

Oil Market Monthly Report

November-2020

In this Report...

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

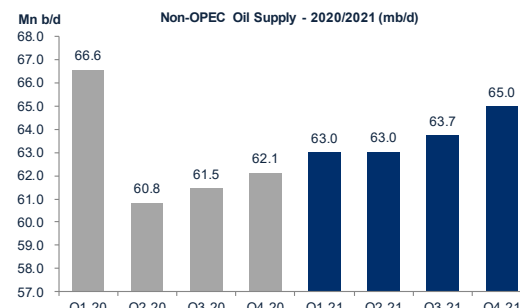
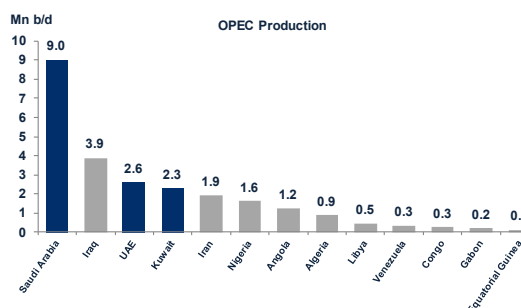
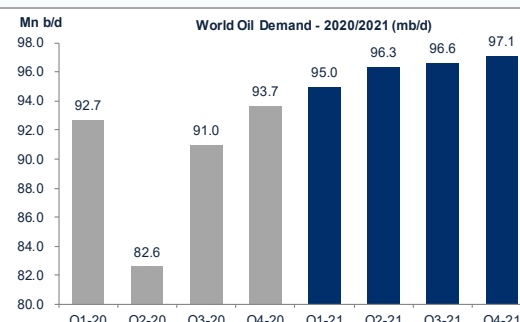
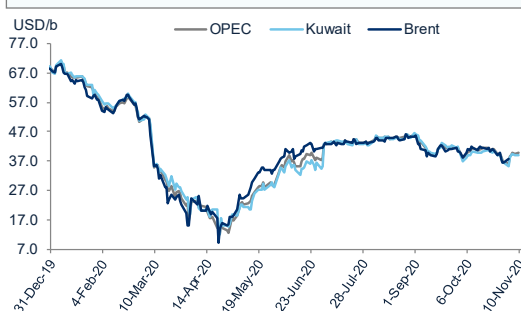
Oil at 2-month high on vaccine hopes despite record rise in Covid-19 cases...

Oil prices witnessed consistent gains at the start of November-2020 after hopes of a successful vaccine was boosted by the announcement by Pfizer and BioNTech. The news, which came amid record rise in coronavirus cases globally with an increase of more than 0.5 million new cases daily since the last week of October-2020, boosted sentiments in the market as it would result in a big boost to oil demand in almost all the sectors. **Moreover, a higher-than-expected fall in US crude oil inventories during the last week also supported prices while the much-eyed results of the US elections had little impact on the oil market.**

In terms of oil demand, the announcement on the vaccine skyrocketed airlines stocks as travel restrictions continue to curb airline capacity to 40-45% of year ago levels. On the other hand, according to Bloomberg, the demand for gasoline is on track to full recovery in the US, where it has reached 91% of last year's levels, and in Europe it has reached 90% of the normal demand. Countries like India and Brazil are reportedly consuming higher gasoline as compared to y-o-y levels, by 4% and 1.2%, respectively, while China oil demand is also higher than last year's levels. That said, despite the positive signs, a full recovery in oil demand to pre-pandemic levels is still at least a year away, according to the CEO of Vitol Group. A more delayed forecast of a demand recovery was made by Russia's deputy energy minister who said that global oil demand could take 2-3 years to recover to pre-covid levels of 100 mb/d.

On the supply front, crude oil output in the US surged to 11.1 mb/d for the week ended 23-October-2020 as oil facilities emerged from the shutdowns caused by hurricanes, but subsequently declined to 10.5 mb/d, according to EIA data. Data from EIA also showed the oil production in the US is expected to decline to 11.39 mb/d in 2020 from 12.25 mb/d in 2019, a decline of 0.86 mb/d vs. EIA's previous forecast of a decline of 0.8 mb/d. The decline is expected to continue next year to reach 11.1 mb/d, reflecting the spending cuts announced by drillers.

OPEC also increased production during October-2020 adding almost 0.5 mb/d after the bulk of the producers in the group raised production. Libya reported the biggest increase in production that capped oil price gains towards the end of last month. Investor are looking forward to the OPEC+ near-term production policy at the monitoring committee meeting next week and the OPEC+ meeting scheduled at the end of the month to decide on 2021 production quotas for the producers in OPEC+. Recently, Saudi Arabia's oil minister indicated that the group can tweak its production policy depending on the oil market and that all the producers agree. These talks were seconded by his counterparts from Russia and the UAE. **There were talks at a recent conference that OPEC+ can delay the planned output increase by three to six months and that production cuts could even be deepened.**



Sources : OPEC, EIA, Bloomberg

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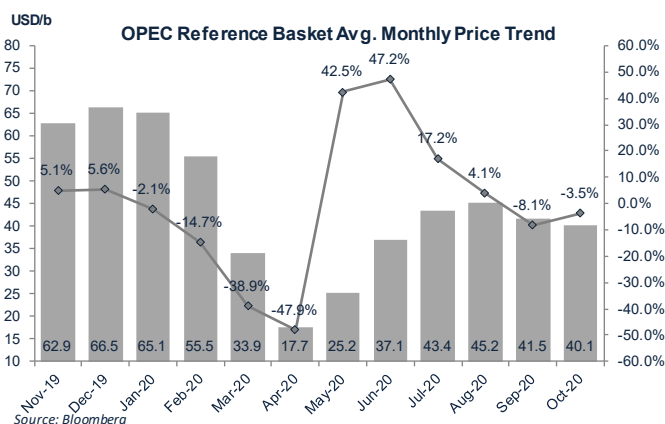
Oil Prices

Oil prices swung from a 20-week low to a 10-week high within a span of eleven trading sessions at the start of November-2020. Oil futures closed at near USD 45/b level on 11-November-2020 with a MTD gain of almost 20% backed by hopes of a successful vaccine for Covid-19 that would boost oil demand. Meanwhile, the EIA lowered its oil price forecast for next year to USD 46.59/b in its latest STEO from USD 47.07/b in its previous forecast sighting higher global inventories going forward that would limit the growth in oil prices.

New restrictions were imposed in several parts of the world due to continued rise in covid-19 cases globally. The record growth in new cases that reached 634,359 on 6-November-2020 affected markets across the board and was followed by new restrictions and lockdowns in several cities in Europe and the Americas. The warning signs were also visible in flight capacity changes made by US based airlines, especially for airlines in the European region.

Meanwhile, according to data from Bloomberg, the consecutive hurricanes that hit US oil facilities have had the biggest impact on oil output from the country in decades. However, as the facilities came online after the last hurricane, production in the US witnessed the biggest w-o-w increase on record with an increase of 1.2 mb/d with production reaching 11.1 mb/d during the week ended 23-Oct-2020. The consistent increase in oil rig count over the last seven weeks also added to the rising production. According to data from Baker Hughes, oil rig count in the US reached a 24-week high of 226 after increasing by 47 rigs over the last seven weeks.

Furthermore, IEA, in its monthly report, lowered its demand outlook for this year by 0.4 mb/d to a demand decline of 8.8 mb/d while it expects next year's demand growth to increase by 0.3 mb/d to 5.8 mb/d. The agency said that the impact of a successful vaccine won't affect demand well into next year. The revisions for 2020 reflected lowered demand estimates for Q3-2020 by 0.4 mb/d while Q4-2020 and Q1-2021 demand estimates were lowered by 1.2 mb/d and 0.7 mb/d, respectively.



Average Crude Oil Prices, USD/b	Sep-2020	Oct-2020	Change (USD)	Avg 2019	Avg 2020
OPEC Reference Basket	41.5	40.1	(1.5)	63.9	40.6
Arab Light	42.1	40.3	(1.8)	64.8	41.1
Basrah Light	42.1	40.6	(1.5)	63.5	40.5
Bonny Light	40.8	39.6	(1.1)	65.6	40.7
Djeno	33.1	32.6	(0.6)	61.4	35.2
Es Sider	39.2	37.7	(1.5)	63.5	39.2
Girassol	41.1	40.7	(0.4)	65.8	41.6
Iran Heavy	41.9	40.2	(1.7)	61.8	39.7
Kuwait Export	42.1	40.4	(1.7)	64.1	40.5
Merey	28.2	26.2	(2.0)	55.5	27.8
Murban	41.9	41.1	(0.8)	64.7	42.3
Rabi	39.4	39.0	(0.4)	63.3	39.1
Saharan Blend	41.0	39.8	(1.2)	64.2	41.3
Zafiro	40.6	40.0	(0.6)	65.4	40.4
Other Crudes					
Brent	40.6	40.0	(0.6)	64.0	40.8
Dubai	41.5	40.7	(0.8)	63.5	41.5
Isthmus	38.1	38.2	0.1	63.4	35.2
LLS	41.1	40.8	(0.3)	62.7	40.4
Mars	40.6	40.0	(0.6)	61.1	39.2
Minas	39.8	39.3	(0.5)	60.0	40.4
Urals	41.0	40.3	(0.7)	64.1	40.8
WTI	39.6	39.5	(0.1)	56.7	38.4
Differentials					
Brent/WTI	1.0	0.5	(0.5)	7.3	2.3
Brent/LLS	(0.5)	(0.8)	(0.3)	1.4	0.4
Brent/Dubai	(0.9)	(0.7)	0.2	0.5	(0.7)

Source: OPEC Monthly Oil Market Report - Nov-2020

World Oil Demand

OPEC lowered oil demand forecast for 2020 in its latest monthly oil market report. Global oil demand forecast was lowered by 0.3 mb/d and is now expected to contract by around 9.8 mb/d to 90.1 mb/d. The downward revision reflected new restrictions as a result of rising Covid-19 cases across US and Europe that is expected to hurt demand for transportation fuels and industrial fuels during Q4-2020. The revision also reflected lower-than-expected oil demand in the OECD region during Q3-2020. Demand for the region was lowered by 0.5 mb/d to show a y-o-y decline of 5.3 mb/d during 2020. Demand estimates for the OECD Americas region was lowered to now show a decline of 2.66 mb/d during 2020 as compared to 2.45 mb/d in the previous report led by lower-than-expected demand in the transportation sector in Q3-2020 and a slower demand recovery in Q4-2020.

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	23.47	24.30	23.04	(2.66)	(10.35)
of which US	20.86	19.66	16.38	19.32	19.98	18.84	(2.03)	(9.71)
Europe	14.25	13.35	11.01	12.89	12.23	12.37	(1.88)	(13.22)
Asia Pacific	7.79	7.75	6.54	6.52	7.33	7.03	(0.76)	(9.71)
Total OECD	47.75	45.44	37.59	42.87	43.86	42.44	(5.30)	(11.10)
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	48.12	49.81	47.57	(4.45)	(8.56)
Total World	99.76	92.71	82.60	90.99	93.67	90.01	(9.75)	(9.78)

Source: OPEC Monthly Oil Market Report - Nov-2020

On the other hand, non-OECD demand was revised higher for the year by 0.2 mb/d and the region is now expected to show a decline of 4.5 mb/d in 2020. The upward revision reflected growth momentum in China during Q3-2020 and expectations of a similar performance during Q4-2020. The country is expected to see a recovery in economic activity resulting in higher industrial activity and growth in the petrochemical sector. This was also reflected in the China's manufacturing activity with the PMI consistently above 50 since the coronavirus-led decline in February-2020. Demand expectations for India and Other Asia remained unchanged from previous month's expectations. Demand from India has also improved in recent months with September-2020 oil demand seeing a marginal y-o-y decline of 0.14 mb/d as compared to a decline of 0.7 mb/d and 0.5 mb/d in August-2020 and July-2020, respectively. Demand for gasoline has seen a steep increase led by a 35% jump in passenger vehicle sales during September-2020.

For 2021, global oil demand growth forecast underwent a similar downward revision of 0.3 mb/d. Demand is now expected to grow by 6.2 mb/d to 96.3 mb/d. The revision reflected downward adjustments to economic forecast for the OECD region due to Covid-19 restrictions that would impact demand for transportation and industrial fuels during the first half of 2021.

World Oil Demand - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	23.04	24.30	25.18	24.49	24.77	24.69	1.65	7.17
of which US	18.84	19.85	20.56	19.99	20.32	20.18	1.34	7.13
Europe	12.37	13.15	13.68	13.64	12.51	13.25	0.88	7.10
Asia Pacific	7.03	7.80	7.38	7.04	7.55	7.44	0.41	5.81
Total OECD	42.44	45.25	46.24	45.17	44.83	45.38	2.94	6.92
China	12.71	12.31	13.87	14.40	14.63	13.81	1.10	8.67
India	4.04	4.89	4.19	4.36	4.99	4.61	0.57	14.02
Other Asia	8.26	8.33	8.96	8.79	8.84	8.73	0.47	5.66
Latin America	5.99	6.21	6.27	6.37	6.31	6.29	0.30	5.00
Middle East	7.54	8.07	7.64	8.19	7.75	7.91	0.37	4.89
Africa	4.08	4.46	3.95	4.17	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"	47.57	49.71	50.06	51.43	52.26	50.88	3.31	6.96
Total World	90.01	94.96	96.30	96.61	97.09	96.26	6.25	6.94

Source: OPEC Monthly Oil Market Report - Nov-2020

World Oil Supply

World liquids production witnessed a monthly increase of 0.58 mb/d during October-2020 and averaged at 91.17 mb/d. The increase reflected higher production by both OPEC and non-OPEC producers. The latter increased production by 0.25 mb/d and produced at 66.79 mb/d during the month. Higher production by OPEC resulted in a marginally higher market share of 26.7%.

Non-OPEC supply forecast was lowered by 0.06 mb/d and supply is now expected to contract by 2.43 mb/d to 62.73 mb/d during 2020, according to OPEC monthly report. The revision reflected lowered forecast for the US by 62 tb/d due to production outages in the Gulf of Mexico following two hurricanes in October-2020, in addition to lower-than-expected crude output in UK (-35 tb/d), Norway (-23 tb/d),

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	23.56	24.20	24.49	24.71	(1.06)	(4.12)
of which US	18.43	19.05	16.81	17.41	17.58	17.71	(0.72)	(3.89)
Europe	3.71	4.03	3.87	3.75	3.99	3.91	0.20	5.49
Asia Pacific	0.52	0.53	0.54	0.55	0.56	0.54	0.02	3.72
Total OECD	30.00	31.16	27.97	28.51	29.03	29.17	(0.84)	(2.80)
China	4.05	4.15	4.16	4.17	4.11	4.15	0.10	2.38
India	0.83	0.8	0.77	0.78	0.8	0.79	(0.04)	(4.61)
Other Asia	2.71	2.64	2.47	2.5	2.49	2.52	(0.19)	(6.93)
Latin America	6.06	6.36	5.83	6.18	6.42	6.20	0.14	2.25
Middle East	3.20	3.19	3.18	3.14	3.13	3.16	(0.04)	(1.17)
Africa	1.53	1.49	1.48	1.46	1.40	1.46	(0.07)	(4.82)
Eurasia	14.52	14.65	13.11	12.57	12.57	13.22	(1.29)	(8.90)
of which Russia	11.44	11.51	10.21	9.84	9.85	10.35	(1.09)	(9.55)
of which other Eurasia	3.07	3.15	2.90	2.73	2.72	2.87	(0.20)	(6.47)
Total Non-OECD	32.89	33.27	31.00	30.80	30.93	31.50	(1.40)	(4.24)
Total Non-OPEC Production	62.9	64.43	58.97	59.31	59.96	60.66	(2.23)	(3.55)
Processing gains	2.26	2.15	1.85	2.15	2.15	2.07	(0.19)	(8.47)
Total Non-OPEC Supply	65.16	66.57	60.83	61.45	62.11	62.73	(2.43)	(3.72)
OPEC NGLs and non-conventionals	5.26	-	-	-	-	5.13	(0.13)	(2.47)
OPEC Crude Oil Production	29.34	28.25	25.59	23.83	-			
Total World Supply	99.76	-	-	-	-			

Source: OPEC Monthly Oil Market Report - Nov-2020

and Mexico that was partially offset by higher supply estimates from China and Oman by 23 tb/d and 20 tb/d, respectively. The supply forecast for Q4-2020 includes downward revisions for UK, Australia, India and OPEC partially offset by upward revisions for supply from China and Oman.

For 2021, non-OPEC production was revised upward by 0.06 mb/d and supply is now expected to grow by 0.95 mb/d to reach 63.68 mb/d during the year. The increase in forecasted supply mainly reflected expected growth in production in Oman and China in addition to 12 tb/d upward revision to supply forecast for the US.

Non-OPEC Oil Supply - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	24.71	24.54	24.71	25.40	26.23	25.22	0.51	2.08
of which US	17.71	17.46	17.79	18.07	18.70	18.01	0.30	1.69
Europe	3.91	4.01	3.97	4.00	4.20	4.04	0.13	3.41
Asia Pacific	0.54	0.55	0.52	0.53	0.52	0.53	(0.02)	(2.92)
Total OECD	29.17	29.10	29.20	29.93	30.94	29.80	0.63	2.16
China	4.15	4.15	4.13	4.13	4.18	4.15	0.00	0.01
India	0.79	0.8	0.78	0.78	0.78	0.79	0.00	(0.08)
Other Asia	2.52	2.52	2.51	2.51	2.5	2.51	(0.01)	(0.54)
Latin America	6.20	6.45	6.40	6.36	6.59	6.45	0.25	4.06
Middle East	3.16	3.20	3.21	3.23	3.24	3.22	0.06	1.90
Africa	1.46	1.40	1.42	1.40	1.38	1.40	(0.06)	(4.21)
Eurasia	13.22	13.19	13.18	13.18	13.17	13.18	(0.05)	(0.35)
of which Russia	10.35	10.36	10.36	10.36	10.36	10.36	0.01	0.07
of which other Eurasia	2.87	2.83	2.82	2.82	2.81	2.82	(0.05)	(1.83)
Total "Other regions"	31.50	31.71	31.63	31.58	31.83	31.69	0.19	0.60
Total Non-OPEC Production	60.66	60.8	60.83	61.51	62.77	61.48	0.82	1.35
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.17
Total Non-OPEC Supply	62.73	63	63.03	63.71	64.97	63.68	0.95	1.51

Source: OPEC Monthly Oil Market Report - Nov-2020

OPEC Oil Production & Spare Capacity

OPEC oil production increased by 1.94% m-o-m during October-2020 to reach 24.74 mb/d as 8 out of 13 OPEC producers raised production during the month. Output in October-2020 increased by 470 tb/d, according to data from Bloomberg, while OPEC's secondary sources showed a slightly smaller growth of 322 tb/d with an average production of 24.39 mb/d. This resulted in a compliance level of 103%, as per data from IEA. The UAE once again reported the biggest decline in production during the month after the country lowered its production by 100 tb/d to comply with the OPEC+ agreement. African producers in OPEC, Congo and Angola, also lowered production to the tune of 90 tb/d while Nigeria and Libya raised production collectively by 420 tb/d. Iraq also raised production by 160 tb/d to a five month high level of 3.87 mb/d, whereas Saudi Arabia produced at a six-month high level of 9.0 mb/d, after increasing monthly

Production ('000 b/d)	Sep-20	Oct-20	Change		Capacity	Spare Capacity
Total OPEC-13	24,270	24,740	470	1.94%	34,035	9,295
Saudi Arabia	8,940	8,990	50	0.6%	11,500	2,510
Iraq	3,710	3,870	160	4.3%	4,800	930
UAE	2,680	2,580	-100	-3.7%	3,400	820
Kuwait	2,310	2,300	-10	-0.4%	3,075	775
Iran	1,950	1,930	-20	-1.0%	3,830	1,900
Nigeria	1,490	1,610	120	8.1%	2,000	390
Angola	1,270	1,230	-40	-3.1%	1,450	220
Algeria	870	870	0	0.0%	1,080	210
Libya	150	450	300	200.0%	1,300	850
Venezuela	310	340	30	9.7%	900	560
Congo	310	260	-50	-16.1%	330	70
Gabon	180	200	20	11.1%	220	20
Equatorial Guinea	100	110	10	10.0%	150	40
Total OPEC-12	20,560	20,870	310	1.51%	29,235	8,365

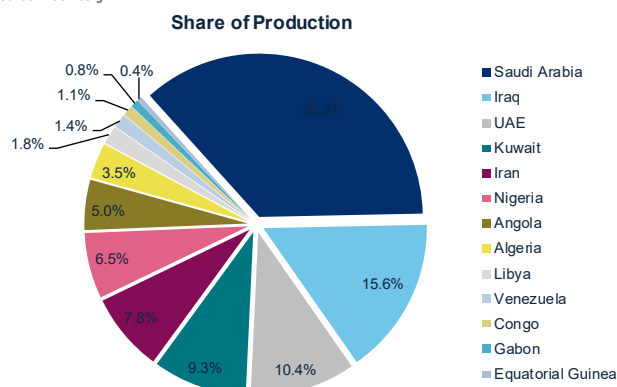
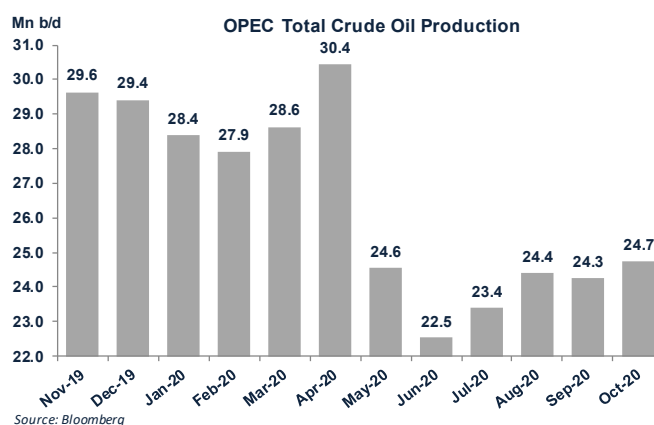
Source: Bloomberg, OPEC

production by 50 tb/d during October-2020. The increase in OPEC production comes as talks are ongoing to extend the existing 7.7 mb/d cuts by another three to six months eyeing threats to oil demand due to Covid-19.

Libya raised production last month after the political blockade ended in mid-September. The producer has quickly ramped-up production to an average rate of 0.45 mb/d during October-2020 as compared to 0.15 mb/d during the previous month and is currently reported to have reached a production level of 1.1 mb/d, closer to its November-2019 production rate. The increase in production came after output from the Sharara and Waha oil fields increased.

Production in Iraq increased for the second consecutive month but the increase was much larger than in September-2020. The country had lowered production by 0.93 mb/d until August-2020 after it implemented compensatory production cuts as per the OPEC+ agreement.

Another OPEC swing producer, Nigeria, increased production by 120 tb/d during October-2020 to 1.61 mb/d. The country had slashed production over the last few months to below 1.5 mb/d by September-2020 as compared to 2.0 mb/d produced last year. Recently, Nigeria also announced the commencement of the Anyala West field with a capacity of 60 tb/d.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q4 20	Q1 21	Q2 21	Q3 21
Citigroup Inc	2/Nov/20	48.0			
Rabobank International	22/Oct/20	44.3	45.0	46.0	47.0
Intesa Sanpaolo SpA	20/Oct/20	43.0	45.0	50.0	50.0
Westpac Banking Corp	16/Oct/20	41.3	38.0	35.7	33.0
Commerzbank AG	15/Oct/20	40.0	42.0	45.0	45.0
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
BNP Paribas SA	29/Sep/20	46.0	58.0	52.0	55.0
Banco Santander SA	24/Sep/20	42.4	42.5	43.0	44.0
Emirates NBD PJSC	23/Sep/20	44.0	47.5	50.0	50.0
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
ABN AMRO Bank NV	26/Aug/20	40.0	48.0	48.0	45.0
Landesbank Baden-Wuerttemberg	20/Aug/20	45.0	45.0	47.0	50.0
MPS Capital Services Banca per le Imprese SpA	15/Jul/20	45.0	48.0	52.0	
Natixis SA	6/Jul/20	43.0	42.0	43.0	45.0
BBVA Research SA	25/Jun/20	42.9	44.5	50.8	51.6
Societe Generale SA	9/Jun/20	40.0	42.5	45.0	
HSBC Holdings PLC	8/Jun/20	40.0	50.0	50.0	50.0
Median		43.0	45.0	48.3	50.0
Mean		43.5	45.8	47.6	48.8
High		48.4	58.0	54.6	60.8
Low		40.0	38.0	35.7	33.0
Current Fwd		41.6	44.5	45.0	45.4
Difference (Median - Current)		1.4	0.5	3.2	4.6

Source: Bloomberg

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