00	19.00	18.89	18.96	18.96	0.40	2.15
Total Non-DoC Production	49.26	49.99	50.17	50.42	51.18	50.44	1.18	2.40
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.03
Total Non-DoC Supply	51.73	52.51	52.69	52.94	53.7	52.96	1.23	2.38
DoC NGLs and non-conventionals	8.18	-	-	-	-	8.30	0.12	1.47
DoC Crude Oil Production	41.99	41.18	-	-	-	-	-	-
Total World Supply	101.90	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - May-2024

In the Americas, the start of the driving season affected crude oil inventory levels during the week ended 3-May-2024 resulting in a decline of 1.4 million barrels with total inventory reaching 459.5 million barrels. The fall came after consistent inventory growth over the last three months that pushed total inventory to the highest level in eleven months at 460.9 million barrels of crude oil. The data for last week also indicates a fall in inventory levels. According to API weekly report, US crude inventories declined by 3.1 million barrels last week. Gasoline inventories declined by around 1.3 million barrels, as per the report.

On the other hand, oil supplies from Russia declined eight-week low level during the week ended 12-May-2024. A Bloomberg report showed a fall in vessels leaving the major ports of Primorsk and Ust-Luga on the Baltic coast and from Murmansk on the Arctic. The average supplies over the last four weeks also saw the biggest decline in 10 weeks. The decline could indicate deeper output cuts by Russia as the country complies with the output cuts as part of the OPEC+ quotas. Oil output was cut by 154 tb/d last month to an average of 9.3 mb/d. Output cut was also implemented by Kazakhstan that produced at 1.56 mb/d during April-2024.

Non-DoC Oil Supply - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	27.28	27.88	27.67	27.92	28.30	27.94	0.66	2.43
of which US	21.34	21.74	21.77	21.82	22.03	21.84	0.50	2.34
Europe	3.76	3.94	3.82	3.80	3.90	3.87	0.10	2.67
Asia Pacific	0.43	0.43	0.42	0.43	0.43	0.42	(0.01)	(1.81)
Total OECD	31.48	32.25	31.91	32.14	32.64	32.23	0.75	2.40
China	4.53	4.57	4.55	4.51	4.52	4.54	0.01	0.13
India	0.78	0.78	0.79	0.8	0.8	0.79	0.01	1.00
Other Asia	1.58	1.58	1.56	1.54	1.54	1.55	(0.03)	(1.83)
Latin America	7.35	7.50	7.54	7.63	7.76	7.61	0.26	3.58
Middle East	2.01	2.01	2.04	2.04	2.03	2.03	0.02	1.01
Africa	2.24	2.27	2.26	2.26	2.25	2.26	0.02	0.76
Other Eurasia	0.36	0.36	0.36	0.36	0.36	0.36	0.00	0.07
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	1.97
Total Non-OECD	18.96	19.18	19.21	19.25	19.37	19.25	0.29	1.51
Total Non-DoC Production	50.44	51.43	51.12	51.39	52	51.48	1.04	2.07
Processing gains	2.52	2.58	2.58	2.58	2.58	2.58	0.06	2.38
Total Non-DoC Supply	52.96	54.01	53.7	53.97	54.58	54.06	1.10	2.08

Source: OPEC Monthly Oil Market Report - May-2024

OPEC Oil Production & Spare Capacity

OPEC crude oil production showed marginal decline in April-2024 and averaged at a three-month low level of 26.8 mb/d vs. 26.9 mb/d during March-2024, according to monthly production data from Bloomberg. Similarly, OPEC secondary sources also showed a small decline in production that averaged at a slightly lower level of 26.6 mb/d. The decline of around 50 tb/d, as per both the estimates, reflected fall in production in Nigeria, Venezuela and Iraq (as per OPEC secondary sources). These declines were partially offset by higher production in Congo. Production in Saudi Arabia remained flat at 9.0 mb/d, in line with flattish trend in output for other GCC members, UAE and Kuwait. The latest OPEC monthly report also showed production data for the overall OPEC+ group that averaged at 41.0 mb/d during April-2024 after registering a decline of 246 tb/d. non-OPEC countries in the group lowered production by 198 tb/d during the month to an average of 14.4 mb/d.

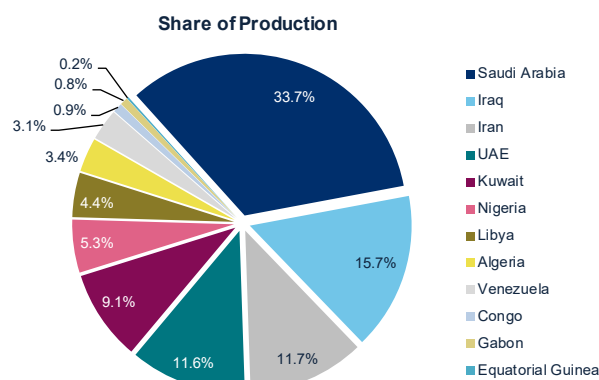
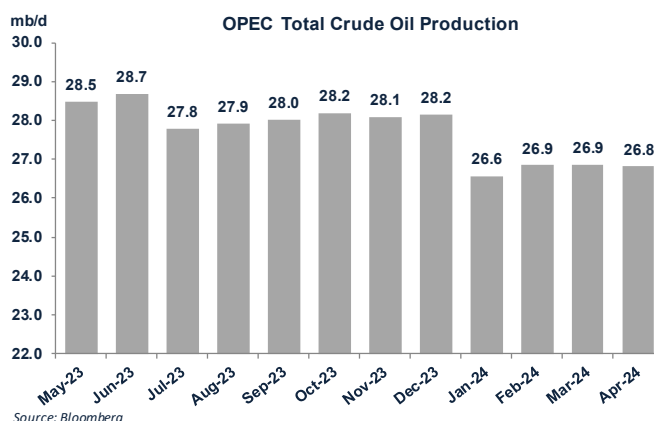
Production ('000 b/d)	Mar-24	Apr-24	Change		Capacity	Spare Capacity
Total OPEC-12	26,860	26,810	-50	-0.19%	33,440	6,630
Saudi Arabia	9,040	9,040	0	0.0%	12,000	2,960
Iraq	4,170	4,220	50	1.2%	4,800	580
Iran	3,180	3,130	-50	-1.6%	3,830	700
UAE	3,130	3,120	-10	-0.3%	4,650	1,530
Kuwait	2,430	2,430	0	0.0%	2,820	390
Nigeria	1,470	1,420	-50	-3.4%	1,600	180
Libya	1,130	1,190	60	5.3%	1,200	10
Algeria	910	910	0	0.0%	1,060	150
Venezuela	870	840	-30	-3.4%	840	0
Congo	240	250	10	4.2%	300	50
Gabon	230	210	-20	-8.7%	220	10
Equatorial Guinea	60	50	-10	-16.7%	120	70
Total OPEC-11	22,690	22,590	-100	-0.44%	28,640	6,050

Source: Bloomberg

The biggest decline in production was recorded in Nigeria with output averaging at 1.4 mb/d during April-2024 after a m-o-m decline of around 50 tb/d. The decline came after an outage briefly affected the production of Bonny grade crude oil. In addition, an increase in the number of cargo intake at the Dangote refinery also resulted in a decline in exports from the country. The country recently added a production from a new field in the Niger Delta region that is expected to add around 40 tb/d to the country's crude oil capacity.

Oil production in Iraq declined as per OPEC report as the country compensates for missing on compliance of OPEC quotas. Earlier this month, Iraq and Kazakhstan agreed to compensate by making additional cuts to their output over the rest of the year.

Meanwhile, all eyes are now on OPEC+ decision next month on whether the group would extend the additional output cuts or the cuts would be curtailed partially. Consensus expectation as well as current price trend shows that the curbs would be extended till the end of the year. Moreover, there is also an external review conducted in the group to assess the capabilities of the members of OPEC+ as several members are vying to upgrade their production levels. The review is expected to be completed by end of June-2024. Bloomberg report shows that the UAE is very keen on raising production whereas a capacity addition of 260 tb/d expected in 2Q-2025 in Kazakhstan is also being reviewed.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q1-24	Q2-24	Q3-24	Q4-24
Panmure Gordon & Co PLC	11/Apr/24	83.0	84.0	82.0	83.0
UBS Group AG	10/Apr/24	91.0	91.0	87.0	87.0
JPMorgan Chase & Co	8/Apr/24	84.0	84.0	85.0	82.0
Morgan Stanley	8/Apr/24	92.0	94.0	87.5	82.5
Barclays PLC	5/Apr/24	91.0	94.0	93.0	94.0
Westpac Banking Corp	5/Apr/24	88.0	87.0	82.0	79.0
Julius Baer	5/Apr/24	85.0	77.5	75.0	75.0
MUFG Bank	2/Apr/24	86.0	88.0	93.0	95.0
Citigroup Inc	29/Mar/24	78.0	74.0	70.0	
Kshitij Consultancy Services Pvt Ltd	29/Mar/24	89.0	84.0	98.5	101.0
Standard Chartered Bank	26/Mar/24	94.0	98.0	106.0	107.0
MPS Capital Services Banca per le Imprese SpA	26/Mar/24	86.0	82.0	82.0	
Bank of America Merrill Lynch	26/Mar/24	80.0	82.0	80.0	60.0
Market Risk Advisory Co Ltd	22/Mar/24	84.7	84.3	83.7	83.7
Rabobank	20/Mar/24	86.0	88.0	88.8	89.5
ING Groep NV	18/Mar/24	80.0	82.0	84.0	88.4
Societe Generale SA	15/Mar/24	81.0	79.0	77.0	
Commerzbank AG	15/Mar/24	85.0	90.0	90.0	95.0
Macquarie Group Ltd	14/Mar/24	83.0	83.0	74.0	
Intesa Sanpaolo SpA	11/Mar/24	78.0	81.0	80.0	79.0
BNP Paribas SA	7/Mar/24	80.0	85.0	83.0	79.0
Banco Santander SA	6/Mar/24	79.0	78.0	77.0	
Tradingeconomics.com	5/Mar/24	84.3	85.0	85.6	
HSBC Holdings PLC	4/Mar/24	85.0	80.0	80.0	76.5
Australia & New Zealand Banking Group Ltd	2/Feb/24	86.6	86.2	88.8	91.8
Deutsche Bank AG	1/Feb/24	83.0	88.0	88.0	83.0
Goldman Sachs Group Inc/The	1/Feb/24	83.0	83.0	81.0	80.0
Landesbank Baden-Wuerttemberg	16/Jan/24	80.0	75.0	75.0	70.0
Capital Economics Ltd	29/Dec/23	82.0	79.0	77.0	75.0
Emirates NBD PJSC	19/Dec/23	80.0	80.0	85.0	85.0
Australian Government	18/Dec/23				85.0
RBC	11/Dec/23	83.0	84.0	85.0	78.0
Global Risk Management A/S	1/Dec/23	82.5	87.5	87.5	
Rystad Energy Inc	1/Dec/23	82.5			
Natixis SA	23/Nov/23	85.0	87.0	84.0	83.0
Median		83.5	84.0	84.0	83.0
Mean		84.1	84.4	84.1	84.0
High		94.0	98.0	106.0	107.0
Low		78.0	74.0	70.0	60.0
Current Fwd		88.9	86.4	84.1	82.2
Difference (Median - Current)		-5.4	-2.4	-0.1	0.8

Source: Bloomberg

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