

Oil Market Monthly Report

October-2023

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Oil remains volatile on regional geopolitics and rising US output...

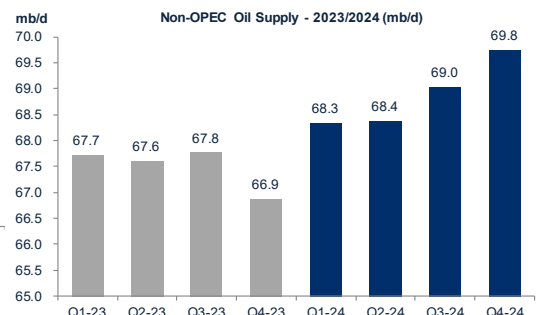
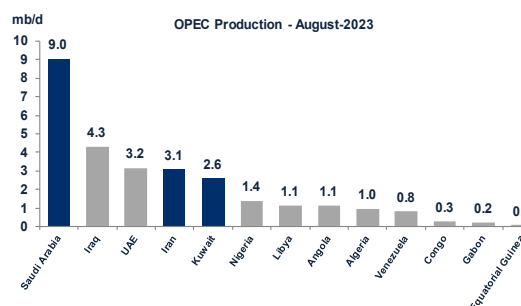
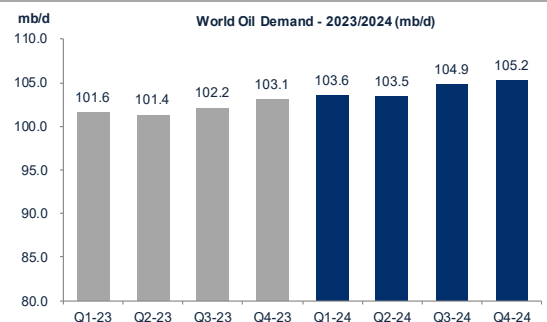
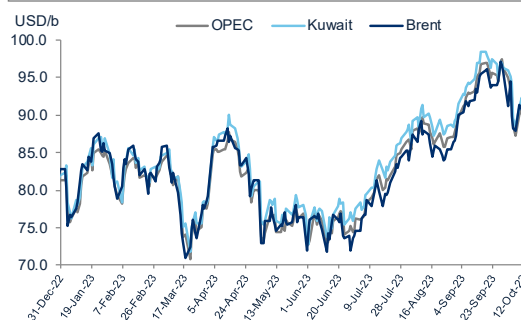
After reaching the highest level in almost eleven months towards the end of September-2023, crude oil prices witnessed an accelerated decline to reach a six-week low at the start of October-2023. Gains during the last month were mainly led by tightening market as OPEC producers curbed output in addition to supply concerns in the US as well as declining inventory of crude oil and refined products. On the other hand, the decline witnessed at the start of this month was initially led by a stronger USD that reached the highest level since November-2022 followed by a steep decline in demand for gasoline in the US due to weather-related issues. There were also concerns related to near-term economic growth as higher interest rates have started bite several sectors, as seen in the slowdown in Services sector in the US during September-2023. The IMF also lowered its World GDP growth forecast slightly for the year pointing to a soft landing scenario.

Oil prices once again got support during the second week following the conflict in Palestine sending crude oil up by more than 4% during the day led by fears of a broader regional instability that could lead to supply issues. An increase in US oil production to record highs and higher crude oil and gasoline inventories subdued prices. However, the week closed with prices above USD 90/b led by fears of widening crisis in the region.

In terms of demand, IEA's latest monthly report showed oil demand affected due to higher prices in the US and other markets. The report showed demand decline in emerging markets are even severe led by currency effects and removal of subsidies. Data showed that oil imports in Asia declined for the second consecutive month during September-2023 mainly led by the refinery maintenance season. According to LSEG, the Asian region saw arrivals of 24.95 mb/d of crude oil during the month, the lowest this year, as compared to a slightly higher arrivals of 25.22 mb/d during August-2023. The declines were seen in refineries in India, Vietnam, South Korea and Taiwan. Crude oil imports in India declined for the second consecutive month mainly led by autumn refinery maintenance as well as lower requirements during monsoon. Oil demand from China remained resilient as the country reportedly released its fourth batch of crude oil import quotas. With the new quota, crude oil imports into the country should see an increase of close to 14% in 2023 as compared to 2022.

On the supply front, OPEC+ producers reiterated to keep oil output at current levels. In the latest OPEC+ ministerial panel meet, Saudi Arabia said that it would continue with voluntary cuts of 1.0 mb/d while Russia said it will continue with 0.3 mb/d of voluntary cuts until the end of the year.

Meanwhile, production data from OPEC secondary sources showed OPEC output steeply up by 273 tb/d in September-2023 led by higher output mainly in Nigeria, Saudi Arabia and Kuwait, partially offset by a drop in output mainly in Venezuela and Equatorial Guinea.



Sources : OPEC, EIA, Bloomberg

Junaid Ansari

Head of Investment Strategy
and Research

+(965) 2233 6912

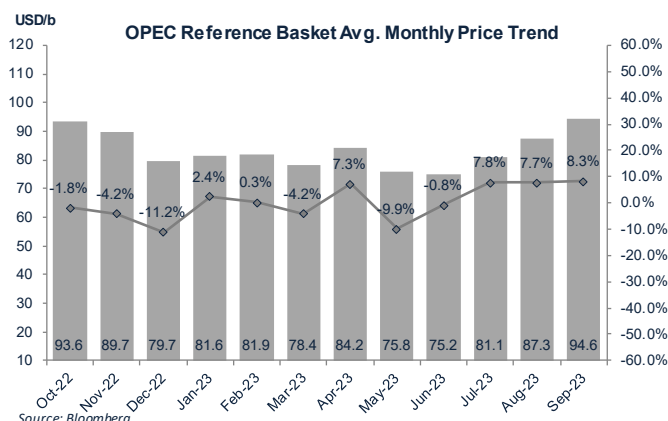
jansari@kamcoinvest.com

Oil Prices

Crude oil prices reached 11-month highs towards the end of September-2023 and Brent crude oil traded at around USD 97.1/b in the spot market. The gains were led by declining oil inventories globally in a tight market as Saudi Arabia and other OPEC producers resolved to continue with the ongoing policy of oil production. This resulted in higher quarter-end prices with a growth of 27.3% during Q3-2023, the highest in six quarters. However, higher prices and a strong USD started biting into oil demand that resulted in the fall in prices during the first week of October-2023. Reports of slowing Services sector in the US highlighted the impact of higher interest rates, while elevated producer prices due to higher costs of energy and food further adding to fears of a demand decline. As a result, prices declined by more than 10% in the futures market during the first week of October-2023 reaching USD 84.1/b also as record oil production in the US coupled with a possibility of a deal between US and Venezuela eased some concerns related to tight oil markets. But prices surged at the end of the week as investors kept a close eye on the impact of the conflict in Palestine while fears of a wider conflict supported prices.

Meanwhile, an oil inventory report from the US API showed a stock build of 12.9 million barrels during the week ended 5-October-2023 while gasoline inventories rose by 3.6 million barrels. Another report showed that gasoline demand in the US witnessing a steep decline. An EIA report showed finished motor gasoline supplied declined to around 8 mb/d last week, the lowest this year with some decline coming from torrential rains in New York.

Average monthly OPEC crude oil basket prices witnessed the third consecutive m-o-m growth in September-2023 with an increase of 8.3% to average at a 12-month high level of USD 94.6/b. The gains in average Brent crude oil was even higher at 9.1% to average at USD 94.0/b while Kuwait crude grade saw a gain of 7.8% to average at USD 95.7/b during September-2023. The trend was also reflected in the consensus estimates for crude oil. The latest estimates from Bloomberg showed price forecast raised for the next four quarters.



Average Crude Oil Prices, USD/b	Aug-2023	Sep-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
OPEC Reference Basket	87.3	94.6	7.3	104.2	82.1
Arab Light	89.6	96.5	7.0	105.5	84.1
Basrah Light	85.4	93.1	7.8	101.8	79.6
Bonny Light	86.5	95.5	9.0	108.3	82.3
Djeno	78.7	86.5	7.8	97.9	74.6
Es Sider	86.4	94.3	7.9	105.8	81.4
Girassol	89.1	97.5	8.4	108.5	83.8
Iran Heavy	87.6	94.6	7.1	104.2	82.4
Kuwait Export	88.8	95.7	6.9	105.4	83.5
Merey	68.5	75.5	7.0	80.7	62.6
Murban	87.2	93.9	6.6	102.4	82.4
Rabi	85.7	93.5	7.8	104.9	81.6
Saharan Blend	86.7	95.2	8.5	108.7	82.9
Zafiro	87.5	95.4	7.8	107.6	82.7
Other Crudes					
Brent	86.1	94.0	7.8	105.4	82.0
Dubai	86.5	92.9	6.5	100.1	81.5
Isthmus	79.6	87.2	7.7	96.8	71.7
LLS	84.0	91.4	7.4	100.6	79.7
Mars	82.1	88.8	6.8	96.0	76.7
Minas	85.0	91.1	6.2	100.4	80.1
Urals	74.5	84.2	9.7	83.4	61.1
WTI	81.4	89.4	8.0	98.5	77.3
Differentials					
Brent/WTI	4.7	4.6	(0.2)	6.9	4.8
Brent/LLS	2.1	2.6	0.5	4.8	2.3
Brent/Dubai	(0.3)	1.0	1.4	5.2	0.5

Source: OPEC Monthly Oil Market Report - October-2023

World Oil Demand

World oil demand growth estimate for 2023 was kept unchanged at 2.4 mb/d with aggregate demand expected to reach 102.06 mb/d. However, downward adjustments were made to demand data mainly for the OECD region (OECD Americas, Other Asia and Africa) for the first three quarters of the year that was offset by upward revision to Q2-2023 and Q3-2023 demand data for the non-OECD region, especially China. Demand growth estimates for 2024 were also kept unchanged at 2.2 mb/d and total demand is expected to reach 104.31 mb/d led by expected healthy growth in global economy coupled with continued improvements in China. Near term expectations for the US showed healthy economic growth as labor market remains tight resulting in strong support for private house hold consumption with sustained robust disposable income levels. Air travel activity is expected to remain healthy in Q4-2023 driving demand for jet fuel, while gasoline demand is expected to be hit by a drop in

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	24.84	24.52	25.15	25.32	24.87	24.97	0.13	0.52
of which US	20.16	19.92	20.45	20.47	20.05	20.22	0.06	0.31
Europe	13.51	13.11	13.48	13.85	13.37	13.45	(0.05)	(0.40)
Asia Pacific	7.38	7.81	6.96	7.16	7.65	7.39	0.01	0.18
Total OECD	45.72	45.44	45.59	46.33	45.89	45.81	0.09	0.20
China	14.95	15.73	16.06	16.07	16.21	16.02	1.07	7.14
India	5.14	5.40	5.40	5.21	5.50	5.38	0.24	4.69
Other Asia	9.06	9.34	9.48	9.03	9.18	9.26	0.19	2.13
Latin America	6.44	6.60	6.70	6.73	6.68	6.68	0.24	3.75
Middle East	8.30	8.63	8.32	8.86	8.73	8.64	0.34	4.09
Africa	4.40	4.59	4.24	4.43	4.88	4.54	0.13	3.06
Russia	3.70	3.83	3.59	3.74	4.01	3.79	0.09	2.40
Other Eurasia	1.15	1.24	1.21	1.02	1.23	1.17	0.02	2.03
Other Europe	0.77	0.79	0.77	0.75	0.83	0.79	0.02	2.29
Total Non-OECD	53.90	56.15	55.76	55.85	57.24	56.25	2.35	4.35
Total World	99.63	101.59	101.35	102.17	103.13	102.06	2.44	2.45

Source: OPEC Monthly Oil Market Report - October-2023

driving activity owing to the winter season. Weak manufacturing activity is also expected to impact demand for industrial fuels, including diesel. Meanwhile, services sector in the US, which had remained resilient this year, witnessed a slowdown in September-2023 with new orders falling to a 9-month low. Nevertheless, the sector showed growth with the associated non-manufacturing PMI at 53.6 during September-2023.

Meanwhile, oil demand in China remained upbeat with the country releasing its fourth batch of import quotas. The total volume for 2023 is expected to reach 203.64 million metric tons, indicating an increase of 14% from last year's 179 million tons, according to Reuters. A separate report from Reuters showed that China raked in savings of nearly USD 10 Bn through record purchases of oil from Russia, Iran and Venezuela that are placed on sanctions by the US. The lower-priced crude oil imports also boosted refinery throughput and margins, especially for small independent operators known as "teapots". On the other hand, oil imports in India declined for the second consecutive month during September-2023 to reach 4.19 mb/d as compared to 4.34 mb/d during August-2023 mainly due to the autumn refinery maintenance season and lower demand in monsoons.

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	24.97	24.71	25.33	25.52	25.03	25.15	0.18	0.72
of which US	20.22	20.06	20.59	20.62	20.19	20.37	0.14	0.70
Europe	13.45	13.17	13.53	13.92	13.41	13.51	0.06	0.41
Asia Pacific	7.39	7.84	6.98	7.19	7.65	7.41	0.02	0.29
Total OECD	45.81	45.71	45.84	46.64	46.09	46.07	0.26	0.56
China	16.02	16.30	16.52	16.69	16.88	16.60	0.58	3.62
India	5.38	5.63	5.64	5.44	5.69	5.60	0.22	4.09
Other Asia	9.26	9.60	9.73	9.39	9.54	9.57	0.31	3.35
Latin America	6.68	6.79	6.88	6.95	6.84	6.87	0.19	2.84
Middle East	8.64	8.91	8.76	9.41	8.98	9.02	0.38	4.40
Africa	4.54	4.70	4.42	4.60	5.01	4.69	0.15	3.31
Russia	3.79	3.89	3.70	3.89	4.08	3.89	0.10	2.65
Other Eurasia	1.17	1.27	1.24	1.08	1.28	1.22	0.04	3.77
Other Europe	0.79	0.81	0.78	0.77	0.84	0.80	0.01	1.75
Total Non-OECD	56.25	57.90	57.68	58.22	59.14	58.24	1.99	3.53
Total World	102.06	103.62	103.51	104.85	105.23	104.31	2.25	2.20

Source: OPEC Monthly Oil Market Report - October-2023

World Oil Supply

Global liquids production once again remained unchanged in September-2023 as compared to August-2023. According to preliminary data, global oil supply averaged at 100.6 mb/d. According to OPEC, the month saw a decline in supplies from non-OPEC suppliers by 0.3 mb/d that averaged at 72.9 mb/d as higher production in Other Euroasia and the UK was offset by drop in production in Russia and the US. This decline was offset by an increase in OPEC production during the month.

Non-OPEC oil supply growth estimates for 2023 witnessed an upward revision of 0.1 mb/d in the latest OPEC monthly report to a growth of 1.7 mb/d with aggregate supply now expected to reach 67.49 mb/d. The upward revision mainly reflected higher supplies from Russia (+80 tb/d), the US (+49 tb/d) and Brazil (+45 tb/d) partially offset by downward revision to supply

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.92	27.90	28.15	28.59	28.52	28.29	1.38	5.11
of which US	19.28	20.10	20.70	20.79	20.50	20.53	1.24	6.45
Europe	3.58	3.69	3.65	3.59	3.74	3.67	0.09	2.40
Asia Pacific	0.48	0.45	0.45	0.46	0.47	0.46	(0.02)	(4.10)
Total OECD	30.97	32.04	32.24	32.64	32.74	32.42	1.44	4.66
China	4.48	4.63	4.63	4.50	4.50	4.56	0.09	1.91
India	0.77	0.76	0.78	0.78	0.78	0.78	0.00	0.32
Other Asia	2.3	2.31	2.27	2.29	2.37	2.31	0.01	0.30
Latin America	6.34	6.69	6.77	6.99	6.88	6.83	0.50	7.84
Middle East	3.29	3.27	3.29	3.27	3.30	3.28	(0.01)	(0.16)
Africa	1.29	1.24	1.27	1.27	1.30	1.27	(0.02)	(1.81)
Russia	11.03	11.19	10.86	10.62	9.47	10.53	(0.50)	(4.55)
Other Eurasia	2.83	2.99	2.93	2.85	2.97	2.94	0.11	3.83
Other Europe	0.11	0.11	0.10	0.10	0.10	0.10	0.00	(2.73)
Total Non-OECD	32.44	33.21	32.90	32.66	31.68	32.61	0.17	0.51
Total Non-OPEC Production	63.42	65.25	65.14	65.3	64.41	65.02	1.61	2.54
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.81	67.72	67.61	67.77	66.88	67.49	1.68	2.55
OPEC NGLs and non-conventionals	5.39	-	-	-	-	5.44	0.05	0.93
OPEC Crude Oil Production	28.86	28.84	28.27	27.53	-	-	-	-
Total World Supply	100.06	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - October-2023

forecast for Norway and UK (-25 tb/d each), Azerbaijan and Kazakhstan. Forecast for 2024 was kept unchanged at a growth of 1.38 mb/d with non-OPEC supplies reaching 68.88 mb/d.

The latest STEO from the US EIA showed production in the country reaching a record high of 13.13 mb/d in Q3-2023 while forecast for Q4-2023 showed even higher production of 13.16 mb/d. However, oil rig count data did not corroborate with higher output data as rigs have shown consistent declines over the last few months reaching the lowest since February-2022 during the week ending 6-October-2023 at 497 rigs. The latest weekly report showed growth of 4 rigs after three straight weeks of declines. Oil executives in the US indicated that USD 90/b is the new trigger point for adding oil rigs in the US.

Non-OPEC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	28.29	28.76	28.79	29.26	29.57	29.1	0.81	2.85
of which US	20.53	20.79	21.01	21.28	21.44	21.13	0.61	2.96
Europe	3.67	3.87	3.76	3.70	3.85	3.79	0.13	3.44
Asia Pacific	0.46	0.47	0.44	0.45	0.43	0.44	(0.01)	(2.90)
Total OECD	32.42	33.09	32.99	33.41	33.85	33.34	0.92	2.83
China	4.56	4.58	4.57	4.54	4.54	4.56	(0.01)	(0.11)
India	0.78	0.79	0.79	0.79	0.78	0.79	0.01	1.70
Other Asia	2.31	2.29	2.27	2.24	2.24	2.26	(0.05)	(2.14)
Latin America	6.83	7.00	7.07	7.20	7.28	7.14	0.31	4.46
Middle East	3.28	3.33	3.32	3.31	3.32	3.32	0.04	1.20
Africa	1.27	1.26	1.27	1.33	1.38	1.31	0.04	3.15
Russia	10.53	10.35	10.47	10.59	10.7	10.53	0.00	(0.02)
Other Eurasia	2.94	3.01	3.01	2.99	3.03	3.01	0.07	2.53
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	(1.15)
Total Non-OECD	32.61	32.73	32.87	33.11	33.38	33.02	0.41	1.27
Total Non-OPEC Production	65.02	65.82	65.85	66.51	67.23	66.36	1.33	2.05
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.03
Total Non-OPEC Supply	67.49	68.34	68.37	69.03	69.75	68.88	1.38	2.05

Source: OPEC Monthly Oil Market Report - October-2023

OPEC Oil Production & Spare Capacity

Oil production by the OPEC witnessed growth for the second consecutive month during September-2023. Aggregate production reached 27.97 mb/d during the month registering a growth of 50 tb/d, as per Bloomberg data, mainly led by higher production in Nigeria, Iraq and the UAE that was partially offset by lower production in Iran, Libya and Equatorial Guinea. Production data from OPEC secondary sources showed a much sharper monthly growth of 273 tb/d with aggregate production reaching 27.76 mb/d during the month. The growth, as per OPEC, was led by a steep increase in production in Nigeria (+141 tb/d) and Saudi Arabia (+82 tb/d) that was partially offset by decline in production in Venezuela, Equatorial Guinea and Angola. Production changes in the rest of the OPEC members were mostly marginal but positive as per OPEC monthly report.

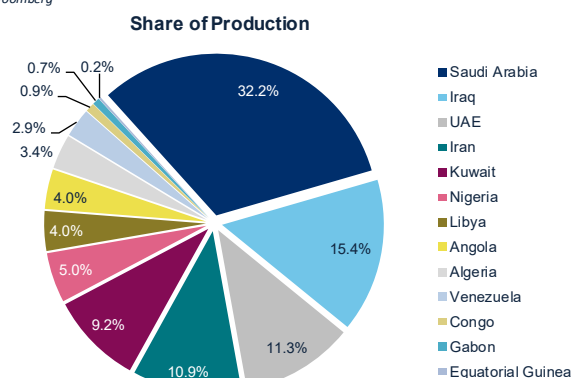
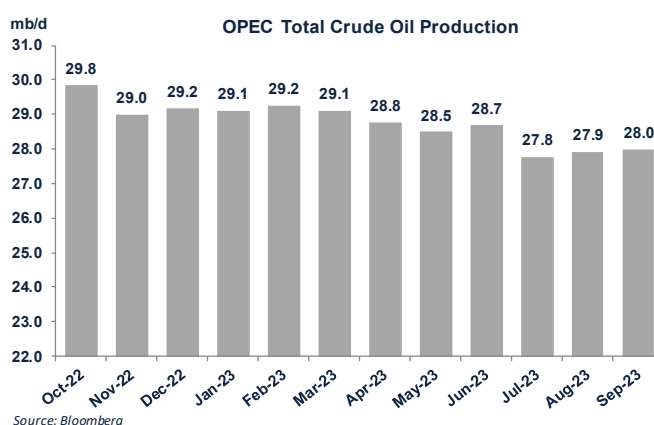
Production ('000 b/d)	Aug-23	Sep-23	Change		Capacity	Spare Capacity
Total OPEC-13	27,920	27,970	50	0.18%	34,150	6,180
Saudi Arabia	8,980	9,000	20	0.2%	12,000	3,000
Iraq	4,260	4,300	40	0.9%	4,800	500
UAE	3,120	3,150	30	1.0%	4,200	1,050
Iran	3,100	3,050	-50	-1.6%	3,830	780
Kuwait	2,560	2,580	20	0.8%	2,820	240
Nigeria	1,340	1,400	60	4.5%	1,600	200
Libya	1,140	1,110	-30	-2.6%	1,200	90
Angola	1,130	1,110	-20	-1.8%	1,200	90
Algeria	940	960	20	2.1%	1,060	100
Venezuela	800	800	0	0.0%	800	0
Congo	240	250	10	4.2%	300	50
Gabon	220	200	-20	-9.1%	220	20
Equatorial Guinea	90	60	-30	-33.3%	120	60
Total OPEC-12	23,660	23,670	10	0.04%	29,350	5,680

Source: Bloomberg

During the month, Saudi Arabia and other OPEC+ members affirmed to stick to the existing production policies of the group, in addition to voluntary cuts mainly implemented by the Kingdom and Russia. Saudi Arabia produced at 9 mb/d during September-2023 after adding 20 tb/d vs. last month, as per Bloomberg, while OPEC secondary sources showed an increase of 82 tb/d. Reports also showed that the cut in output by Saudi Arabia has affected diesel supplies in particular because of the heavier crudes produced by the Kingdom and this could affect flows and push up prices of the refined product during the upcoming winters. Iran also produces heavy crudes but the conflict in Palestine may also affect supplies from Iran.

Oil production in Iran also increased during the month to reach 3.1 mb/d, the highest since October-2018 as negotiations on possible easing of US sanctions on the country continued. Reports have also showed higher exports from Iran over the last few months.

Oil production in Nigeria reached the highest level in 2023 at 1.4 mb/d during September-2023 mainly led by full resumption of the country's Forcados crude grade while it continued to make efforts to minimize oil theft and vandalism, according to S&P Platts. Oil production in Libya declined by 30 tb/d during the month as per Bloomberg to reach 1.11 mb/d. The decline came as a result of shutdown of several terminals due to Storm Daniels.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q4-23	Q1-24	Q2-24	Q3-24
JPMorgan Chase & Co	4/Oct/23	85.0	83.0	83.0	81.0
Standard Chartered Bank	3/Oct/23	93.0	92.0	94.0	98.0
MUFG Bank	2/Oct/23	94.0	91.0	88.0	83.0
Goldman Sachs Group Inc/The	2/Oct/23	93.0	95.0	99.0	100.0
walletinvestor.com/commodity-forecast	2/Oct/23		95.8		
Tradingeconomics.com	2/Oct/23	94.6	96.9	99.3	101.8
Citigroup Inc	29/Sep/23	84.0			
Societe Generale SA	28/Sep/23	90.0	95.0	95.0	100.0
UBS Group AG	28/Sep/23	95.0	95.0	95.0	95.0
Market Risk Advisory Co Ltd	27/Sep/23	89.0	88.0	86.0	88.0
Australia & New Zealand Banking Group Ltd	26/Sep/23	103.6	90.0	80.0	79.4
Bank of America Merrill Lynch	26/Sep/23	96.0	94.0	92.0	88.0
Kshitij Consultancy Services Pvt Ltd	25/Sep/23	81.2	89.0	103.0	94.0
Banco Santander SA	22/Sep/23	90.0	87.5	86.5	84.0
Commerzbank AG	22/Sep/23	85.0	85.0	85.0	90.0
BNP Paribas SA	20/Sep/23	88.0	88.0	87.0	90.0
Westpac Banking Corp	18/Sep/23	87.2	83.7	84.3	87.0
ING Groep NV	18/Sep/23	92.0	85.0		
Samsung Futures Inc.	15/Sep/23	82.0	78.0	77.0	78.0
RBC	7/Sep/23	91.0	88.8	86.8	91.8
Intesa Sanpaolo SpA	1/Sep/23	81.0	79.0	78.0	78.0
Rabobank	31/Aug/23	90.0	92.0	94.5	95.0
Morgan Stanley	24/Aug/23	82.5	80.0	80.0	80.0
value.com/insight	18/Aug/23	83.7	82.5	81.4	80.3
Deutsche Bank AG	15/Aug/23	85.0	80.0	80.0	85.0
Oxford Institute for Energy Studies	11/Aug/23	86.5			
HSBC Holdings PLC	9/Aug/23	80.0			
National Australia Bank Ltd	3/Aug/23	93.6	95.1	99.7	94.5
Natixis SA	28/Jul/23	84.0	85.0	83.0	87.0
Landesbank Baden-Wuerttemberg	28/Jul/23	85.0	80.0	80.0	75.0
Capital Economics Ltd	28/Jul/23	83.0	84.0	82.0	79.0
MPS Capital Services Banca per le Imprese SpA	6/Jul/23	74.0	72.0	70.0	
Panmure Gordon & Co PLC	30/Jun/23	77.0	76.0	75.0	
Emirates NBD PJSC	26/Jun/23	85.0	87.0	90.0	92.0
Median		86.5	87.5	86.0	88.0
Mean		87.4	86.9	86.7	88.0
High		103.6	96.9	103.0	101.8
Low		74.0	72.0	70.0	75.0
Current Fwd		84.8	82.7	81.5	80.4
Difference (Median - Current)		1.7	4.8	4.5	7.6

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