

Oil Market Monthly Report

April - 2019

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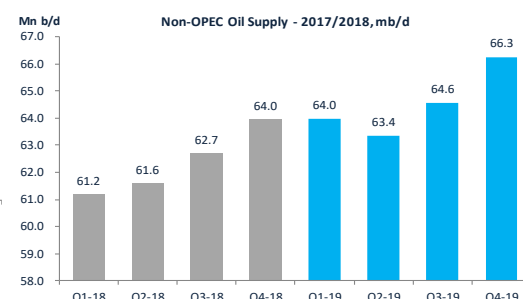
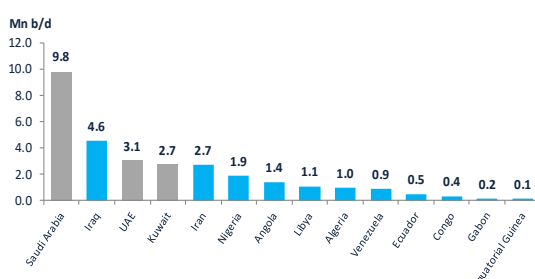
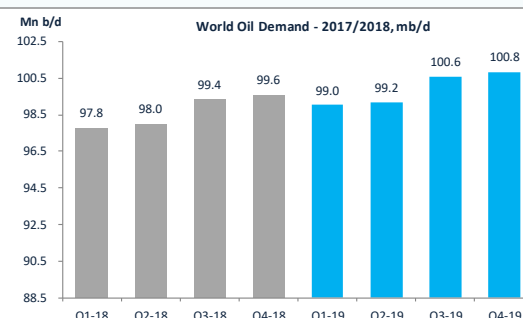
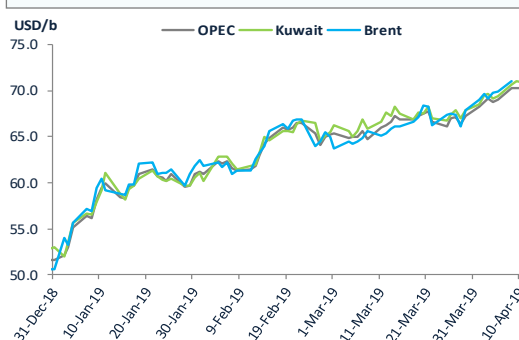
Oil prices reach 5-month high led by tightening OPEC supplies...

The supply cut-led oil price rally that started at the start of the year got further support this month as OPEC produced at pre-oil crisis levels. Spot crude prices reached the critical USD 70/b mark by the end of last week but the rally was somewhat halted by the weekly US oil inventory report. The latest EIA report showed US oil inventories increasing by more than 7 mb/d, exceeding analyst expectations, and reached a 17-month high level of 456.55 million barrels. The increase in inventory came after the US produced at a record pace of 12.2 mb/d making it the biggest oil producer ahead of Russia and Saudi Arabia. However, a steep decline in gasoline stocks provided support to oil prices as the excess crude inventory could be sucked up by refineries ahead of the peak summer driving season in the US.

The shrinking supply-demand gap recently has led to consistent gains in oil prices. However, the market tightening is primarily led by supply-side factors. During March-19, production by OPEC members reached multi-year lows and was reported at 30.4 mb/d as almost all the producers slashed production based on their respective quotas, in addition to the plunge in production in Venezuela. As a result, OPEC compliance to the agreed limits of the OPEC+ agreement reached 155% in March-19 as compared to 104% in February-19. Non-OPEC countries including Russia and Kazakhstan also contributed to the supply cuts although these producers face pressure from local companies on raising output post June-19. There are also talks reportedly hinting at a modified version of the supply cut agreement if production in Iran and Venezuela continue to decline in the coming months and price of crude remains elevated.

Meanwhile, the pace of growth in crude oil production in the US is expected to be lower than previously expected. According to Rystad Energy, E&P spending in the US is expected to decline by 6% this year. This is especially the case with smaller E&P companies as compared to well funded larger players. However, the impact of lower spending on output would only be reflected in the next year's production. This was reflected in IEA's latest forecast for oil production growth in the US. The agency raised production forecast for the current year but lowered it slightly for the 2020. Another report said that oil discoveries in the US is declining at a faster pace. According to the Texas Railroad Commission, oil drillers in the US state of Texas made zero discoveries during March-19 following one each in the previous two years. **Nevertheless, increasing efficiency in extracting crude with larger players as seen from the recently announced acquisition of Anadarko by Chevron is expected to cap the decline led by lower capital spending.**

In terms of oil demand, lack of confidence continues to prevail owing to softer economic growth numbers for advanced economies, including US and the Euro Area. The OPEC marginally lowered its oil demand forecast for 2019. On the other hand, the IEA although kept its oil demand outlook unchanged, it said that demand data remains mixed due to weak economic growth.



Source for the above charts : OPEC and Bloomberg

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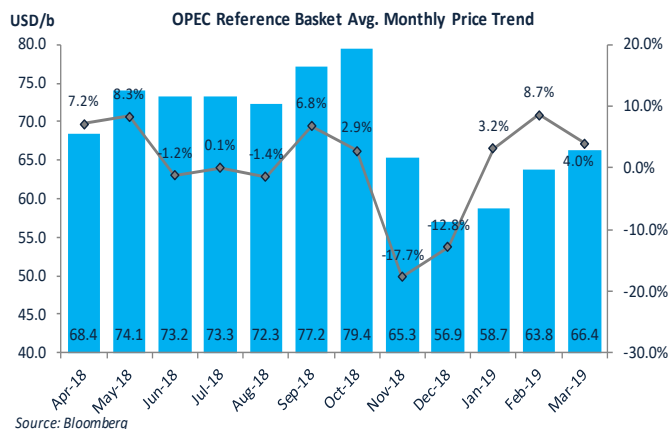
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Oil Prices

Oil prices surged passed the USD 70/b mark during the second week of April-19 after an overall positive performance during March-19. Spot Brent prices were up more than 40% by 9-April-19 compared to its recent low in December-18 after crude spot prices recorded three consecutive weeks of gain by last week. Average crude prices for almost all the crude grades were positive in March-19 as compared to February-19. Average OPEC crude prices gained 4.0% m-o-m during March-19 to reach USD 66.4/b, marking the third consecutive month of growth. Kuwait crude average price gains were slightly higher at 4.5% and averaged at USD 66.8/b, while average Brent crude gained 3.3% to reach USD 66.1/b.

Nevertheless, a steep increase in US crude inventory temporarily disrupted the oil rally. According to the latest EIA weekly report, crude inventories in the US increased for the third consecutive week by 7 million barrels during the week ended 5-April-19 after increasing by an aggregate 10 million barrels during the previous two weeks. In its latest forecast, the EIA raised its US crude oil production to 1.43 mb/d in 2019 to average at 12.39 mb/d as compared to its previous growth forecast of 1.35 mb/d. Due to the higher base, production in 2020 is forecasted to increase at a slightly slower pace of 0.71 mb/d to reach 13.1 mb/d as compared to last months 13.03 mb/d. The EIA kept demand growth outlook unchanged for 2019 at 0.36 mb/d and raised 2020 demand growth to 0.25 mb/d. The declining trend in oil rigs in the US reversed this week. According to the latest report from Baker Hughes, weekly oil rig count in the US increased by 15 to reach 831 active oil rigs during the week ended 5-April-19 after declining for six consecutive weeks. On the other hand, rig count in Canada continues to decline with total rigs down by 20 last week to reach 68 rigs, a y-o-y decline of 43 rigs. Meanwhile, in its monthly oil report, the IEA forecasted a tightening oil market and declining inventories for the rest of the year, but said that downside risks for demand has increased due to economic weakness.



Average Crude Oil Prices, USD/b	Feb-19	Mar-19	Change (USD)	YTD Avg 2018	YTD Avg 2019
OPEC Reference Basket	63.8	66.4	2.5	64.8	62.9
Arab Light	64.9	67.4	2.6	65.3	63.9
Basrah Light	63.3	66.1	2.8	63.6	62.4
Bonny Light	65.2	67.7	2.5	67.7	64.4
Djeno	61.4	63.5	2.1	64.9	60.5
Es Sider	63.2	65.4	2.2	65.9	62.2
Girassol	65.3	67.2	1.9	67.6	64.1
Iran Heavy	61.4	64.2	2.8	63.5	60.5
Kuwait Export	63.9	66.8	2.9	63.4	63.0
Merey	55.9	57.8	1.9	57.9	54.8
Murban	65.6	68.0	2.4	67.0	64.7
Oriente	60.4	63.7	3.2	61.7	59.6
Rabi	63.3	65.3	2.1	65.8	62.3
Saharan Blend	64.3	66.4	2.1	67.6	63.2
Zafiro	64.9	67.2	2.2	66.8	64.0
Other Crudes					
Brent	64.0	66.1	2.1	66.8	63.1
Dubai	64.4	66.9	2.5	63.9	63.4
Isthmus	63.8	66.5	2.7	66.0	62.7
LLS	63.2	65.6	2.4	65.8	62.4
Mars	61.9	64.9	3.0	62.4	61.1
Minas	56.9	59.6	2.7	59.4	56.0
Urals	64.1	66.2	2.1	65.2	63.5
WTI	55.0	58.2	3.2	62.9	54.9
Differentials					
Brent/WTI	9.0	7.9	(1.1)	3.9	8.2
Brent/LLS	0.8	0.5	(0.3)	0.9	0.7
Brent/Dubai	(0.4)	(0.8)	(0.4)	2.9	(0.3)

Source: OPEC Monthly Oil Market Report - April-19

World Oil Demand

World oil demand estimates for 2018 was once again lowered in OPEC's latest monthly forecast by 0.02 mb/d and demand is estimated to have grown by 1.41 mb/d to reach 98.7 mb/d. The lowered estimates reflected a revision of 0.06 mb/d to demand estimates for the OECD Asia Pacific region led by lower-than-expected oil demand in Japan and South Korea.

Demand growth expectation for 2019 was also lowered by 30 tb/d to a growth of 1.21 mb/d resulting in a total demand of 99.91 mb/d. The revision reflected a decline in expectations of economic growth for the OECD region during the year. The latest monthly demand data for the US showed the first y-o-y decline during January-19, albeit marginally, owing to higher base line effect. Preliminary data for February-19 and March-19 indicated strong growth in demand primarily led by higher demand for with road diesel, gasoline and

World Oil Demand - 2017/2018, mb/d	2017	Q1-18	Q2-18	Q3-18	Q4-18	2018	Y-o-Y Growth	% Chg.
Americas	25.06	25.20	25.40	25.78	25.74	25.53	0.48	1.90
of which US	20.27	20.57	20.64	20.93	20.78	20.73	0.46	2.26
Europe	14.30	13.95	14.19	14.68	14.32	14.29	(0.01)	(0.09)
Asia Pacific	8.06	8.54	7.65	7.70	8.08	7.99	(0.07)	(0.86)
Total OECD	47.42	47.69	47.24	48.16	48.14	47.81	0.39	0.83
Other Asia	13.24	13.55	13.84	13.38	13.87	13.66	0.42	3.14
of which India	4.53	4.83	4.74	4.40	4.96	4.73	0.20	4.43
Latin America	6.51	6.35	6.48	6.81	6.47	6.53	0.02	0.31
Middle East	8.17	8.19	7.96	8.40	7.82	8.09	(0.08)	(0.98)
Africa	4.20	4.35	4.32	4.27	4.40	4.33	0.13	3.13
Total Developing Countries (DCs)	32.13	32.44	32.60	32.86	32.56	32.61	0.49	1.52
Former Soviet Union (FSU)	4.70	4.66	4.65	4.94	5.01	4.82	0.12	2.45
Other Europe	0.72	0.73	0.69	0.73	0.82	0.74	0.03	3.48
China	12.32	12.28	12.84	12.65	13.07	12.71	0.39	3.18
Total "Other Regions"	17.74	17.68	18.18	18.32	18.9	18.27	0.53	2.99
Total World	97.29	97.80	98.02	99.35	99.6	98.7	1.41	1.45

Source: OPEC Monthly Oil Market Report - April-19

petroleum gas plant liquids. Elsewhere, Canada and OECD Europe reported growth in oil demand during January-19. Higher demand for the OECD Europe region was led by colder weather and a low baseline effect for almost all the petroleum categories although demand for gasoline and fuel oil dropped for the first time since the end of 2017 partially offsetting the overall growth. Preliminary data for February-19 indicated declining requirements for diesel fuel in the European Big 4 countries due to warmer weather conditions. The decline in passenger car registrations during the first two months of the year also highlighted an impact on oil demand. In the OECD Asia Pacific region, February-19 demand in Japan recorded a sharp decline of 6.5% while South Korea and Australia recorded growth in demand during January-19. In the non-OECD space, China reported a y-o-y oil demand growth of 0.22 mb/d during February-19 led by higher demand for LPG and gasoline partially offset by a decline in demand for diesel led by slower mining and construction activities. The country recorded a 13% decline in passenger car sales during the first two months of the year. Oil demand in India also continued to grow during February-19 largely due to an increase in government's infrastructure spending. Gasoline sales in India recorded a growth of almost 8% y-o-y despite softer vehicle sales figures.

World Oil Demand - 2018/2019, mb/d	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Y-o-Y Growth	% Chg.
Americas	25.53	25.43	25.63	26.06	26.00	25.78	0.25	0.98
of which US	20.73	20.79	20.85	21.19	21.02	20.96	0.23	1.11
Europe	14.29	13.97	14.16	14.67	14.30	14.28	(0.01)	(0.05)
Asia Pacific	7.99	8.53	7.61	7.67	8.05	7.96	(0.03)	(0.41)
Total OECD	47.81	47.94	47.40	48.40	48.34	48.02	0.21	0.44
Other Asia	13.66	13.91	14.21	13.75	14.25	14.03	0.37	2.71
of which India	4.73	5.03	4.93	4.58	5.15	4.92	0.19	4.05
Latin America	6.53	6.38	6.52	6.86	6.51	6.57	0.04	0.66
Middle East	8.09	8.23	7.99	8.45	7.86	8.13	0.04	0.49
Africa	4.33	4.45	4.42	4.36	4.50	4.43	0.10	2.31
Total Developing Countries (DCs)	32.61	32.98	33.15	33.42	33.12	33.17	0.55	1.69
Former Soviet Union (FSU)	4.82	4.75	4.74	5.03	5.11	4.91	0.09	1.87
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.71	12.61	13.18	12.99	13.42	13.05	0.34	2.67
Total "Other Regions"	18.27	18.11	18.63	18.77	19.37	18.72	0.45	2.46
Total World	98.70	99.02	99.18	100.59	100.83	99.91	1.21	1.23

Source: OPEC Monthly Oil Market Report - April-19

World Oil Supply

According to preliminary data, global oil supply declined for the fourth consecutive month during March-19. Supply continued to remain below the 100 mb/d mark and was estimated at 99.26 mb/d in February-19, a m-o-m decline of 0.14 mb/d. During the month, non-OPEC supply increased by 0.39 mb/d led by higher supply mainly from the US and Brazil. However, this increase was more than offset by a steep decline in OPEC production. Non-OPEC supply growth estimates for 2018 was once again revised upward by 0.16 mb/d and is now expected to have grown by 2.9 mb/d during the year to average at 62.37 mb/d. The revision mainly reflected higher output from UK, Brazil and China to the tune of 137 tb/d. Supply from OECD countries was revised upward by 94 tb/d with the biggest revision coming

Non-OPEC Oil Supply - 2017/2018, mb/d	2017	Q1-18	Q2-18	Q3-18	Q4-18	2018	Y-o-Y Growth	% Chg.
Americas	21.49	22.93	23.37	24.52	25.13	23.99	2.50	11.63
of which US	14.40	15.53	16.22	17.17	17.70	16.66	2.26	15.69
Europe	3.82	3.94	3.79	3.70	3.89	3.83	0.01	0.27
Asia Pacific	0.39	0.41	0.38	0.42	0.44	0.41	0.02	4.87
Total OECD	25.71	27.27	27.53	28.65	29.46	28.24	2.53	9.84
Other Asia	3.62	3.62	3.58	3.49	3.51	3.55	(0.07)	-2
Latin America	5.15	5.17	5.22	5.12	5.26	5.19	0.04	0.82
Middle East	3.13	3.16	3.21	3.22	3.24	3.21	0.07	2.29
Africa	1.48	1.50	1.52	1.55	1.49	1.51	0.03	2.26
Total Developing Countries (DCs)	13.39	13.45	13.53	13.39	13.50	13.47	0.07	0.56
Former Soviet Union (FSU)	14.05	14.1	14.14	14.33	14.57	14.29	0.24	1.67
of which Russia	11.17	11.14	11.18	11.44	11.61	11.35	0.17	1.56
Other Europe	0.13	0.12	0.12	0.12	0.12	0.12	(0.01)	(4.58)
China	3.98	3.99	4.03	3.97	4.05	4.01	0.03	0.74
Total "Other regions"	18.16	18.21	18.28	18.42	18.74	18.42	0.26	1.43
Total Non-OPEC Production	57.25	58.93	59.35	60.45	61.71	60.12	2.86	5
Processing gains	2.21	2.25	2.25	2.25	2.25	2.25	0.04	1.67
Total Non-OPEC Supply	59.47	61.18	61.59	62.7	63.95	62.37	2.9	4.88
OPEC NGLs and non-conventionals	4.94	4.92	4.96	4.98	5.06	4.98	0.04	0.81
OPEC Crude Oil Production	32.01	31.80	31.61	31.96	32.09	31.87	(0.15)	(0.46)
Total World Supply	96.42	97.90	98.16	99.64	101.10	99.22	2.79	2.90

Source: OPEC Monthly Oil Market Report - April-19

from OECD Europe at 71 tb/d primarily on the back of upward revision of production data for UK by 73 tb/d.

Non-OPEC supply growth forecasts for 2019 was revised downwards by 0.06 mb/d to 2.18 mb/d and supply is now expected to average at 64.54 mb/d. The upward revision primarily reflected lower supply from Kazakhstan (led by extended maintenance), Brazil and Canada that was partially offset by upward revisions to supply figures for US and Russia. OECD production was revised upward by 50 tb/d as compared to last month's forecast. The US is expected to see the biggest growth in production in 2019 although spending forecast from drillers show a slight decline. With consolidation in the US oil industry (Chevron's acquisition of Anadarko), larger players are expected to optimize the sector.

Non-OPEC Oil Supply - 2018/2019, mb/d	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Y-o-Y Growth	% Chg.
Americas	23.99	25.15	24.96	25.91	26.76	25.7	1.70	7.11
of which US	16.66	17.91	18.11	18.64	19.45	18.53	1.87	11.22
Europe	3.83	3.88	3.67	3.76	3.99	3.83	0.00	(0.12)
Asia Pacific	0.41	0.45	0.46	0.48	0.51	0.47	0.06	14.87
Total OECD	28.24	29.48	29.09	30.15	31.25	30.00	1.76	6.24
Other Asia	3.55	3.5	3.44	3.46	3.46	3.47	-0.09	-2.4
Latin America	5.19	5.22	5.44	5.58	5.72	5.49	0.30	5.73
Middle East	3.21	3.21	3.22	3.24	3.24	3.23	0.02	0.67
Africa	1.51	1.55	1.56	1.59	1.62	1.58	0.07	4.47
Total Developing Countries (DCs)	13.47	13.48	13.66	13.88	14.04	13.77	0.30	2.24
Former Soviet Union (FSU)	14.29	14.56	14.23	14.19	14.58	14.39	0.1	0.73
of which Russia	11.35	11.53	11.40	11.61	11.61	11.54	0.19	1.70
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	(1.08)
China	4.01	4.05	3.97	3.96	3.98	3.99	(0.02)	(0.46)
Total "Other regions"	18.42	18.74	18.31	18.26	18.69	18.50	0.08	0.46
Total Non-OPEC Production	60.12	61.69	61.07	62.29	63.98	62.27	2.15	3.57
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.25
Total Non-OPEC Supply	62.37	63.97	63.35	64.56	66.26	64.54	2.18	3.49

Source: OPEC Monthly Oil Market Report - April-19

OPEC Oil Production & Spare Capacity

OPEC oil production reached multi-year lows during March-19 as producers continued to slash production during the month. Average monthly production was slightly above the 30 mb/d mark during the month as Saudi Arabia lowered production by 0.3 mb/d. The economic sanctions on Iran and Venezuela also dented overall OPEC production. As a result, production from the group was down more than 5% or close to 2.2 mb/d since its recent peak in November-18 with Saudi Arabia reducing its output by 11.3% or 1.3 mb/d as the Kingdom produced close to 0.5 mb/d below its agreed-upon target. The decline in Saudi Arabia's oil production also indicates that it may not further lower its oil production from the current levels which is currently at a 4-year low level.

Venezuela's crude oil production reached a 16-year low level of 732 tb/d recording a m-o-m decline of almost 30% due to the month-

Production ('000 b/d)	Feb-19	Mar-19	Change		Capacity	Spare Capacity
Total OPEC-14	30,680	30,385	-295	-0.96%	35,255	4,870
Saudi Arabia	10,100	9,820	-280	-2.8%	11,500	1,680
Iraq	4,620	4,550	-70	-1.5%	4,700	150
UAE	3,070	3,050	-20	-0.7%	3,400	350
Kuwait	2,710	2,700	-10	-0.4%	3,000	300
Iran	2,740	2,710	-30	-1.1%	4,000	1,290
Nigeria	1,830	1,920	90	4.9%	1,900	-20
Angola	1,440	1,440	0	0.0%	1,710	270
Libya	900	1,100	200	22.2%	1,200	100
Algeria	1,030	1,025	-5	-0.5%	1,150	125
Venezuela	1,070	890	-180	-16.8%	1,440	550
Ecuador	530	520	-10	-1.9%	555	35
Congo	330	350	20	6.1%	330	0
Gabon	200	190	-10	-5.0%	220	30
Equatorial Guinea	110	120	10	9.1%	150	30
Total OPEC-13	26,060	25,835	-225	-0.86%	30,555	4,720

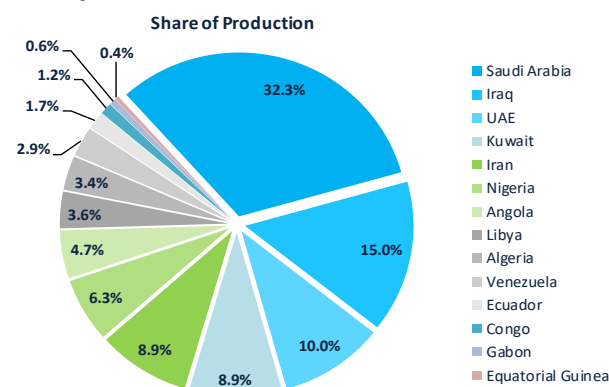
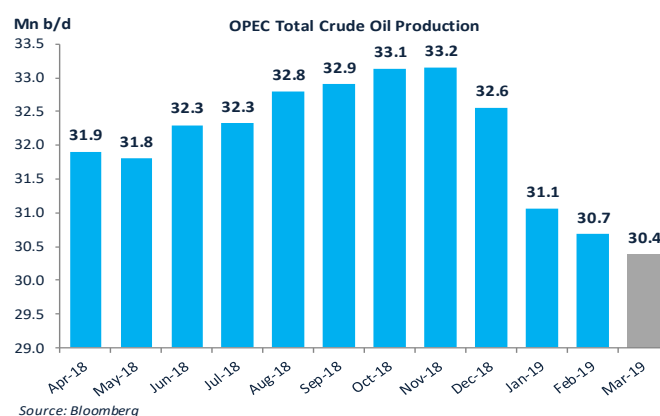
Source: Bloomberg, OPEC

long blackouts that crippled oil production facilities and ports in the country. The shortfall in Venezuelan oil supply to its European customers is said to have been replaced with Russian oil which offers similar grade of crude oil.

Meanwhile, Libya and Nigeria were the only OPEC producers that reported sizable increase in production during the month. However, recent news of violence in Libya is said to have pushed down production severely and fears of it reaching previous lows has resurfaced, as acknowledged by the head of NOC in an interview. Nigeria, on the other hand, pushed up production to above 1.9 mb/d during March-19, according to Bloomberg data and is said to be sitting on significant spare capacity. Additional investment is said to be pouring in the country that will further boost its crude oil production capacity.

Oil production in Iran continued to slide and reached 2.7 mb/d during March-19 with further decline expected in April-19 led by flooding near oil fields. Nevertheless, the overhang continues over whether the waivers granted by the US to some of Iran's biggest customers would continue beyond May-19.

Meanwhile, aggregate spare capacity for the OPEC group reached almost 5 mb/d, according to data from Bloomberg. Saudi Arabia and Iran together accounted for almost two-thirds of OPEC's spare capacity while Venezuela, with its lowered capacity, accounted for around 11%.



Source: Bloomberg

Brent Crude Oil Price Forecast by Various Research Houses

Firm	As Of	Q2 19	Q3 19	Q4 19	Q1 20
MPS Capital Services Banca per le Imprese SpA	9/Apr/19	72.0	70.0	70.0	66.0
Capital Economics Ltd	2/Apr/19	64.0	57.5	52.5	51.5
Market Risk Advisory Co Ltd	2/Apr/19	67.0	65.0	66.0	67.0
Landesbank Baden-Wuerttemberg	1/Apr/19	70.0	70.0	70.0	70.0
Societe Generale SA	29/Mar/19	67.0	70.0	70.0	72.0
CIMB	27/Mar/19	69.5	71.5	70.0	67.0
Commerzbank AG	26/Mar/19	63.0	67.0	70.0	70.0
Emirates NBD PJSC	22/Mar/19	67.5	67.5	63.0	
Bank of Nova Scotia/The	21/Mar/19	69.0	68.0	67.4	65.0
Westpac Banking Corp	18/Mar/19	66.2	65.3	63.0	60.7
Banco Santander SA	15/Mar/19	64.0	63.0	63.0	
Intesa Sanpaolo SpA	14/Mar/19	70.0	73.5	72.4	
BNP Paribas SA	5/Feb/19	69.0	73.0	67.0	
Rabobank International	30/Jan/19	67.4	67.2	67.1	67.1
BBVA Research SA	23/Jan/19	63.7	62.6	61.8	60.4
Natixis SA	22/Jan/19	68.0	73.0	77.0	73.0
Lloyds Bank PLC	16/Jan/19	70.0	75.0	80.0	85.0
Raymond James Financial Inc	14/Jan/19	66.0	75.0	85.0	100.0
Itau Unibanco Holding SA	14/Jan/19	58.8	59.3	59.8	60.3
Raiffeisen Bank International AG	11/Jan/19	74.0	75.0	70.0	70.0
CIBC	9/Jan/19	68.0			
Bank of Tokyo-Mitsubishi UFJ Ltd/The	27/Dec/18	57.2	64.6	66.5	
ABN AMRO Bank NV	18/Dec/18	70.0	70.0	70.0	73.0
Australia & New Zealand Banking Group Ltd	13/Dec/18	77.0	78.5	76.5	74.5
Wells Fargo Securities LLC	10/Dec/18	64.0	68.0	70.0	
Incrementum AG	10/Dec/18	65.0	71.0	78.0	74.0
Norddeutsche Landesbank Girozentrale	7/Dec/18	58.0	58.0	62.0	69.0
Oxford Economics Ltd	6/Dec/18	63.0	64.3	64.9	64.9
Guggenheim Securities LLC	4/Dec/18	76.0	78.0	76.0	75.0
Barclays PLC	20/Nov/18	71.0	70.0	73.0	
Toronto-Dominion Bank/Toronto	19/Nov/18	80.0	80.0	80.0	78.0
DZ Bank AG	16/Oct/18	77.5	75.0	72.5	
Median		67.8	70.0	70.0	70.0
Mean		67.9	69.2	69.5	70.1
High		80.0	80.0	85.0	100.0
Low		57.2	57.5	52.5	51.5
Current Fwd		71.3	70.2	69.2	68.3
Difference (Median - Current)		-3.6	-0.2	0.8	1.7

Source: Bloomberg

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