

Oil Market : 2016 - The Year That Was...

January - 2017

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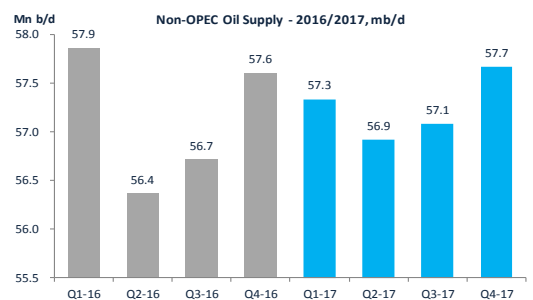
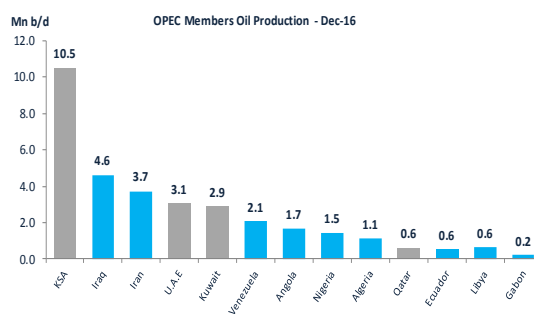
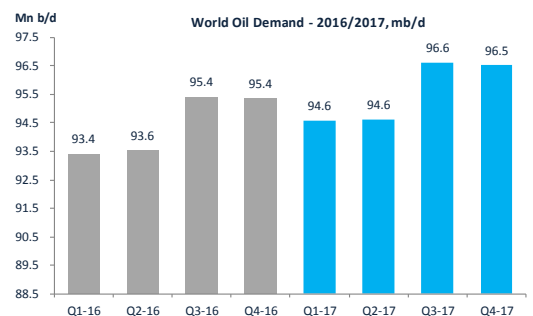
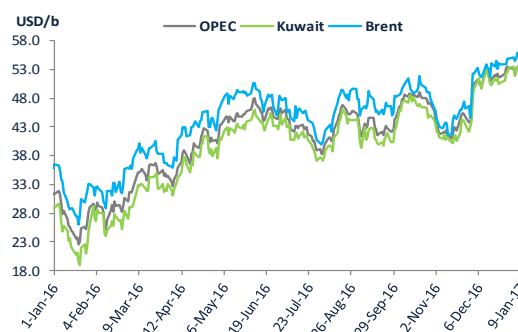
A volatile year for the oil market that would extend to 2017...

The year 2016 recorded one of the most volatile years for the oil market with crude prices reaching the lowest level in more than a decade as oil producers continued to pump oil at breakneck speed in order to retain their market share. The obvious victims were high cost producers, especially shale producers in the US and Canada; however, the rate of fall in production due to the decline in oil prices was much slower than initially expected as shale producers pushed the life of existing oil wells and curbed new drilling activity. Events like the wildfires in Canada and the political issues in some of the OPEC producers did provide intermittent support to oil prices, but a sustained support and a stronger reaction always came from the ongoing negotiations related to production cut agreements that was reached towards the end of the year. OPEC crude closed the year at a price of USD 53.3/b and Brent crude at USD 55/b, the highest level in 18-months with a yearly gain of 70% and 50%, respectively.

Much of the aforementioned gains came during 2H-16 and especially during December-16 as both OPEC and non-OPEC producers committed to output cuts, a deal that was highly uncertain as per oil watchers. In addition, the adherence to the oil output cuts during January-17 was reportedly more than the committed quantities in the case of Saudi Arabia and Kuwait. Saudi Arabia's oil output fell to a 22-month low level of below 10 mb/d in January-17, while Kuwait's oil output fell to 2.707 mb/d as oil well maintenance coincided with output cut agreements.

The Kingdom's energy minister also said that they would consider extending the production agreement beyond the six months as the pace of market rebalancing is expected to accelerate due to the agreement coupled with robust demand in the market. However, he expressed confidence that there may be no need to extend the agreement due to the bullish signals backed by the unexpectedly high demand and larger than agreed production cuts by OPEC and non-OPEC members. He echoed a similar comment made by the OPEC Secretary General who said that world oil inventories will start to decline by 2Q-17 and oil producers will decide in May-17 on whether to extend their output cuts beyond 1H-17.

Meanwhile, IEA recently gave a contrarian view on the short term oil market in 2017. The agency said that oil prices are expected to fall later this year despite the OPEC agreement as US shale producers would pump more as a response to rising oil prices. This would have an opposite impact on oil prices and is expected to remain volatile during the year. This was evident in the slow and steady increase in oil rig count in the US, which increased consistently over eleven weeks until last week when it declined by seven to 522 rigs. This is in line with our expectation that an oil price of over USD 50/b would trigger additional output from US shale producers. This would partly offset the impact of the OPEC agreement and push market rebalancing to late 2017.



Source for the above charts : OPEC and Bloomberg

Faisal Hasan, CFA

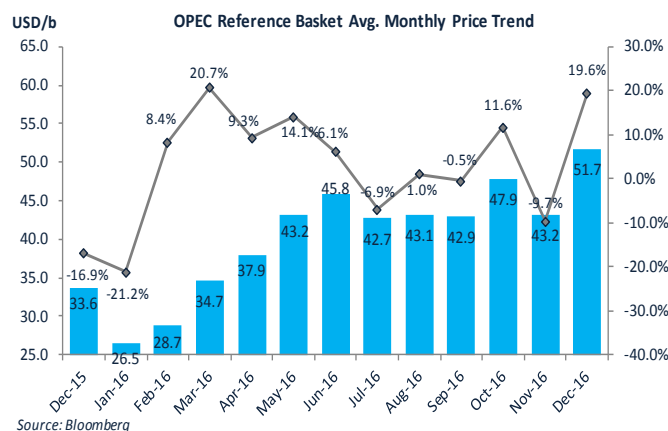
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Oil Prices

Oil market rallied during December-16 and in the first half of January -17 with crude prices touching the highest level in 18-months. The surge was initially backed by news about the output agreement between OPEC and non-OPEC producers and was further supported by updates on successful implementation of the agreed upon cuts, especially by sizable producers including Saudi Arabia, Kuwait and Algeria. The average monthly OPEC crude price during December-16 increased by a strong 20% to USD 51.67/b, the highest monthly average since July-15. The rise in Kuwait average crude price was even stronger at 21.5% and stood at USD 51.13/b while Brent crude increased by 19.1% to reach an average price of USD 53.29/b during December-16. Crude price was further supported by weakness in the greenback which declined to the lowest level in five weeks against a basket of currencies after USD-related comments were made by the new incoming US president.



Further support on the supply side came from China which is said to have reduced oil production by almost 7% during 2016, the first decline since 2009 and the biggest one since 1990. Moreover, production is forecasted to decline at the same pace during 2017 despite the rise in oil price as the country's largest oil fields are fast aging in addition to higher production cost. Furthermore, China's National Development and Reform Commission said in a report that the country's oil output is expected to decline to an average of around 200 mb/d by 2020 as compared to an average of 215 mb/d during 2011-2015. Production in the overall Asia Pacific region is also expected to fall with China accounting for the bulk of this decline. This augurs well for OPEC players as it is expected to increase China's dependence on oil imports, which reportedly increased by 9% m-o-m in December-16 to 8.57 mb/d.

The average monthly OPEC crude price during December-16 increased by a strong 20% to USD 51.67/b, the highest monthly average since July-15. The rise in Kuwait average crude price was even stronger at 21.5% and stood at USD 51.13/b while Brent crude increased by 19.1% to reach an average price of USD 53.29/b during December-16. Crude prices continued the surge during January-17 on positive news although the pace of growth was much muted at close to 2% by mid-month.

| Average Crude Oil Prices, USD/b | Nov-16 | Dec-16 | Change | YTD-2015 | YTD-2016 |
|---------------------------------|-------------|-------------|------------|-------------|-------------|
| OPEC Reference Basket | 43.2 | 51.7 | 8.5 | 49.5 | 40.8 |
| Arab Light | 43.3 | 51.9 | 8.6 | 49.9 | 41.0 |
| Basrah Light | 42.0 | 50.9 | 8.9 | 47.9 | 39.5 |
| Bonny Light | 45.2 | 53.9 | 8.7 | 53.0 | 44.0 |
| Es Sider | 43.6 | 52.1 | 8.5 | 51.4 | 42.7 |
| Girassol | 45.0 | 53.4 | 8.5 | 53.0 | 43.6 |
| Iran Heavy | 42.4 | 51.4 | 9.0 | 48.8 | 39.6 |
| Kuwait Export | 42.1 | 50.9 | 8.8 | 48.1 | 39.3 |
| Marine | 44.3 | 52.1 | 7.8 | 50.7 | 41.4 |
| Merey | 39.4 | 45.9 | 6.5 | 41.1 | 34.0 |
| Minas | 40.7 | 49.7 | 9.0 | 49.2 | 41.1 |
| Murban | 47.3 | 54.9 | 7.7 | 53.9 | 44.8 |
| Oriente | 41.7 | 48.7 | 7.0 | 44.9 | 38.4 |
| Rabi Light | 43.9 | 52.2 | 8.3 | 52.8 | 42.6 |
| Saharan Blend | 45.1 | 53.8 | 8.7 | 52.8 | 44.3 |
| Other Crudes | | | | | |
| Brent | 45.1 | 53.6 | 8.4 | 52.4 | 43.8 |
| Dubai | 44.0 | 52.1 | 8.1 | 50.9 | 41.4 |
| Isthmus | 45.6 | 53.8 | 8.2 | 51.1 | 42.4 |
| LLS | 46.8 | 53.5 | 6.7 | 52.4 | 45.0 |
| Mars | 42.3 | 49.4 | 7.1 | 48.2 | 40.1 |
| Urals | 43.8 | 52.3 | 8.5 | 51.9 | 42.2 |
| WTI | 45.7 | 52.0 | 6.4 | 48.7 | 43.3 |
| Differentials | | | | | |
| Brent/WTI | (0.5) | 1.6 | 2.1 | 3.7 | 0.5 |
| Brent/LLS | (1.7) | 0.0 | 1.7 | 0.1 | (1.2) |
| Brent/Dubai | 1.2 | 1.5 | 0.3 | 1.5 | 2.4 |

Source: OPEC Monthly Oil Market Report - January 2017

World Oil Demand

Total world oil demand for 2016 was revised up by 10 tb/d and is now expected to see a growth of 1.25 mb/d to reach an average of 94.44 mb/d. The marginal increase was primarily on the back of better-than-expected oil demand in OECD Asia Pacific and OECD Europe (+30 tb/d for Q3-16) as demand for petrochemical feedstock surged along with heating fuel requirement led by colder-than-expected weather. Demand numbers for the OECD Asia Pacific region was raised by a total 100 tb/d for Q2-16 and Q3-16 on the back of better than expected demand growth in South Korea that extended till the last quarter. The OECD Europe region witnessed higher demand for transportation fuels and naphtha specifically Netherlands, Poland, Turkey and the UK. On the other hand, demand from OECD Americas was slashed by 20 tb/d for Q1-16 and 30 tb/d for Q4-16 due to warmer-than-expected weather conditions across the continent that affected demand for

| World Oil Demand - 2015/2016, mb/d | 2015 | Q1-16 | Q2-16 | Q3-16 | Q4-16 | 2016 | Y-o-Y Growth | % Chg. |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Americas | 24.59 | 24.55 | 24.69 | 25.12 | 24.77 | 24.78 | 0.19 | 0.77 |
| of which US | 19.84 | 19.91 | 19.99 | 20.27 | 19.97 | 20.04 | 0.20 | 0.99 |
| Europe | 13.74 | 13.63 | 13.91 | 14.39 | 13.77 | 13.93 | 0.18 | 1.33 |
| Asia Pacific | 8.04 | 8.57 | 7.64 | 7.74 | 8.18 | 8.03 | (0.01) | (0.08) |
| Total OECD | 46.37 | 46.75 | 46.23 | 47.25 | 46.73 | 46.74 | 0.37 | 0.79 |
| Other Asia | 12.04 | 12.42 | 12.60 | 12.37 | 12.83 | 12.56 | 0.51 | 4.26 |
| of which India | 4.05 | 4.51 | 4.25 | 4.12 | 4.49 | 4.34 | 0.29 | 7.23 |
| Latin America | 6.56 | 6.19 | 6.49 | 6.76 | 6.40 | 6.46 | (0.10) | (1.49) |
| Middle East | 7.97 | 7.94 | 7.79 | 8.37 | 7.81 | 7.98 | 0.00 | 0.06 |
| Africa | 3.99 | 4.12 | 4.09 | 4.03 | 4.17 | 4.10 | 0.11 | 2.78 |
| Total Developing Countries (DCs) | 30.57 | 30.68 | 30.98 | 31.53 | 31.20 | 31.10 | 0.53 | 1.74 |
| Former Soviet Union (FSU) | 4.62 | 4.49 | 4.37 | 4.73 | 5.04 | 4.66 | 0.04 | 0.81 |
| Other Europe | 0.67 | 0.68 | 0.64 | 0.68 | 0.77 | 0.70 | 0.02 | 3.57 |
| China | 10.95 | 10.81 | 11.33 | 11.21 | 11.61 | 11.24 | 0.29 | 2.66 |
| Total "Other Regions" | 16.25 | 15.99 | 16.35 | 16.62 | 17.42 | 16.60 | 0.35 | 2.17 |
| Total World | 93.19 | 93.42 | 93.55 | 95.41 | 95.35 | 94.44 | 1.25 | 1.34 |

Source: OPEC Monthly Oil Market Report - January 2017

heating fuel and thereby partly offsetting the demand increase in other regions. For the non-OECD countries, demand growth saw an upward adjustment for Other Asia (+20 tb/d) and China (+10 tb/d), while demand expectations for Latin America (-50 tb/d in 4Q-16) and the Middle East (-20 tb/d in Q3-16 and -80 tb/d in Q4-16) region was lowered. The revision for Middle East region reflected substitution effect in Saudi Arabia as well as slower-than-expected regional economic growth.

Oil demand growth for 2017 was also upgraded at an equal pace as in 2016 and is now expected to grow by 1.16 mb/d to reach 95.6 mb/d for the year. The revision was primarily on the back of higher expected demand growth in OECD Europe (+50 tb/d in Q1-17 and +30 tb/d in Q2-17) during the first quarter of 2017 owing to cold weather conditions across the continent as well as improvement in transportation fuel demand. The expected improvement in the region's economic growth also augurs well for higher demand for crude. On the other hand, demand expectations from Other Asia was downgraded for 1H-17, specifically from India, owing to the demonetization policy that is expected to affect economic growth and oil demand. Demand expectations from India was lowered by 20 tb/d each for the first three quarter of 2017, reflecting marginal slowdown in economic growth as well as the higher base effect.

| World Oil Demand - 2016/2017, mb/d | 2016 | Q1-17 | Q2-17 | Q3-17 | Q4-17 | 2017 | Y-o-Y Growth | % Chg. |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Americas | 24.78 | 24.77 | 24.84 | 25.37 | 24.93 | 24.98 | 0.20 | 0.79 |
| of which US | 20.04 | 20.05 | 20.09 | 20.49 | 20.12 | 20.19 | 0.15 | 0.75 |
| Europe | 13.93 | 13.66 | 13.94 | 14.41 | 13.81 | 13.96 | 0.03 | 0.21 |
| Asia Pacific | 8.03 | 8.51 | 7.56 | 7.71 | 8.12 | 7.97 | (0.06) | (0.71) |
| Total OECD | 46.74 | 46.93 | 46.34 | 47.50 | 46.86 | 46.91 | 0.17 | 0.36 |
| Other Asia | 12.56 | 12.73 | 12.97 | 12.73 | 13.20 | 12.91 | 0.35 | 2.80 |
| of which India | 4.34 | 4.64 | 4.38 | 4.30 | 4.62 | 4.49 | 0.14 | 3.27 |
| Latin America | 6.46 | 6.28 | 6.53 | 6.81 | 6.49 | 6.53 | 0.07 | 1.07 |
| Middle East | 7.98 | 8.07 | 7.91 | 8.46 | 7.92 | 8.09 | 0.11 | 1.36 |
| Africa | 4.10 | 4.23 | 4.19 | 4.14 | 4.29 | 4.21 | 0.11 | 2.63 |
| Total Developing Countries (DCs) | 31.10 | 31.30 | 31.60 | 32.14 | 31.91 | 31.74 | 0.64 | 2.05 |
| Former Soviet Union (FSU) | 4.66 | 4.56 | 4.42 | 4.79 | 5.10 | 4.72 | 0.06 | 1.30 |
| Other Europe | 0.70 | 0.71 | 0.66 | 0.70 | 0.80 | 0.72 | 0.02 | 3.15 |
| China | 11.24 | 11.09 | 11.59 | 11.50 | 11.85 | 11.51 | 0.27 | 2.38 |
| Total "Other Regions" | 16.60 | 16.36 | 16.68 | 16.99 | 17.75 | 16.95 | 0.35 | 2.11 |
| Total World | 94.44 | 94.59 | 94.61 | 96.63 | 96.52 | 95.60 | 1.16 | 1.22 |

Source: OPEC Monthly Oil Market Report - January 2017

World Oil Supply

Non-OPEC supply growth expectations for 2016 saw an upward revision of 70 tb/d as compared to the previous expectations and is now expected to contract by 0.71 mb/d to reach 57.14 mb/d. The revision reflected higher supply from Norway, Russia and the US during the last quarter of 2016. Moreover, production data for the last quarter resulted in upward revision of 248 tb/d in OECD and 48 tb/d for the FSU region. In addition, non-OPEC supply declined at a faster pace during the last quarter as compared to the previous year. In terms of regional split, OECD Americas, Latin America and China witnessed strong decline during 2016. According to the latest OPEC monthly report, world oil supply during December-16 declined by 0.3 mb/d to 96.92 mb/d as compared to November-16 although it was higher by 0.71 mb/d as compared to December-15.

| Non-OPEC Oil Supply - 2015/2016, mb/d | 2015 | Q1-16 | Q2-16 | Q3-16 | Q4-16 | 2016 | Y-o-Y Growth | % Chg. |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Americas | 21.07 | 21.00 | 20.08 | 20.49 | 20.59 | 20.54 | (0.53) | (2.50) |
| of which US | 14.04 | 13.81 | 13.68 | 13.42 | 13.60 | 13.63 | (0.41) | (2.95) |
| Europe | 3.76 | 3.90 | 3.73 | 3.63 | 3.91 | 3.79 | 0.03 | 0.85 |
| Asia Pacific | 0.46 | 0.44 | 0.42 | 0.44 | 0.45 | 0.43 | (0.03) | (5.74) |
| Total OECD | 25.29 | 25.34 | 24.22 | 24.55 | 24.94 | 24.76 | (0.52) | (2.06) |
| Other Asia | 3.60 | 3.68 | 3.60 | 3.58 | 3.60 | 3.61 | 0.02 | 0.51 |
| Latin America | 5.19 | 4.98 | 5.06 | 5.19 | 5.23 | 5.12 | (0.07) | (1.37) |
| Middle East | 1.27 | 1.27 | 1.28 | 1.29 | 1.30 | 1.28 | 0.01 | 0.92 |
| Africa | 2.13 | 2.10 | 2.05 | 2.13 | 2.17 | 2.11 | (0.02) | (0.71) |
| Total Developing Countries (DCs) | 12.19 | 12.03 | 11.99 | 12.19 | 12.30 | 12.13 | (0.06) | (0.46) |
| Former Soviet Union (FSU) | 13.69 | 13.95 | 13.73 | 13.67 | 14.10 | 13.86 | 0.17 | 1.23 |
| of which Russia | 10.85 | 11.07 | 10.98 | 11.03 | 11.22 | 11.08 | 0.23 | 2.11 |
| Other Europe | 0.14 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.00 | (3.51) |
| China | 4.38 | 4.22 | 4.11 | 4.00 | 3.95 | 4.07 | (0.31) | (7.16) |
| Total "Other regions" | 18.21 | 18.31 | 17.97 | 17.79 | 18.18 | 18.06 | (0.15) | (0.82) |
| Total Non-OPEC Production | 55.68 | 55.67 | 54.19 | 54.54 | 55.42 | 54.96 | (0.73) | (1.31) |
| Processing gains | 2.17 | 2.19 | 2.19 | 2.19 | 2.19 | 2.19 | 0.01 | 0.60 |
| Total Non-OPEC Supply | 57.85 | 57.86 | 56.37 | 56.72 | 57.61 | 57.14 | (0.71) | (1.23) |
| OPEC NGLs and non-conventionals | 5.94 | 6.05 | 6.08 | 6.11 | 6.15 | 6.10 | 0.15 | 2.69 |
| OPEC Crude Oil Production | 31.47 | 31.77 | 32.11 | 32.57 | 33.11 | 32.42 | 0.95 | 3.01 |
| Total World Supply | 95.26 | 95.68 | 94.56 | 95.40 | 96.87 | 95.66 | 0.40 | 0.42 |

Source: OPEC Monthly Oil Market Report - January 2017, KAMCO Research

On the other hand, non-OPEC oil supply for 2017 saw a downward revision of 0.18 mb/d and is now projected to grow by 0.12 mb/d to average at 57.26 mb/d. The revision reflected lower oil supply from Russia, Kazakhstan, China, Congo and Norway partially due to the oil output agreement between OPEC and non-OPEC producers. Nevertheless, US oil supply for 2017 was upgraded by 0.23 mb/d as a result of higher rig count and stronger cash flows for oil producers. Meanwhile, the decline in oil supply from China could help the oil market and support prices as oil producers in the country are shutting mature oil fields that are costly to operate. According to IEA, China's output is expected to decline by 0.24 mb/d during 2017 as a result of the cut in spending by oil producers.

| Non-OPEC Oil Supply - 2016/2017, mb/d | 2016 | Q1-17 | Q2-17 | Q3-17 | Q4-17 | 2017 | Y-o-Y Growth | % Chg. |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Americas | 20.54 | 20.65 | 20.45 | 20.58 | 20.73 | 20.60 | 0.06 | 0.31 |
| of which US | 13.63 | 13.70 | 13.60 | 13.70 | 13.81 | 13.70 | 0.08 | 0.57 |
| Europe | 3.79 | 3.87 | 3.73 | 3.54 | 3.82 | 3.74 | (0.05) | (1.38) |
| Asia Pacific | 0.43 | 0.45 | 0.46 | 0.45 | 0.42 | 0.44 | 0.01 | 1.85 |
| Total OECD | 24.76 | 24.97 | 24.63 | 24.56 | 24.97 | 24.78 | 0.02 | 0.07 |
| Other Asia | 3.61 | 3.56 | 3.53 | 3.53 | 3.50 | 3.53 | (0.08) | (2.30) |
| Latin America | 5.12 | 5.27 | 5.29 | 5.33 | 5.42 | 5.33 | 0.21 | 4.12 |
| Middle East | 1.28 | 1.24 | 1.23 | 1.24 | 1.24 | 1.24 | (0.05) | (3.78) |
| Africa | 2.11 | 2.13 | 2.15 | 2.22 | 2.24 | 2.18 | 0.07 | 3.35 |
| Total Developing Countries (DCs) | 12.13 | 12.19 | 12.20 | 12.32 | 12.40 | 12.28 | 0.15 | 1.23 |
| Former Soviet Union (FSU) | 13.86 | 13.87 | 13.83 | 13.97 | 14.05 | 13.93 | 0.07 | 0.49 |
| of which Russia | 11.08 | 10.98 | 10.97 | 11.10 | 11.14 | 11.05 | (0.03) | (0.24) |
| Other Europe | 0.13 | 0.15 | 0.15 | 0.15 | 0.16 | 0.15 | 0.02 | 16.11 |
| China | 4.07 | 3.97 | 3.91 | 3.89 | 3.90 | 3.92 | (0.15) | (3.74) |
| Total "Other regions" | 18.06 | 17.99 | 17.89 | 18.01 | 18.11 | 18.00 | (0.06) | (0.35) |
| Total Non-OPEC Production | 54.96 | 55.15 | 54.72 | 54.89 | 55.47 | 55.06 | 0.10 | 0.19 |
| Processing gains | 2.19 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 0.01 | 0.50 |
| Total Non-OPEC Supply | 57.14 | 57.34 | 56.92 | 57.09 | 57.67 | 57.26 | 0.12 | 0.20 |

Source: OPEC Monthly Oil Market Report - January 2017

OPEC Oil Production & Spare Capacity

In terms of oil production, 2016 witnessed an increase of 576 tb/d or 2.0% in its output from the current OPEC members (that excludes Indonesia but includes Gabon) to reach 33.1 mb/d in December-16. Indonesia was suspended from the group less than a year after the country joined OPEC as it did not agree to cut its production by 5% as required by the OPEC agreement. The increase for 2016 was primarily on the back of more than 1 mb/d increase in oil production from Iran followed by 260 tb/d increase in Libya and 230 tb/d increase in production by Saudi Arabia as compared to 2015. Iraq and UAE also added a combined 300 tb/d during 2016 as compared to 2015. On the other hand, the biggest decline was reported by Nigeria with its production down by 440 tb/d followed closely by 396 tb/d decline in Venezuela and 189 tb/d decline in Angola. On a month-on-month basis, oil production by the group declined by 0.9% or

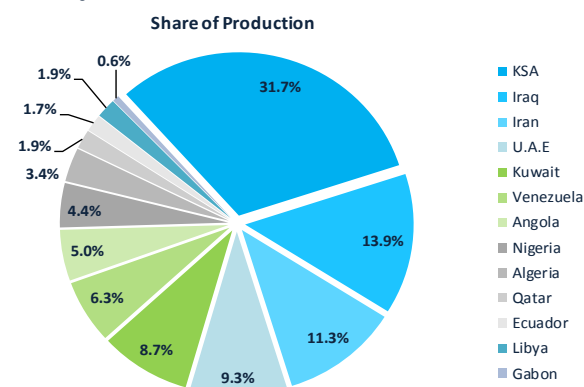
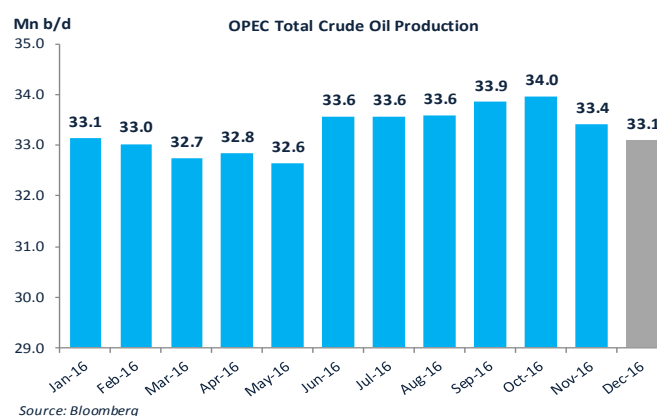
| Production ('000 b/d) | Dec-15 | Nov-16 | Dec-16 | Change Y-o-Y | | Change M-o-M | | Capacity | Spare Capacity |
|-----------------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|----------------|
| Total OPEC-13 | 32,354 | 33,410 | 33,100 | 746 | 2.3% | -310 | -0.9% | 36,405 | 3,305 |
| KSA | 10,250 | 10,530 | 10,480 | 230 | 2.2% | -50 | -0.5% | 11,500 | 1,020 |
| Iraq | 4,440 | 4,620 | 4,610 | 170 | 3.8% | -10 | -0.2% | 4,700 | 90 |
| Iran | 2,700 | 3,750 | 3,730 | 1,030 | 38.1% | -20 | -0.5% | 4,000 | 270 |
| U.A.E | 2,940 | 3,060 | 3,070 | 130 | 4.4% | 10 | 0.3% | 3,150 | 80 |
| Kuwait | 2,900 | 2,910 | 2,890 | -10 | -0.3% | -20 | -0.7% | 3,000 | 110 |
| Venezuela | 2,476 | 2,120 | 2,080 | -396 | -16.0% | -40 | -1.9% | 2,500 | 420 |
| Angola | 1,859 | 1,690 | 1,670 | -189 | -10.2% | -20 | -1.2% | 1,870 | 200 |
| Nigeria | 1,890 | 1,650 | 1,450 | -440 | -23.3% | -200 | -12.1% | 2,200 | 750 |
| Algeria | 1,100 | 1,120 | 1,110 | 10 | 0.9% | -10 | -0.9% | 1,150 | 40 |
| Qatar | 680 | 620 | 620 | -60 | -8.8% | 0 | 0.0% | 780 | 160 |
| Ecuador | 534 | 550 | 550 | 16 | 3.0% | 0 | 0.0% | 555 | 5 |
| Libya | 370 | 580 | 630 | 260 | 70.3% | 50 | 8.6% | 780 | 150 |
| Gabon | 215 | 210 | 210 | -5 | -2.3% | 0 | 0.0% | 220 | 10 |
| Total OPEC-12 | 27,914 | 28,970 | 28,480 | 576 | 2.03% | -490 | -1.69% | 36,405 | 7,925 |

Source: Bloomberg, OPEC, KAMCO Research

310 tb/d on the back of a steep decline of 200 tb/d reported by Nigeria followed by 50 tb/d and 40 tb/d decline reported by Saudi Arabia and Venezuela, respectively. After reporting rising oil output for the last three consecutive months, Nigeria's output declined during December-16 due to unplanned field maintenance as well as strike by port workers.

Meanwhile, Kuwait and Saudi Arabia implemented a total reduction of close to 0.7 mb/d which is close to 40% of the total OPEC and non-OPEC planned output cut. Kuwait has even indicated that the cuts could be extended by another 10 tb/d to 146-148 tb/d from the current output cut of close to 139 tb/d. For Saudi Arabia, according to KAMCO Research's calculations, the Kingdom slashed its production by at least 544 tb/d to close to an average production level of 10 mb/d. However, it is reported that the two countries are expected to resume production at the neutral zone that is shared between the two countries and is shut since as long as 2014, although the two agreed that any additional production would not raise their respective outputs beyond the new limits.

KAMCO Research sees the current strength in the oil market only as a temporary relief and we believe that despite the expected rebalancing, which we believe would be fragile, oil price would remain in a tight range in the near term.



Brent Crude Oil Price Forecast by Various Research Houses

| Firm | Analyst | As Of | Q1 17 | Q2 17 | Q3 17 | Q4 17 |
|-----------------------------------------------------|-------------------|-----------|-------------|-------------|-------------|-------------|
| BNP Paribas SA | H. Tchilinguirian | 12/Jan/17 | 54.0 | 57.0 | 59.0 | 62.0 |
| ABN AMRO Bank NV | H. Van Cleef | 12/Jan/17 | 50.0 | 50.0 | 55.0 | 55.0 |
| Wells Fargo Securities LLC | R. Read | 11/Jan/17 | 55.5 | 61.0 | 60.0 | 58.0 |
| Nordea Bank Norge ASA | T. Saltvedt | 10/Jan/17 | 53.0 | 56.0 | 58.0 | 59.0 |
| Intesa Sanpaolo SpA | D. Corsini | 9/Jan/17 | 53.0 | 53.0 | 54.0 | 55.0 |
| Market Risk Advisory Co Ltd | N. Niimura | 6/Jan/17 | 54.0 | 54.0 | 56.0 | 59.0 |
| Capital Economics Ltd | T. Pugh | 4/Jan/17 | 55.0 | 54.0 | 57.0 | 59.0 |
| DZ Bank AG Deutsche Zentral-Genossenschaftsbank | A. Herlinghaus | 4/Jan/17 | 53.0 | 54.0 | 55.0 | 58.0 |
| Santander UK PLC | J. Kenney | 4/Jan/17 | 54.0 | 50.5 | 52.0 | 53.5 |
| Norddeutsche Landesbank Girozentrale | F. Kunze | 4/Jan/17 | 55.0 | 54.0 | 60.0 | 60.0 |
| Promsvyazbank PJSC | S. Narkevich | 29/Dec/16 | 51.7 | 51.7 | 48.8 | 48.9 |
| Prestige Economics LLC | J. Schenker | 28/Dec/16 | 56.0 | 59.5 | 62.0 | 65.0 |
| Citigroup Inc | E. Morse | 20/Dec/16 | 50.0 | 54.0 | 60.0 | 65.0 |
| Societe Generale SA | M. Wittner | 20/Dec/16 | 52.5 | 55.0 | 57.5 | 60.0 |
| Raiffeisen Bank International AG | H. Loacker | 20/Dec/16 | 54.0 | 58.0 | 61.0 | 60.0 |
| Schneider Electric SE | K. Liu | 19/Dec/16 | 53.0 | 57.1 | 55.7 | 52.1 |
| Reel Kapital Menkul Degerler AS | E. Erkan | 16/Dec/16 | 55.0 | 56.0 | 56.0 | 58.0 |
| RBC Capital Markets | G. Pardy | 15/Dec/16 | 55.6 | 57.1 | 59.1 | 60.6 |
| Barclays PLC | M. Cohen | 15/Dec/16 | 57.0 | 62.0 | 56.0 | 53.0 |
| Emirates NBD PJSC | E. Bell | 15/Dec/16 | 52.0 | 55.0 | 55.0 | 60.0 |
| Natixis SA | A. Deshpande | 14/Dec/16 | 64.0 | 65.0 | 63.0 | 66.0 |
| Bank of Nova Scotia/The | M. Loewen | 14/Dec/16 | 58.0 | 60.0 | 60.0 | 62.0 |
| Landesbank Baden-Wuerttemberg | F. Klumpp | 12/Dec/16 | 55.0 | 55.0 | 55.0 | 60.0 |
| UniCredit Bank AG | J. Hitzfeld | 9/Dec/16 | 52.0 | 55.0 | 59.0 | 60.0 |
| Itau Unibanco Holding SA | A. Passos | 9/Dec/16 | 52.3 | 52.8 | 53.3 | 53.8 |
| Commerzbank AG | E. Weinberg | 8/Dec/16 | 53.0 | 50.0 | 50.0 | 48.0 |
| Oversea-Chinese Banking Corp Ltd | B. Gan | 6/Dec/16 | 57.5 | 60.0 | 62.5 | 65.0 |
| NE Nomisma Energia Srl | M. Mazzoni | 30/Nov/16 | 46.9 | 49.1 | 51.0 | 52.7 |
| Lloyds Bank PLC | C. Paraskevas | 29/Nov/16 | 55.0 | 60.0 | 65.0 | 70.0 |
| Flexihedge Ltd | J. Miller | 24/Oct/16 | 50.0 | 52.0 | 54.0 | 56.0 |
| Westpac Banking Corp | J. Smirk | 21/Oct/16 | 44.0 | 44.0 | 41.0 | 42.0 |
| MPS Capital Services Banca per le Imprese SpA | M. Porciatti | 17/Oct/16 | 52.0 | 55.0 | 60.0 | 58.0 |
| HSH Nordbank AG | J. Edelmann | 11/Oct/16 | 47.0 | 45.0 | 43.0 | 45.0 |
| Danske Bank A/S | J. Pedersen | 4/Oct/16 | 52.0 | 54.0 | 56.0 | 58.0 |
| Standard Chartered Bank | P. Horsnell | 29/Sep/16 | 57.0 | 63.0 | 66.0 | 68.0 |
| Rising Glory Finance Ltd | E. Lashinski | 21/Sep/16 | 43.0 | 36.0 | 31.0 | 41.0 |
| Toronto-Dominion Bank/Toronto | B. Melek | 19/Sep/16 | 59.0 | 61.0 | 61.0 | 62.0 |
| Incrementum AG | R. Stoeferle | 26/Aug/16 | 62.0 | 65.0 | 72.0 | 73.0 |
| Jefferies LLC | J. Gammel | 23/Aug/16 | 53.0 | 56.0 | 59.0 | 63.0 |
| Australia & New Zealand Banking Group Ltd/Melbourne | D. Hynes | 19/Aug/16 | 53.0 | 60.0 | 58.0 | 59.0 |
| Bank of America Merrill Lynch | F. Blanch | 17/Aug/16 | 55.0 | 59.0 | 66.0 | 64.0 |
| DNB ASA | T. Kjus | 17/Aug/16 | 60.0 | 65.0 | 65.0 | 70.0 |
| Evercore Partners Inc | C. Zhao | 16/Aug/16 | 45.0 | 50.0 | 50.0 | 55.0 |
| ING Bank NV | H. Khan | 9/Aug/16 | 35.0 | 40.0 | 45.0 | 45.0 |
| Oxford Economics Ltd | D. Smith | 26/Jul/16 | 49.5 | 49.5 | 50.0 | 51.0 |
| Kshitij Consultancy Services Pvt Ltd | R. Banerjee | 25/Jul/16 | 47.0 | | | |
| Macquarie Capital USA Inc | V. Dwivedi | 18/Jul/16 | 51.0 | 57.0 | 60.0 | 57.0 |
| Median | | | 53.0 | 55.0 | 57.0 | 59.0 |
| Mean | | | 52.7 | 54.8 | 56.2 | 57.7 |
| High | | | 64.0 | 65.0 | 72.0 | 73.0 |
| Low | | | 35.0 | 36.0 | 31.0 | 41.0 |
| Current Fwd | | | 56.0 | 57.2 | 57.5 | 57.5 |
| Difference (Median - Current) | | | -3.0 | -2.2 | -0.5 | 1.5 |

Source: Bloomberg

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