

Oil Market Monthly Report

November - 2019

In this Report...

- Oil Prices 2
- Oil Demand 3
- Oil Supply 4
- Reserve & Capacity 5
- Oil Price Forecast 6

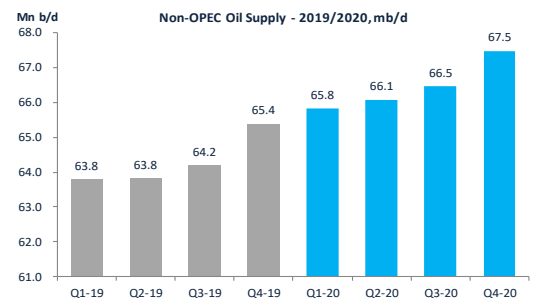
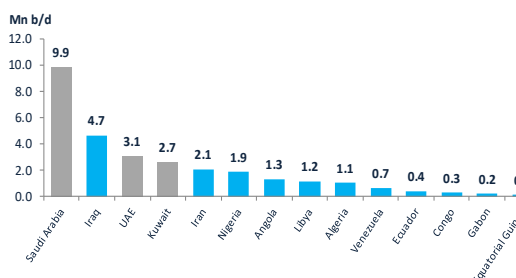
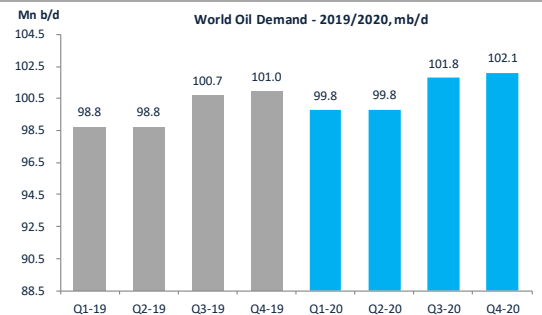
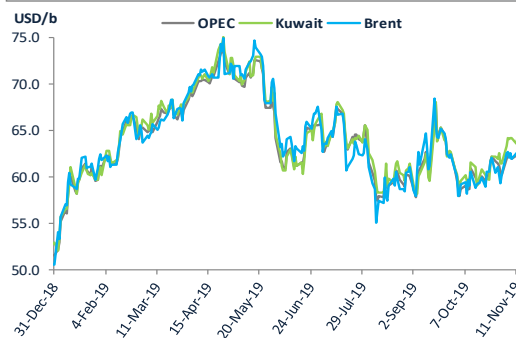
Oil at 2-month high on trade deal hopes and doubts on shale production growth...

Oil prices have witnessed gradual gains since last month after hopes of a possible partial trade deal between the US and China. The deal is said to be in the final stages which has pushed US stock markets to record high levels and Asian markets to a six-month high. It is anticipated that the trade deal would help to reverse the slowing oil demand growth, which was also highlighted by the OPEC secretary general in his recent statement. On the supply side, oil prices were capped led by reports which said that OPEC may not implement deeper cuts next year as it expects a slowdown in supplies from non-OPEC producers, especially from the shale patch.

The significance of the impact of oil demand on oil price was clear when even a slight indication of factors affecting demand more than offset the news of higher inventory buildup coupled with record high production in the US. Other factors on the demand side included the optimism surrounding the upcoming International Maritime Organization's (IMO) new bunker fuel regulations in 2020 that makes low-Sulphur fuel usage its priority for the marine transportation sector. In addition, recent oil demand has strengthened from China with the opening of new refineries in the country and customs data showing an increase in imports by almost 11.5% y-o-y in October-19. This has resulted in higher demand for Middle Eastern crude oil. According to the IEA, China was the largest contributor to demand growth during Q3-19 adding 0.64 mb/d as compared to the previous year.

The IEA's monthly report showed that Q3-19 demand growth more than doubled as compared to the previous quarter, growing by 1.1 mb/d as compared to 0.44 mb/d growth during Q2-19. The IEA expects the final quarter demand growth to be even higher at 1.9 mb/d on the back of higher demand from US petrochemical companies as well as led by a low base last year. Also, oil refining demand has remained low since the start of the year due to cyclical reasons which is expected to pickup in Q4-19 and extend in 2020 resulting in higher oil demand. Overall, demand for the full year is pegged at 1 mb/d in 2019 and 1.2 mb/d for 2020, according to the IEA.

On the supply side, the latest EIA report showed US oil production at record levels during last week at 12.8 mb/d. The weekly report on oil inventories also showed a higher-than-expected growth of 2.2 million barrels last week resulting in a cumulative build-up of 15.85 million barrels over the last three weeks. Production in October-19 was generally higher across the board with OPEC also adding more than 1 mb/d as Saudi Arabia accelerated production to offset the impact of the attacks. Meanwhile, expectations for oil supply growth for next year was dampened due to doubts on shale on additional production amid declining rig count, but IEA said that the market would be sufficiently supplied with oil on the back of higher inventories and higher production outside the OPEC.

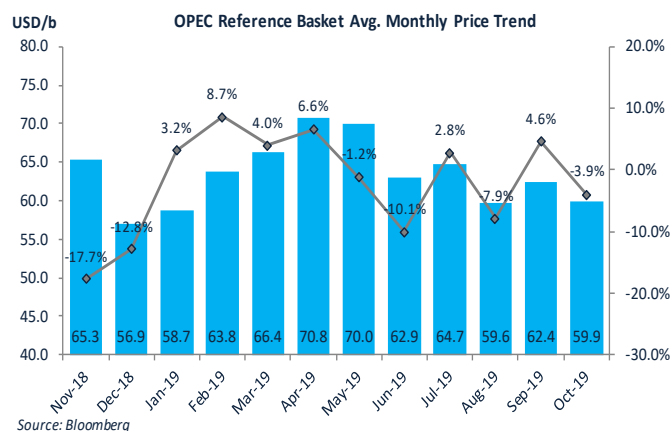


Source for the above charts : OPEC and Bloomberg

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Oil Prices

The gradual recovery in oil prices since last month was led by developments surrounding the US China trade deal. This led to volatile prices with stronger gains followed by muted declines resulting in an overall positive trend in prices. Talks of a phase one trade deal being announced soon pushed prices to a two-month high level last week as oil traded above the USD 60 /b mark for the most part of last month. Nevertheless, the price surge was capped by news of US reaching a record high production this month. Average oil prices for October-19 were affected by weakness at the start and consistent declines towards the end of the month. Brent crude traded below the USD 60/b mark for most part of October-19 and averaged at USD 59.7/b recording a m-o-m decline of 4.5%. Average OPEC crude prices witnessed a slightly lower decline of 3.9% to reach USD 59.9/b while Kuwait crude witnessed the smallest decline among the three grades of 2.6% to average at USD 60.5/b.



Meanwhile, in its latest short term energy outlook, the US EIA raised US oil production forecast for 2019 and 2020. After reporting a production growth of 0.2 mb/d last week, the first after four weeks of decline, the EIA raised 2019 production forecast marginally to 12.29 mb/d. For 2020, the forecast was raised by almost 1% from the previous forecast to an average of 13.29 mb/d. In addition, average WTI prices were raised by 0.3% each for 2019 and 2020 to USD 56.45/b and 54.60/b, respectively. However, despite expectations of higher output in the US, there were contradicting messages when it comes to capital expenditure plans from drilling companies in the US. It was reported that companies are scaling back investment plans and focusing on returns to shareholders. This was also reflected in the recent rig count data released by Baker Hughes for the US oil industry. According to the latest weekly report, oil rigs in the US declined for the fourth straight week by 10 to reach 674 last week. The biggest decline was seen in the Permian basin with four less oil rigs to reach 408 rigs.

Average Crude Oil Prices, USD/b	Sep-19	Oct-19	Change (USD)	YTD Avg 2018	YTD Avg 2019
OPEC Reference Basket	62.4	59.9	(2.5)	71.3	63.9
Arab Light	62.7	61.0	(1.8)	72.1	64.8
Basrah Light	61.9	59.5	(2.3)	70.1	63.5
Bonny Light	64.0	61.5	(2.6)	73.9	65.6
Djeno	60.0	57.1	(2.8)	70.4	61.4
Es Sider	62.3	59.8	(2.5)	71.6	63.5
Girassol	65.4	61.3	(4.0)	73.5	65.8
Iran Heavy	60.3	57.9	(2.4)	69.6	61.8
Kuwait Export	62.2	60.5	(1.6)	70.3	64.1
Merey	61.8	45.7	(16.1)	65.5	55.5
Murban	62.4	60.9	(1.5)	73.7	64.7
Oriente	57.5	54.6	(2.9)	68.0	60.0
Rabi	61.8	59.0	(2.8)	72.1	63.3
Saharan Blend	62.5	60.5	(2.0)	73.4	64.2
Zafiro	64.5	60.9	(3.6)	73.1	65.4
Other Crudes					
Brent	62.6	59.7	(2.8)	73.1	64.0
Dubai	61.1	59.5	(1.7)	71.1	63.5
Isthmus	62.1	59.1	(2.9)	70.2	63.4
LLS	60.4	57.1	(3.3)	71.9	62.7
Mars	58.4	54.8	(3.6)	68.5	61.1
Minas	60.2	57.4	(2.8)	67.3	60.0
Urals	61.7	59.3	(2.4)	71.8	64.1
WTI	56.9	54.0	(2.9)	67.3	56.7
Differentials					
Brent/WTI	5.7	5.8	0.0	5.8	7.3
Brent/LLS	2.2	2.7	0.5	1.2	1.4
Brent/Dubai	1.5	0.3	(1.2)	2.0	0.5

Source: OPEC Monthly Oil Market Report - Nov-19

World Oil Demand

World oil demand growth expectations for 2019 was kept unchanged in OPEC's latest monthly report at 0.98 mb/d with demand expected to average at 99.80 mb/d. Nevertheless, there were revisions to regional demand projection that offset at the full year level. In the report, OPEC made upward revisions to demand figures for the Middle East region for Q3-19 and Q4-19 that was offset by a downward revision in demand data for the OECD Americas region by 0.03 mb/d reflecting lower-than-expected demand particularly in the US and Canada during Q2-19 and Q3-19. The revisions came on the back of weak middle distillate demand along with slower y-o-y manufacturing activity in the region. On the other hand, demand estimates for the non-OECD region saw an upward revision of almost an equivalent proportion of 0.03 mb/d. Demand estimates for Saudi Arabia was raised by 0.04 mb/d that was partially offset by a downward adjustment in demand

World Oil Demand - 2018/2019, mb/d	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Y-o-Y Growth	% Chg.
Americas	25.55	25.22	25.38	26.03	26.02	25.66	0.12	0.46
of which US	20.79	20.67	20.66	21.25	21.02	20.90	0.12	0.57
Europe	14.30	13.99	14.23	14.68	14.30	14.30	0.00	(0.03)
Asia Pacific	8.00	8.45	7.64	7.73	8.12	7.99	(0.09)	(1.14)
Total OECD	47.93	47.65	47.26	48.44	48.44	47.95	0.02	0.04
Other Asia	13.64	13.91	13.96	13.66	14.21	13.93	0.3	2.18
of which India	4.73	5.03	4.75	4.49	5.14	4.85	0.12	2.57
Latin America	6.53	6.36	6.58	6.83	6.49	6.57	0.04	0.62
Middle East	8.12	8.25	7.90	8.64	7.95	8.18	0.06	0.78
Africa	4.33	4.45	4.42	4.36	4.50	4.43	0.10	2.31
Total Developing Countries (DCs)	32.62	32.97	32.87	33.49	33.14	33.12	0.5	1.53
Former Soviet Union (FSU)	4.82	4.75	4.74	5.02	5.11	4.91	0.09	1.82
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.71	12.63	13.19	12.98	13.43	13.06	0.35	2.73
Total "Other Regions"	18.27	18.13	18.64	18.75	19.38	18.73	0.45	2.49
Total World	98.82	98.76	98.76	100.69	100.95	99.8	0.98	0.99

Source: OPEC Monthly Oil Market Report - Nov-19

for the Other Asia region, particularly slower-than-expected demand growth in India due to slower construction activity. Oil demand in India declined by 0.02 mb/d during September-19 after increasing for the previous two months. According to the latest IEA report, oil demand growth in India is expected to fall to the lowest in six years in 2019 with a y-o-y growth of 170 tb/d during the year owing to slow economic growth in the country. The country has seen persistent decline in auto sales over the past years and according to reports, industrial output declined at its fastest rate in more than six years in August-19. Data for September-19 showed oil imports falling to their lowest in more than three years to 3.82 mb/d. On the other hand, despite slower economic activity, oil demand in China has remained positive based on data for September-19 on the back of higher demand for LPG, naphtha, and jet/kerosene. Nevertheless, gasoline demand in the country declined for the first time since March-19 led by a consistent fall in automobile sales. According to the latest statistics, vehicle sales declined in September-19 by 7% y-o-y to 1.9 million units. For 9M-19, vehicle sales has declined by almost 13% y-o-y coming primarily from the MPV segment.

Oil demand growth projections for 2020 was also left unchanged at 1.08 mb/d with demand expected to reach 100.88 mb/d.

World Oil Demand - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.66	25.43	25.56	26.19	26.18	25.84	0.18	0.69
of which US	20.90	20.85	20.80	21.37	21.17	21.05	0.15	0.71
Europe	14.30	13.94	14.20	14.66	14.28	14.27	(0.03)	(0.21)
Asia Pacific	7.90	8.37	7.56	7.66	8.05	7.91	(0.08)	(0.99)
Total OECD	47.95	47.73	47.31	48.51	48.51	48.02	0.07	0.14
Other Asia	13.93	14.27	14.32	14.04	14.60	14.31	0.37	2.66
of which India	4.85	5.20	4.90	4.65	5.32	5.02	0.16	3.39
Latin America	6.57	6.44	6.66	6.91	6.56	6.64	0.07	1.14
Middle East	8.18	8.30	7.95	8.72	8.04	8.25	0.07	0.86
Africa	4.43	4.53	4.52	4.46	4.59	4.52	0.09	2.00
Total Developing Countries (DCs)	33.12	33.54	33.44	34.12	33.79	33.73	0.60	1.82
Former Soviet Union (FSU)	4.91	4.83	4.81	5.11	5.19	4.99	0.08	1.65
Other Europe	0.76	0.76	0.72	0.76	0.85	0.77	0.01	1.54
China	13.06	12.91	13.50	13.28	13.77	13.37	0.31	2.37
Total "Other Regions"	18.73	18.50	19.03	19.15	19.82	19.13	0.40	2.15
Total World	99.80	99.78	99.79	101.78	102.12	100.88	1.08	1.08

Source: OPEC Monthly Oil Market Report - Nov-19

World Oil Supply

According to preliminary data, world oil supply witnessed a m-o-m growth of 1.67 mb/d during October-19 and averaged at 99.34 mb/d. The increase in production came primarily on the back of higher production in the US, Canada, Norway, the UK, Australia, Kazakhstan, China and OPEC NGLs. As a result of increase in its monthly production rate, OPEC's market share increased by 50 bps to 29.8% during October-19.

For the full year 2019, non-OPEC oil supply growth forecast was kept unchanged at a growth of 1.82 mb/d with total supply expected to average at 64.30 mb/d. However, regional revisions were made to demand data for the year with higher-than-expected oil production

Non-OPEC Oil Supply - 2018/2019, mb/d	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Y-o-Y Growth	% Chg.
Americas	24.08	25.07	25.59	25.62	26.32	25.65	1.57	6.53
of which US	16.71	17.78	18.29	18.30	18.95	18.33	1.62	9.69
Europe	3.84	3.84	3.61	3.61	3.94	3.75	(0.09)	(2.30)
Asia Pacific	0.41	0.43	0.48	0.51	0.51	0.48	0.07	18.11
Total OECD	28.33	29.34	29.68	29.74	30.77	29.88	1.56	5.50
Other Asia	3.56	3.51	3.46	3.32	3.42	3.43	(0.13)	-3.58
Latin America	5.19	5.17	5.25	5.53	5.60	5.39	0.20	3.79
Middle East	3.21	3.22	3.22	3.22	3.20	3.21	0.00	0.09
Africa	1.50	1.51	1.51	1.53	1.61	1.54	0.04	2.40
Total Developing Countries (DCs)	13.46	13.41	13.44	13.60	13.83	13.57	0.11	0.81
Former Soviet Union (FSU)	14.29	14.55	14.16	14.34	14.3	14.34	0.04	0.31
of which Russia	11.35	11.53	11.36	11.42	11.34	11.41	0.07	0.58
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	(2.34)
China	4.02	4.10	4.13	4.10	4.09	4.10	0.09	2.17
Total "Other regions"	18.43	18.77	18.41	18.56	18.51	18.56	0.13	0.70
Total Non-OPEC Production	60.22	61.52	61.53	61.9	63.11	62.02	1.8	2.98
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.24
Total Non-OPEC Supply	62.47	63.8	63.81	64.18	65.39	64.3	1.82	2.92
OPEC NGLs and non-conventionals	4.76	-	-	-	-	4.80	0.04	0.84
OPEC Crude Oil Production	31.86	30.48	29.97	29.39	-	-	-	-
Total World Supply	99.09	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - Nov-19

data for Kazakhstan (+33 tb/d), UK (+28 tb/d), Canada (+10 tb/d) and Australia (+5 tb/d) was offset by downward revisions to supply figures for the US (-47 tb/d), Indonesia (-12 tb/d), Brazil and Indonesia. In the case of Kazakhstan, the shut in period for the Tengiz and Karachaganak fields were shorter than expected that led to an upward revision in supply figures for Q3-19.

For 2020, non-OPEC supply growth was once again revised downward by 36 tb/d to a growth of 2.17 mb/d. Oil supply during the year is now expected to reach 66.46 mb/d. The revision primarily reflected lower supply primarily from the US (-33 tb/d), India (-9 tb/d), Mexico and Norway partially offset by marginal growth in production in Brazil, Malaysia, Denmark and China totaling 13 tb/d for the year. OPEC NGLs are forecasted to grow by 0.03 mb/d in 2020 and average at 4.83 mb/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	25.65	26.64	26.92	27.34	27.62	27.13	1.48	5.75
of which US	18.33	19.23	19.82	20.03	20.25	19.84	1.50	8.21
Europe	3.75	3.95	3.81	3.83	4.11	3.93	0.17	4.65
Asia Pacific	0.48	0.54	0.53	0.57	0.57	0.55	0.07	14.89
Total OECD	29.88	31.13	31.26	31.73	32.30	31.61	1.72	5.76
Other Asia	3.43	3.38	3.39	3.39	3.39	3.39	-0.04	-1.22
Latin America	5.39	5.62	5.59	5.60	5.74	5.64	0.25	4.61
Middle East	3.21	3.21	3.25	3.26	3.28	3.25	0.04	1.11
Africa	1.54	1.58	1.57	1.57	1.56	1.57	0.03	2.02
Total Developing Countries (DCs)	13.57	13.78	13.80	13.82	13.98	13.85	0.27	2.01
Former Soviet Union (FSU)	14.34	14.32	14.44	14.36	14.64	14.44	0.1	0.72
of which Russia	11.41	11.34	11.50	11.51	11.64	11.50	0.09	0.77
Other Europe	0.12	0.12	0.12	0.12	0.11	0.12	(0.01)	(4.32)
China	4.10	4.12	4.13	4.10	4.13	4.12	0.02	0.46
Total "Other regions"	18.56	18.57	18.69	18.58	18.88	18.68	0.12	0.63
Total Non-OPEC Production	62.02	63.49	63.75	64.12	65.15	64.13	2.11	3.41
Processing gains	2.28	2.33	2.33	2.33	2.33	2.33	0.05	2.37
Total Non-OPEC Supply	64.30	65.82	66.09	66.46	67.49	66.46	2.17	3.37

Source: OPEC Monthly Oil Market Report - Nov-19

OPEC Oil Production & Spare Capacity

OPEC production bounced back during October-19 after Saudi Arabia raised its production in order to offset the impact of loss in production following the attacks in September-19. According to Bloomberg data, OPEC production increased by 1.11 mb/d during the month to average at 29.7 mb/d. Saudi Arabia increased production by 1.23 mb/d and produced at an average rate of 9.88 mb/d. This increase was more than offset by a decline in production by other producers. Libya, Algeria, Venezuela, and Gabon also raised production during the month totaling 170 tb/d that was partially offset by a decline in production primarily in Ecuador and Iraq to the tune of 220 tb/d. Meanwhile, production data based on OPEC secondary sources showed a smaller production increase of 0.94 mb/d during the month with Saudi Arabia increasing production by 1.09 mb/d.

Production ('000 b/d)	Sep-19	Oct-19	Change		Capacity	Spare Capacity
Total OPEC-14	28,590	29,700	1,110	3.88%	34,370	4,670
Saudi Arabia	8,650	9,880	1,230	14.2%	11,300	1,420
Iraq	4,780	4,680	-100	-2.1%	4,800	120
UAE	3,070	3,070	0	0.0%	3,400	330
Kuwait	2,690	2,670	-20	-0.7%	3,075	405
Iran	2,130	2,110	-20	-0.9%	3,830	1,720
Nigeria	1,930	1,910	-20	-1.0%	2,000	90
Angola	1,360	1,340	-20	-1.5%	1,530	190
Libya	1,120	1,180	60	5.4%	1,200	20
Algeria	1,030	1,080	50	4.9%	1,080	0
Venezuela	660	690	30	4.5%	900	210
Ecuador	540	420	-120	-22.2%	555	135
Congo	320	330	10	3.1%	330	0
Gabon	190	220	30	15.8%	220	0
Equatorial Guinea	120	120	0	0.0%	150	30
Total OPEC-13	23,810	25,020	1,210	5.08%	29,570	4,550

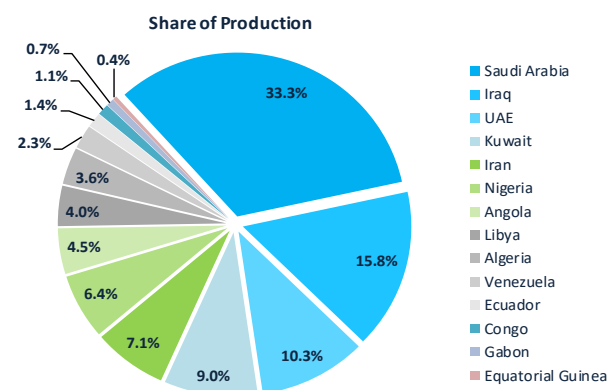
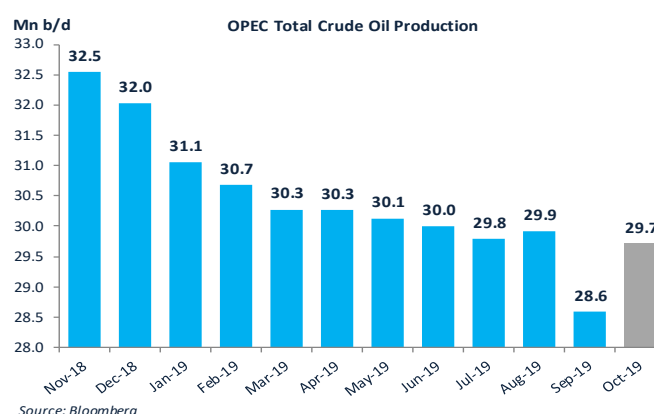
Source: Bloomberg, OPEC

The increase in production in Saudi Arabia came after the Kingdom's plan to replenish its inventories that was used after the attack on its oil facilities. Nevertheless, despite the increase, the Kingdom produced within its allowable limit of 10.3 mb/d as per the OPEC+ agreement.

During October-19, Ecuador reported the biggest decline in oil production of around 120 tb/d and produced at an average rate of 420 tb/d. The decline came after protests in the country almost stalled the production and resulted in force majeure on oil exports. However, production was back online during the second half of the month.

The decline in oil production in Iraq, at around 100 tb/d during October-19, also came on the back of protests that continues to hamper economic activity in the country. The protests, that continued in November-19, reportedly resulted in shutting down of operation at the Qayarah oil field which produces at 30 tb/d. However, a recent report said that production and exports of oil from the country remains stable.

Meanwhile, It is said that talks between Kuwait and Saudi Arabia have reached advanced levels regarding restarting of production in the Neutral zone shared by the two producers. The agreement is said to be reached within the next 45 days. The two oil fields in the region, Khafji and Wafra, have a total production capacity of around 0.5 mb/d.



Brent Crude Oil Price Forecast by Various Research Houses

Firm	As Of	Q4 19	Q1 20	Q2 20	Q3 20
Westpac Banking Corp	12/Nov/19	60.0	60.0	59.0	57.0
Capital Economics Ltd	4/Nov/19	60.5	60.0	61.0	
Rabobank International	24/Oct/19	70.0	73.5	73.0	72.5
Intesa Sanpaolo SpA	21/Oct/19	60.0	62.0	65.0	65.0
CIBC	18/Oct/19	60.0	60.0		
HSBC Holdings PLC	15/Oct/19	62.0	60.0	60.0	60.0
Raymond James Financial Inc	14/Oct/19	60.0	65.0	70.0	80.0
Bank of Tokyo-Mitsubishi UFJ Ltd/The	1/Oct/19	66.5	58.2	57.8	60.2
Market Risk Advisory Co Ltd	1/Oct/19	62.0	60.0	62.0	62.0
CIMB	27/Sep/19	67.0	64.0	62.0	60.0
BBVA Research SA	24/Sep/19	62.0	60.4	57.3	53.8
Commerzbank AG	18/Sep/19	65.0	60.0	60.0	60.0
Societe Generale SA	17/Sep/19	58.0	57.5	59.0	60.0
MPS Capital Services Banca per le Imprese SpA	11/Sep/19	63.0	66.0		
Landesbank Baden-Wuerttemberg	9/Sep/19	60.0	60.0	60.0	57.5
Banco Santander SA	30/Aug/19	60.0	60.0	60.0	60.0
ABN AMRO Bank NV	20/Aug/19	58.0	60.0	63.0	65.0
BNP Paribas SA	15/Aug/19	55.0	52.0	53.0	54.0
Bank of China International UK Ltd	17/Jul/19	67.0	65.5	68.0	
Bank of Nova Scotia/The	27/Jun/19	63.1	60.0	61.0	63.0
Emirates NBD PJSC	24/Jun/19	63.0	65.0	60.0	58.0
Median		62.0	60.0	60.0	60.0
Mean		62.0	61.4	61.6	61.6
High		70.0	73.5	73.0	80.0
Low		55.0	52.0	53.0	53.8
Current Fwd		61.3	60.5	59.6	58.9
Difference (Median - Current)		0.7	-0.5	0.4	1.1

Source: Bloomberg

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