

Oil Market Monthly Report

October-2022

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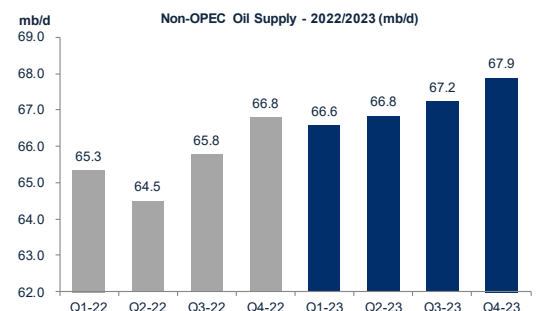
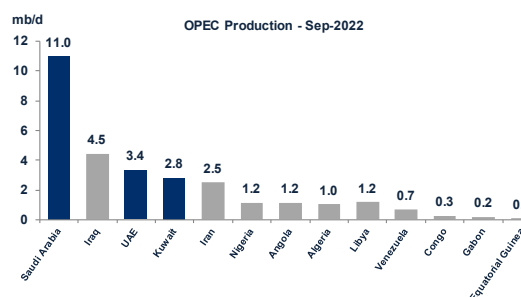
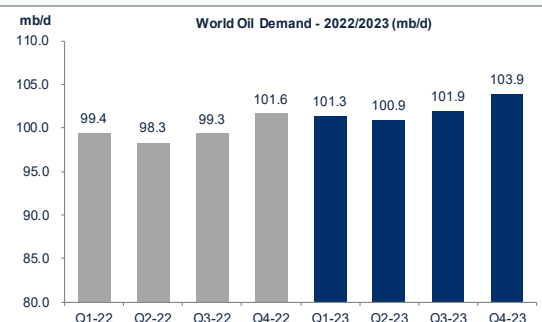
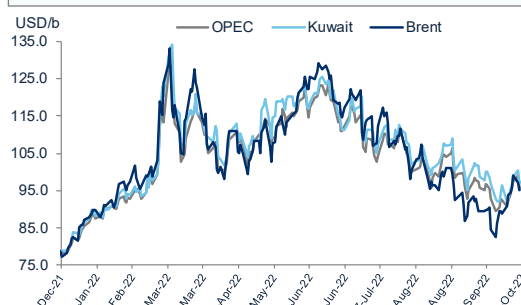
Economic growth concerns dampen output cut-led rally in oil prices...

After showing swift recovery since the last week of September-2022, oil prices once again trended downwards led by concerns related to the pace of global economic growth and a possibility of recession in parts of Europe. Crude oil future prices peaked at a five-week high level of USD 98.63 per barrel on 10-October-2022 after seeing consistent gains that came after OPEC+ announced a larger-than-expected cut to its oil production. However, prices trended downwards after the USD reached a fresh 24-year high on expectations of higher-than-expected rate hikes in the coming months as inflation continues to remain elevated. In addition, a downward revision to world GDP growth rate by the IMF with a warning of increasing risk of a global recession also affected the trajectory in oil prices. Meanwhile, the risk of rising covid-19 risk in China once again forced the country to heighten restrictions in key Chinese cities, thereby further delaying the hopes of a crude oil demand recovery in one of the world's largest consumers of crude oil.

On the other hand, prices of oil products saw consistent growth as the Dec-2022 deadline for the imposition of European sanctions on Russia nears along with recent reports of several supply disruptions. A recent Reuters report showed some of the biggest price spike in diesel prices in Europe and the US. The price rise in Europe came as a result of oil refinery worker strikes in France while in the US refinery maintenance is affecting the supply of finished products. Refinery data compiled by Bloomberg showed more than 0.9 mb/d of refinery capacity outage in the US with an additional more than 1 mb/d of outage in Northwestern Europe and the Mediterranean region. In addition, a recent leak in a key European oil pipeline in Poland that connects from Russia to Germany halted supplies and supported prices. Another incident of malfunction at Shell's Pernis refinery that resulted in excessive flaring.

On the production side, the decision to lower output by 2 mb/d by the OPEC+ group from November-2022 came as a surprise to the oil market as traders had braced for a much smaller cut due to the international pressure led by rising inflation rates. The cuts includes Saudi Arabia and Russia curbing combined output by more than 1 mb/d while Iraq, UAE and Kuwait would slash production by an additional 0.5 mb/d combined. The EIA also lowered its forecast for oil production in its latest Short Term Energy Outlook. The EIA now expects US production to average at 12.4 mb/d in 2023 down from 12.6 mb/d in its previous forecast while global production expectation was trimmed by 0.6 mb/d to 100.7 mb/d.

On the demand side, OPEC lowered its demand forecast for 2022 by 460 tb/d to a growth of 2.64 mb/d while 2023 demand was lowered by 360 tb/d to a growth of 2.34 mb/d. The EIA also lowered its demand forecast for next year by around 0.47 mb/d to 101.03 mb/d as compared to its previous forecast of 101.50 mb/d.



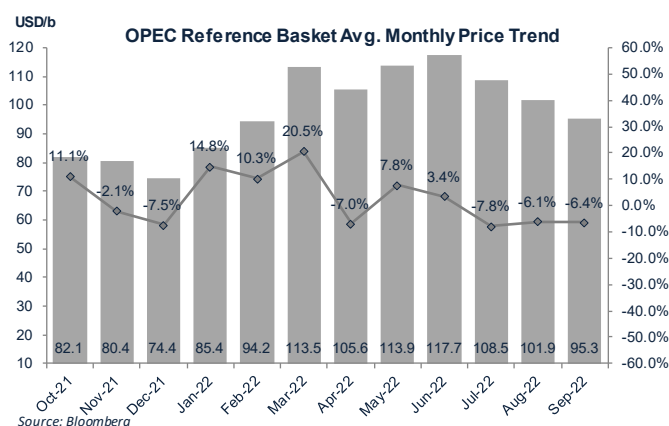
Sources : OPEC, EIA, Bloomberg

Junaid Ansari
Head of Investment Strategy
and Research
+(965) 2233 6912
jansari@kamcoinvest.com

Oil Prices

Oil prices witnessed consistent declines since the start of last week following warnings on economic growth expected in the near term. The declines almost completely offset growth in oil prices that came after the OPEC+ announced higher than expected cuts starting from next month. As a result, Brent crude oil futures were once again seen falling towards the USD 90.0 /b mark and was trading at USD 91.52 per barrel on 13-October-2022. The weakness also reflected demand outlook cuts announced by the OPEC, US EIA as well as IEA in their respective monthly reports. Nevertheless, events like the disruption in Europe oil pipeline and refining facility and an accelerated buying ahead of the winter season provided some support to crude oil prices. In its monthly report, the IEA also trimmed its forecast for refinery runs in 2023 due to higher feedstock costs that affects refinery margins at a time when economies across the globe are bracing for an economic slowdown. Crude oil production in the US remained flat at 12.0 mb/d at the end of September-2022. Rig count data from Baker Hughes also showed the total number of oil rigs in the US hovering around the 600 mark since July-2022. The announcement by the US to release additional crude oil from its strategic reserve following the announcement of OPEC+ crude output cut supported prices, but the declining inventory remained a concern for oil watchers. Weekly data showed crude oil inventory in the US declining for the second consecutive week ended 30-September-2022 after showing growth for the previous three weeks.

Average crude oil prices witnessed mid to high-single-digit declines during September-2022. At USD 95.3/b, the average price of OPEC crude oil basket witnessed a two-month high decline of 6.5%. In addition, the average crude oil price went below the USD 100/b mark for the first time in seven months. Brent crude witnessed a steeper decline of 9.8% to reach an 8-month low average price of USD 89.8/b. The decline in Kuwait crude grade was relatively benign at 4.9% to reach an average price of USD 98.7/b. The volatility in prices also resulted in a drop in average forecast for crude oil prices. The Q4-2022 consensus estimate on Brent crude was trimmed by USD 9.1/b to USD 91.9/b whereas the estimates for Q1-2023 and Q2-2023 were lowered by USD 6.0/b and USD 3.0/b to USD 90.0/b and USD 92.0/b, respectively.



Average Crude Oil Prices, USD/b	Aug-2022	Sep-2022	Change (USD)	Avg 2021	Avg 2022
OPEC Reference Basket	101.9	95.3	(6.6)	66.8	104.2
Arab Light	104.9	99.3	(5.6)	67.6	105.5
Basrah Light	97.7	91.2	(6.5)	65.9	101.8
Bonny Light	106.1	95.7	(10.4)	67.7	108.3
Djeno	92.2	82.4	(9.8)	60.4	97.9
Es Sider	101.2	90.5	(10.7)	66.0	105.8
Girassol	106.0	92.3	(13.7)	68.2	108.5
Iran Heavy	102.2	97.2	(5.1)	66.7	104.2
Kuwait Export	103.8	98.7	(5.1)	67.4	105.4
Merey	80.0	73.7	(6.3)	48.7	80.7
Murban	98.0	92.5	(5.6)	66.8	102.4
Rabi	99.2	89.4	(9.8)	67.4	104.9
Saharan Blend	104.2	92.7	(11.5)	67.7	108.7
Zafiro	103.5	90.7	(12.8)	68.0	107.6
Other Crudes					
Brent	99.6	89.8	(9.8)	67.8	105.4
Dubai	96.3	91.0	(5.4)	66.4	100.1
Isthmus	89.1	81.4	(7.7)	63.6	96.8
LLS	94.2	86.4	(7.9)	66.7	100.6
Mars	89.9	82.9	(7.0)	64.6	96.0
Minas	95.4	88.9	(6.5)	65.7	100.4
Urals	77.3	68.6	(8.7)	66.4	83.4
WTI	91.6	84.0	(7.6)	65.0	98.5
Differentials					
Brent/WTI	8.1	5.8	(2.2)	2.8	6.9
Brent/LLS	5.4	3.5	(1.9)	1.1	4.8
Brent/Dubai	3.3	(1.2)	(4.5)	1.5	5.2

Source: OPEC Monthly Oil Market Report - Oct-2022

World Oil Demand

World oil demand growth expectations for 2022 was lowered by 0.5 mb/d by the OPEC in its latest monthly report. The OPEC now expects demand to grow by 2.64 mb/d and average at 99.67 mb/d during the year. The revision reflected recently issued data and warnings on global economic growth and its impact on oil demand. The reimposition of restrictions in China due to a surge in Covid-19 cases also affected the outlook. In terms of quarterly adjustments, demand estimates were lowered for Q2-2022 until Q4-2023. The biggest downward adjustment was made to forecast for Q4-2022 demand which is now expected to reach 101.64 mb/d after a revision of 0.78 mb/d. Demand estimates for Q2-2022 and Q3-2022 were lowered by 0.29 mb/d and 0.34 mb/d, respectively. Demand from the OECD region was lowered by around 0.17 mb/d to 46.2 mb/d whereas non-OECD forecast was trimmed by 0.19 mb/d to a 53.47 mb/d. Q4-2022 demand forecast for the OECD region witnessed a steep

World Oil Demand - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	24.33	24.79	24.98	25.10	25.27	25.04	0.70	2.89
of which US	20.03	20.38	20.41	20.58	20.83	20.55	0.52	2.58
Europe	13.13	13.15	13.42	14.09	14.00	13.67	0.54	4.07
Asia Pacific	7.38	7.85	6.99	7.31	7.84	7.50	0.11	1.55
Total OECD	44.85	45.79	45.39	46.50	47.12	46.2	1.35	3.02
China	14.97	14.74	14.56	14.69	15.64	14.91	(0.06)	(0.40)
India	4.77	5.18	5.16	4.95	5.35	5.16	0.39	8.11
Other Asia	8.63	9.09	9.27	8.73	8.85	8.98	0.35	4.11
Latin America	6.23	6.32	6.36	6.55	6.40	6.41	0.18	2.92
Middle East	7.79	8.06	8.13	8.47	8.17	8.21	0.41	5.32
Africa	4.22	4.51	4.15	4.25	4.53	4.36	0.14	3.27
Russia	3.61	3.67	3.42	3.45	3.59	3.53	(0.08)	(2.32)
Other Eurasia	1.21	1.22	1.16	1.03	1.21	1.15	(0.06)	(4.61)
Other Europe	0.75	0.79	0.75	0.73	0.80	0.77	0.01	1.63
Total Non-OECD	52.18	53.58	52.95	52.83	54.53	53.47	1.29	2.47
Total World	97.03	99.36	98.34	99.33	101.64	99.67	2.64	2.72

Source: OPEC Monthly Oil Market Report - Oct-2022

downward revision of 0.58 mb/d mainly led by downward adjustments to demand from Europe by almost 0.35 mb/d. In the non-OECD region, demand forecast for China witnessed the biggest downward adjustment by 0.1 mb/d for Q4-2022.

OPEC lowered its demand growth forecast for 2023 by 0.36 mb/d to 2.34 mb/d with demand expected to reach 102.02 mb/d. OPEC expects the interest rate hikes in the US are expected to affect consumers' purchasing power in the US and that would affect oil demand in Q4-2023. This is expected to continue in Q1-2023 with the additional downward pressure coming from reduced road travel and overall economic activity owing to winter that would be partially offset by higher demand for heating fuels and distillates as well as some recovery in jet fuel with improvements in air travel. In OECD Europe, demand is expected to be affected by rising energy prices and supply chain bottlenecks that affects costs in the manufacturing sector. However, high heating demand and a switch from gas to oil is expected to support demand for distillate and fuel oil in the region. In Asia, demand in China is expected to rebound with the gradual loosening of Covid-19 related restrictions starting from Q4-2022. In addition, demand for diesel is expected to high in the coming months due to a seasonal growth in construction activity. India's demand is also expected to be supported by higher manufacturing activity and consumer confidence.

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	25.04	25.05	25.29	25.44	25.55	25.33	0.30	1.19
of which US	20.55	20.53	20.55	20.84	20.98	20.72	0.17	0.85
Europe	13.67	13.19	13.48	14.17	14.08	13.73	0.06	0.46
Asia Pacific	7.50	7.88	7.04	7.35	7.86	7.53	0.04	0.48
Total OECD	46.20	46.12	45.81	46.96	47.49	46.6	0.40	0.86
China	14.91	15.07	15.44	15.28	16.07	15.47	0.56	3.76
India	5.16	5.41	5.44	5.21	5.59	5.41	0.25	4.94
Other Asia	8.98	9.42	9.61	9.09	9.2	9.33	0.35	3.85
Latin America	6.41	6.48	6.48	6.71	6.54	6.55	0.15	2.29
Middle East	8.21	8.45	8.46	8.80	8.46	8.54	0.33	4.06
Africa	4.36	4.71	4.34	4.44	4.72	4.55	0.19	4.36
Russia	3.53	3.65	3.44	3.62	3.77	3.62	0.09	2.52
Other Eurasia	1.15	1.22	1.16	1.04	1.22	1.16	0.01	0.72
Other Europe	0.77	0.80	0.76	0.75	0.82	0.78	0.02	2.32
Total Non-OECD	53.47	55.21	55.13	54.94	56.39	55.42	1.95	3.64
Total World	99.67	101.33	100.94	101.91	103.88	102.02	2.34	2.35

Source: OPEC Monthly Oil Market Report - Oct-2022

World Oil Supply

Global liquids production once again recorded a monthly increase during September-2022 with preliminary data indicating a monthly gain of 0.93 mb/d to reach an average of 101.48 mb/d. The increase during the month was mainly led by higher production by non-OPEC countries by 0.8 mb/d with a total growth of 0.6 mb/d coming from Other Eurasia, OECD Europe and OECD Americas regions partially offset by declines in Russia and in other countries.

Non-OPEC liquids supply forecast for 2022 was lowered in OPEC's latest monthly report by 0.2 mb/d. The group now expects supply to average at 65.6 mb/d with a growth of 1.9 mb/d. The revision mainly reflected downward adjustments to supply forecasts for Kazakhstan, Norway, Qatar, The UK and The US partially offset by upward adjustment to supply from Guyana.

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.25	25.86	26.27	26.91	27.26	26.58	1.33	5.26
of which US	17.85	18.27	18.83	19.19	19.44	18.93	1.09	6.08
Europe	3.76	3.73	3.43	3.62	3.91	3.67	(0.08)	(2.18)
Asia Pacific	0.51	0.49	0.51	0.50	0.53	0.51	0.00	(0.96)
Total OECD	29.52	30.08	30.22	31.03	31.69	30.76	1.24	4.21
China	4.31	4.50	4.50	4.44	4.43	4.47	0.16	3.72
India	0.77	0.77	0.77	0.76	0.81	0.78	0.00	0.64
Other Asia	2.41	2.37	2.31	2.31	2.38	2.34	(0.06)	(2.60)
Latin America	5.95	6.11	6.15	6.37	6.53	6.29	0.34	5.68
Middle East	3.24	3.29	3.33	3.38	3.35	3.34	0.10	3.08
Africa	1.35	1.33	1.32	1.33	1.31	1.32	(0.03)	(1.91)
Russia	10.8	11.33	10.63	10.91	10.59	10.86	0.06	0.59
Other Eurasia	2.93	3.05	2.77	2.73	3.17	2.93	0.00	0.17
Other Europe	0.11	0.11	0.11	0.10	0.10	0.11	(0.01)	(6.36)
Total Non-OECD	31.87	32.85	31.89	32.34	32.68	32.44	0.58	1.81
Total Non-OPEC Production	61.39	62.94	62.11	63.37	64.38	63.2	1.82	2.96
Processing gains	2.29	2.40	2.40	2.40	2.40	2.40	0.11	4.90
Total Non-OPEC Supply	63.67	65.34	64.51	65.77	66.78	65.6	1.93	3.03
OPEC NGLs and non-conventionals	5.28	-	-	-	-	5.39	0.11	2.08
OPEC Crude Oil Production	26.35	28.36	28.59	29.45	-	-	-	-
Total World Supply	95.30	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - Oct-2022

The downward adjustment of 20 tb/d to supply forecast for the US reflected lower-than-expected production in tight oil basins in recent months. Other factors that would limit supply growth includes continued capital discipline, supply chain issues and labour and equipment limitations.

Supply forecast was also lowered for 2023 by 0.2 mb/d to a growth of 1.5 mb/d to average at 67.1 mb/d. The lowered forecast for next year mainly reflected downward adjustments to supply data for Russia by 423 mb/d that more than offset positive adjustments made mainly to data for Azerbaijan, Malaysia and Kazakhstan. In China, the forecast shows rise in production over the coming years led by higher offshore production.

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.58	27.57	27.67	28.04	28.41	27.92	1.34	5.05
of which US	18.93	19.75	20.05	20.24	20.47	20.13	1.20	6.33
Europe	3.67	4.00	3.94	3.86	3.98	3.94	0.27	7.30
Asia Pacific	0.51	0.52	0.48	0.51	0.47	0.50	(0.01)	(2.26)
Total OECD	30.76	32.08	32.10	32.41	32.85	32.36	1.60	5.20
China	4.47	4.52	4.51	4.48	4.48	4.50	0.03	0.64
India	0.78	0.8	0.79	0.78	0.77	0.79	0.01	1.12
Other Asia	2.34	2.4	2.4	2.37	2.39	2.39	0.05	1.97
Latin America	6.29	6.45	6.62	6.70	6.76	6.63	0.34	5.41
Middle East	3.34	3.35	3.36	3.39	3.38	3.37	0.03	0.99
Africa	1.32	1.32	1.34	1.35	1.37	1.35	0.03	1.89
Russia	10.86	9.92	10.06	10.13	10.19	10.08	(0.79)	(7.26)
Other Eurasia	2.93	3.14	3.08	3.04	3.12	3.09	0.16	5.56
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(2.83)
Total Non-OECD	32.44	32.00	32.26	32.35	32.56	32.30	(0.15)	(0.45)
Total Non-OPEC Production	63.2	64.09	64.36	64.76	65.41	64.66	1.45	2.30
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.60	66.56	66.83	67.23	67.88	67.13	1.52	2.32

Source: OPEC Monthly Oil Market Report - Oct-2022

OPEC Oil Production & Spare Capacity

OPEC crude oil production during September-2022 showed increase for the seventeenth consecutive months to reach 29.9 mb/d, according to data from Bloomberg. The increase was mainly led by recovery of production in Libya to 1.2 mb/d after months of disruptions along with higher production in Saudi Arabia, Nigeria and Venezuela. Data from OPEC's secondary sources showed a smaller production growth of 146 tb/d to average at 29.77 mb/d that came mainly on the back of higher production in Saudi Arabia, Nigeria, Libya and UAE partially offset by a decline in production in Iraq, Venezuela and Iran. Saudi Arabia produced at close to 11 mb/d mark adding 40 tb/d during the month (82 tb/d as per OPEC). The Kingdom has increased production by more than 10% since the start of the year. The increase in Saudi's crude oil production stood at 1.1 mb/d or 56.2% of the 1.9 mb/d added by OPEC since December-2021. Moreover, a Reuter's report said that despite the

Production ('000 b/d)	Aug-22	Sep-22	Change		Capacity	Spare Capacity
Total OPEC-13	29,660	29,890	230	0.78%	34,060	4,170
Saudi Arabia	10,930	10,970	40	0.4%	12,000	1,030
Iraq	4,430	4,450	20	0.5%	4,800	350
UAE	3,350	3,350	0	0.0%	4,200	850
Kuwait	2,810	2,820	10	0.4%	2,820	0
Iran	2,520	2,490	-30	-1.2%	3,830	1,340
Nigeria	1,130	1,160	30	2.7%	1,600	440
Angola	1,170	1,160	-10	-0.9%	1,200	40
Algeria	1,030	1,030	0	0.0%	1,060	30
Libya	1,080	1,200	120	11.1%	1,200	0
Venezuela	640	670	30	4.7%	710	40
Congo	270	290	20	7.4%	300	10
Gabon	200	200	0	0.0%	220	20
Equatorial Guinea	100	100	0	0.0%	120	20
Total OPEC-12	25,230	25,440	210	0.83%	29,260	3,820

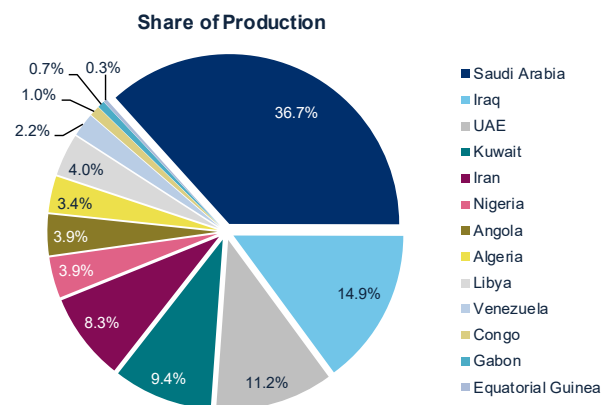
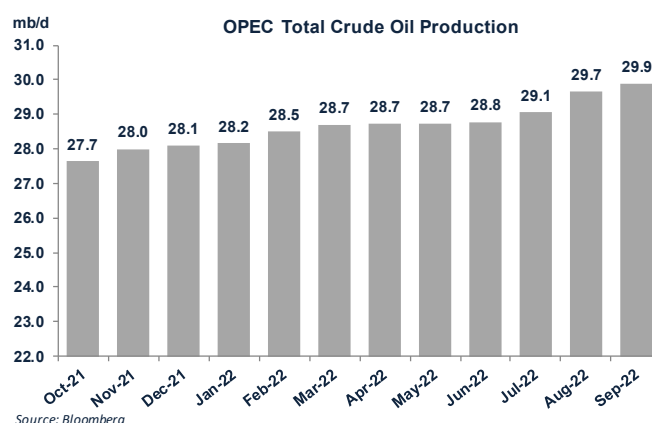
Source: Bloomberg

announced OPEC+ production cuts, Saudi Arabia's Aramco is expected to deliver full contract volumes of crude oil to its customers in Asia during November ahead of the peak winter season by tapping on oil inventories.

Oil production in Libya recovered to the country's normal level of around 1.2 mb/d after full resumption of production at blockaded oil fields that have been affecting the country's oil facilities for the last few months. Latest loading programs showed exports from the country reaching around 1.14 mb/d in October from 1.15 m/d in September-2022. The country also plans to start production from the Erwin oilfield from mid-2023 that has a capacity of around 16 tb/d.

Meanwhile, oil production in Nigeria continued to remain at one of its lowest points at around 1.1 mb/d capped by disruption at some onshore production facilities. Data from Nigerian Upstream Petroleum Regulatory Commission showed a production decline of 42 tb/d during September-2022.

The decision by OPEC+ to cut oil production by 2 mb/d would result in Saudi Arabia cutting production by 526 tb/d to 10.478 mb/d. Iraq, UAE and Kuwait would account for an additional 515 tb/d of cuts. However, with other members of the OPEC group failing to maintain production in addition to a historical baseline, the actual decline in production could be around 1.1 mb/d.



Brent Crude Oil Price Forecast

Firm	As Of	Q4-22	Q1-23	Q2-23	Q3-23
Rabobank International	11/Oct/22	97.2	104.9	96.5	97.5
Goldman Sachs Group Inc/The	3/Oct/22	100.0	105.0	105.0	110.0
Market Risk Advisory Co Ltd	3/Oct/22	85.3	84.2	82.4	81.0
Citigroup Inc	30/Sep/22	85.0	78.0	72.0	77.0
Emirates NBD PJSC	27/Sep/22	90.0	90.0	95.0	95.0
Intesa Sanpaolo SpA	23/Sep/22	98.0	96.0	94.0	92.0
Westpac Banking Corp	20/Sep/22	91.9	88.7	89.0	90.7
Landesbank Baden-Wuerttemberg	26/Aug/22	90.0	90.0	90.0	85.0
MPS Capital Services Banca per le Imprese SpA	19/Aug/22	88.0			
Natixis SA	4/Aug/22	105.0	90.0	95.0	110.0
Banco Santander SA	22/Jul/22	91.8	86.0	83.0	81.0
Commerzbank AG	11/Jul/22	95.0	95.0	90.0	90.0
Deutsche Bank AG	5/Jul/22	110.0	110.0	95.0	90.0
Median		91.9	90.0	92.0	90.3
Mean		94.4	93.1	90.6	91.6
High		110.0	110.0	105.0	110.0
Low		85.0	78.0	72.0	77.0
Current Fwd		92.4	87.8	84.8	82.6
Difference (Median - Current)		-0.5	2.2	7.2	7.7

Source: Bloomberg

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Kamco Investment Company - K.S.C. (Public)

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 2233 6600 Fax: (+965) 2249 2395

Email : research@kamcoinvest.com

Website : www.kamcoinvest.com

Kamco Invest