

Oil Market : 2018 - The Year That Was...

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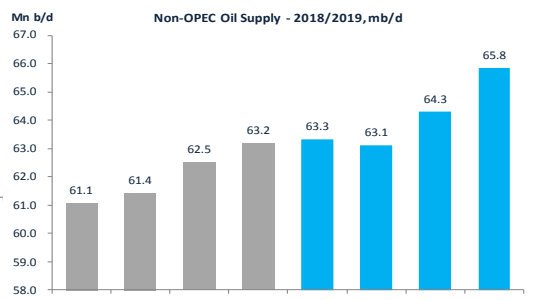
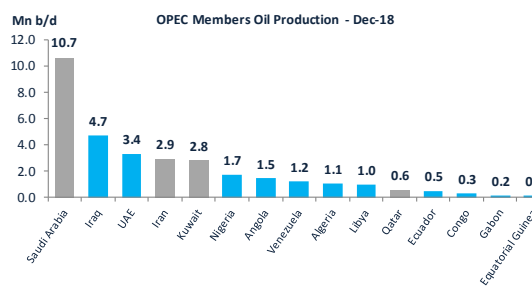
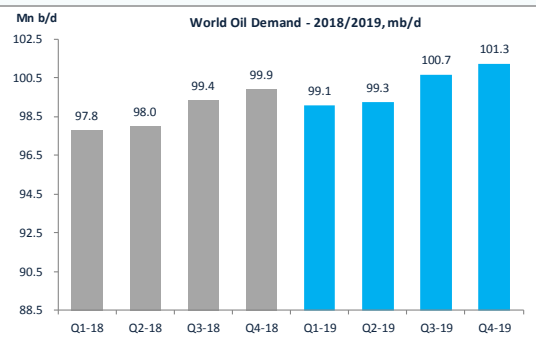
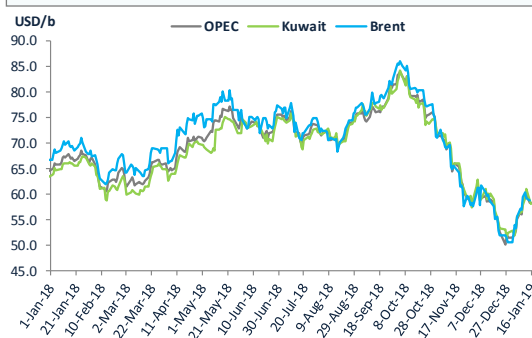
Oil price declines by a quarter in 2018 on demand fears and oversupply...

After trading in the green for a large part of 2018, oil prices witnessed steep declines during the last two months to close the year with a decline of 24.2%. Consistent gains until October-18 had pushed oil to a 4-year high level, but oversupply concerns and fear that global economic growth rates would be lower than previously expected pushed oil to the lowest in almost 17 months. The US China trade conflict was one of the most important factors that affected investor optimism about growth in oil demand in the near term. In addition, a slew of economic indicators that pointed to a slowdown in key world economies added to the poor sentiment around oil prices. Nevertheless, prices got some support towards the end of the year when OPEC+ countries announced extension to the oil production cut agreement until 1H-19 and there were signs of easing US China relations.

The first two weeks of 2019 was positive in an oversold oil market with prices gaining more than 16% bolstered by a recovery in global indices amid signs of easing US China trade relations. Support also came from a steep decline in OPEC crude output during December-18 and news that Saudi Arabia would curb crude exports to 7.1 mb/d in February-19 from an expected 7.2 mb/d in January-19. That said, rise in US crude production continued to exert downward pressure on oil prices as seen from the latest weekly report published by the EIA showing record US oil production of 11.9 mb/d.

Oil production in the US saw a record rise during 2018 to reach the highest recorded production level. According to DOE crude oil production data, US crude production reached 11.7 mb/d by the end of the year, a nearly 2 mb/d increase over the previous year level, responding to higher oil price trends during the year. According to EIA's latest forecast, US oil production is expected to reach a new record 12.07 mb/d in 2019 and further climb to 12.86 mb/d in 2020. On the other hand, crude production in OPEC witnessed the biggest drop in two years falling by more than 0.5 mb/d on the back of 0.42 mb/d decline in output from Saudi Arabia along with sliding output from Iran, Nigeria, Libya and Venezuela.

KAMCO Research believes that the rout in oil prices towards the close of 2018 came as result of extremely pessimistic concerns related to oil demand. Although we expect prices to remain subdued as compared to October-18 peak, we believe that there are signs recently that point to improving fundamentals in the oil market. These include the modest production growth forecast for US oil producers as compared to production growth in 2018 and 2017, talks of a truce between US and China, news of austerity in China to prop up domestic economy, declining surplus supplies, pipeline constraints in the US and Canada and a cautious approach now seen in guidance provided by US oil drillers. Nevertheless, we still see fragile factors like the temporary decline in OPEC+ output, Iran sanctions and economic situation in Venezuela as factors that would keep oil prices under check and in a tight range during 2019.



Source for the above charts : OPEC and Bloomberg

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Oil Market in 2018

A year of extreme volatility in oil prices...

After two consecutive years of positive performance, oil prices declined in 2018 with both Brent and OPEC spot crudes marginally above the USD 50/b mark by year end. The decline came amid high volatility primarily due to external factors that affected demand outlook in addition to the oversupply situation that plagued the industry since the last quarter of 2014. The year 2018 started with a lot of optimism for oil bulls backed by forecasts of strong economic growth globally that would result in higher demand for oil. The market was expected to reach equilibrium by the end of the year. The talks of imposition of sanctions on Iran further boosted the prospects of higher oil prices as it was expected to take away a significant chunk of oversupply in the market. In addition, supply from Venezuela was falling at an accelerated rate as the country faced economic and political issues. The reduction in supply by more than 1 mb/d in addition to the ongoing supply cuts by the OPEC+ producers pushed oil prices to the highest in 4 years almost touching the USD 90/b mark and forecasts suggesting triple digits in the near term. However, unprecedented events like the US-China trade tensions in addition to lower-than-expected growth in Europe led to investors doubting near term global economic growth and the subsequent impact on oil demand. On the other hand, supply continued unabated as US produced at a record pace. To counter the supply shortfall due to Iran and Venezuela, Russia and Saudi Arabia briefly opened their taps and produced at a record pace that further flooded the oil market. On the other hand, producers like Libya and Nigeria that were facing oil production disruptions until the start of the year largely produced at a stable rate during the year and gradually increased production by a healthy margin by the end of the year. Furthermore, a softer stance on Iran sanctions by the US by allowing certain countries to continue to import oil from Iran until May-19 resulted in limited impact on the country's oil output. A combination of the aforementioned factors affected investor sentiment in the oil market pushing it back down to the sub-USD 50/b mark.

The rig count data from Baker Hughes also suggested continued oversupply during the year. The average number of rigs during 2018 was the highest in three years at 2,211, an increase of 187 rigs as compared to 2017. US alone contributed to more than 86% of the increase in rig count during the year followed by Asia and Africa. The Middle East region saw a marginal growth of merely 8 rigs during the year as against 157 in the case of US. Meanwhile, near term expectations for new drilling activity in the US is marginal as compared to the growth seen recently owing to expectations of lower oil prices in addition to pipeline constrains in some key regions in the US.

Year End Oil Prices	2014	2015	2016	2017	2018
OPEC	52.00	31.27	53.30	64.47	51.55
Change (%)	-51.8%	-39.9%	70.5%	21.0%	-20.0%
Brent	55.27	36.61	54.96	66.73	50.57
Change (%)	-49.7%	-33.8%	50.1%	21.4%	-24.2%

Average Oil Price for the Year	2014	2015	2016	2017	2018
OPEC	96.29	49.49	40.76	52.43	69.78
Change (%)	-9.1%	-48.6%	-17.6%	28.6%	33.1%
Brent	98.93	52.33	43.63	54.17	71.34
Change (%)	-8.9%	-47.1%	-16.6%	24.2%	31.7%

Source : Bloomberg, KAMCO Research

The talks of imposition of sanctions on Iran further boosted the prospects of higher oil prices as it was expected to take away a significant chunk of oversupply in the market. In addition, supply from Venezuela was falling at an accelerated rate as the country faced economic and political issues. The reduction in supply by more than 1 mb/d in addition to the ongoing supply cuts by the OPEC+ producers pushed oil prices to the highest in 4 years almost touching the USD 90/b mark and forecasts suggesting triple digits in the near term. However, unprecedented events like the US-China trade tensions in addition to lower-than-expected growth in Europe led to investors doubting near term global economic growth and the subsequent impact on oil demand. On the other hand, supply continued unabated as US produced at a record pace. To counter the supply shortfall due to Iran and Venezuela, Russia and Saudi Arabia briefly opened their taps and produced at a record pace that further flooded the oil market. On the other hand, producers like Libya and Nigeria that were facing oil production disruptions until the start of the year largely produced at a stable rate during the year and gradually increased production by a healthy margin by the end of the year. Furthermore, a softer stance on Iran sanctions by the US by allowing certain countries to continue to import oil from Iran until May-19 resulted in limited impact on the country's oil output. A combination of the aforementioned factors affected investor sentiment in the oil market pushing it back down to the sub-USD 50/b mark.

Production ('000 b/d)	2014	2015	2016	2017	2018	5-Year CAGR
Algeria	1,120	1,105	1,103	1,041	1,042	-2.1%
Change (%)	-3.2%	-1.3%	-0.1%	-5.7%	0.1%	
Angola	1,646	1,801	1,730	1,657	1,516	-2.9%
Change (%)	-6.2%	9.4%	-3.9%	-4.2%	-8.5%	
Congo	-	-	221	252	318	-
Change (%)	-	-	-	14.0%	26.2%	
Ecuador	556	544	551	530	522	-0.1%
Change (%)	6.3%	-2.2%	1.4%	-3.9%	-1.5%	
Equatorial Guinea	-	210	160	133	125	-
Change (%)	-	-	-23.8%	-16.9%	-6.0%	
Gabon	222	219	221	200	186	-
Change (%)	-	-	0.9%	-9.5%	-7.0%	
Iran	2,795	2,810	3,472	3,790	3,584	6.6%
Change (%)	7.5%	0.6%	23.5%	9.2%	-5.4%	
Iraq	3,256	4,025	4,439	4,442	4,532	7.7%
Change (%)	4.1%	23.6%	10.3%	0.1%	2.0%	
Kuwait	2,865	2,854	2,878	2,710	2,752	-1.3%
Change (%)	-2.6%	-0.4%	0.8%	-5.8%	1.5%	
Libya	450	386	384	828	973	3.1%
Change (%)	-46.1%	-14.2%	-0.4%	115.4%	17.6%	
Nigeria	2,044	1,938	1,624	1,708	1,752	-2.2%
Change (%)	4.1%	-5.2%	-16.2%	5.2%	2.6%	
Qatar*	707	665	646	609	610	-3.3%
Change (%)	-1.8%	-6.0%	-2.9%	-5.7%	0.1%	
Saudi Arabia	9,666	10,243	10,418	9,968	10,285	1.6%
Change (%)	1.6%	6.0%	1.7%	-4.3%	3.2%	
UAE	2,767	2,879	2,958	2,910	2,985	1.5%
Change (%)	0.1%	4.1%	2.7%	-1.6%	2.6%	
Venezuela	2,343	2,363	2,220	1,943	1,416	-9.8%
Change (%)	-1.3%	0.8%	-6.0%	-12.5%	-27.1%	
Total OPEC	30,435	32,042	33,024	32,719	32,597	1.5%
Change (%)	0.5%	5.3%	3.1%	-0.9%	-0.4%	
US	8,544	9,311	8,769	9,329	10,838	7.7%
Change (%)	14.3%	9.0%	-5.8%	6.4%	16.2%	

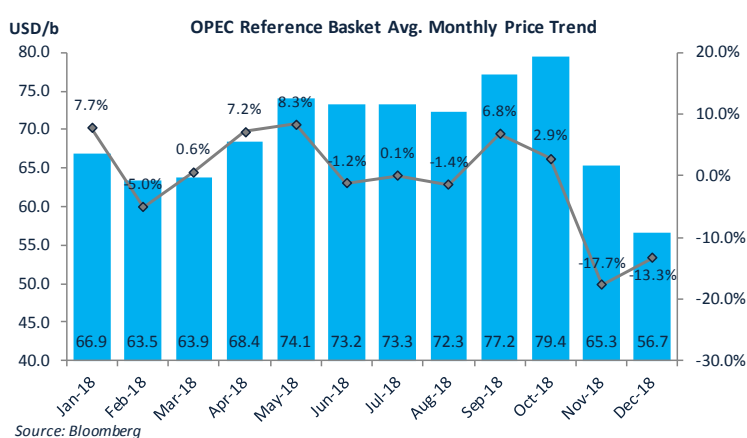
Source : OPEC, Bloomberg, DOE, KAMCO Research.

Data represents average for the period based on monthly/weekly data.

* Qatar announced that it would exit OPEC from 2019

Oil Prices

The recent trend in oil prices shows a gradual reversal from the steep decline seen at the end of 2018. Spot Brent briefly regained the USD 60/b mark during the second week of Jan-19 after gaining almost 20% from close of 2018 levels. Spot OPEC crude closed 2018 at USD 51.6/b as compared to USD 64.5/b at the end of 2017 while spot Brent crude closed at USD 50.6/b as compared to USD 66.7/b at the end of 2017. Nevertheless, average crude prices witnessed healthy growth during 2018 vs. 2017. OPEC reference basket averaged at USD 69.8/b during the year, a growth of a quarter as compared to USD 52.4/b in 2017. The rise in average Kuwait crude was in line with OPEC grade as it closed the year averaging at USD 68.9/b as compared to USD 51.6/b in 2017. Brent crude price gain was slightly less at 31.5% with an average of USD 71.2/b in 2018 vs. USD 54.2 in 2017. In terms of price expectations for 2019, consensus estimates show an almost flat y-o-y growth. According to mean analyst estimates, Brent is expected to average at USD 60.7 /b in Q4-19 from USD 59.5/b expected in Q1-19.



IEA's monthly report painted a slightly positive picture of world economic growth. Although the agency kept 2018 and 2019 global oil demand growth expectations unchanged at 1.3 mb/d and 1.4 mb/d, respectively, the agency said that the impact of lower oil prices would help offset lower economic growth. Demand would primarily come from non-OECD countries with China and India expected to contribute to 62% of the demand growth in 2019. In the report, IEA said that reaching demand supply equilibrium will take time with Saudi Arabia and Russia having pledged to voluntarily cut production in 1H-2019, while US is expected to maintain its position as the world's biggest crude producer. On the demand side, although lower oil prices in addition to a weak dollar (led by expectations of lesser rate hike in 2019) is positive for oil importers and overall demand, the pessimism in global outlook plays a damning role. The report added that the onset of low temperatures is negative for oil demand.

Average Crude Oil Prices, USD/b	Nov-18	Dec-18	Change (USD)	Avg 2017	Avg 2018
OPEC Reference Basket	65.3	56.9	(8.4)	52.4	69.8
Arab Light	66.4	58.2	(8.1)	52.6	70.6
Basrah Light	64.1	56.1	(8.0)	51.9	68.6
Bonny Light	65.9	57.8	(8.1)	54.6	72.1
Djeno	62.1	54.4	(7.7)	52.8	68.6
Es Sider	63.1	55.7	(7.5)	52.8	69.8
Girassol	65.7	57.5	(8.1)	54.5	71.7
Iran Heavy	62.8	54.8	(8.0)	51.7	68.0
Kuwait Export	65.2	57.1	(8.1)	51.6	68.9
Qatar	65.9	49.9	(16.0)	47.6	64.5
Merey	68.1	59.3	(8.7)	54.8	72.2
Murban	59.8	51.3	(8.5)	50.0	66.1
Oriente	65.9	57.3	(8.6)	52.8	69.5
Rabi	63.9	56.2	(7.7)	53.2	70.3
Saharan Blend	65.0	56.4	(8.6)	54.1	71.4
Zafiro	65.4	57.7	(7.7)	54.0	71.4
Other Crudes					
Brent	64.7	57.0	(7.7)	54.2	71.2
Dubai	65.8	57.3	(8.5)	53.1	69.7
Isthmus	65.4	55.6	(9.9)	54.6	68.7
LLS	64.5	55.9	(8.6)	54.1	70.2
Mars	61.2	53.3	(7.9)	50.6	66.8
Minas	59.2	50.3	(8.9)	49.0	65.4
Urals	64.4	57.2	(7.2)	53.3	70.1
WTI	56.8	49.5	(7.2)	50.8	65.2
Differentials					
Brent/WTI	7.9	7.4	(0.5)	3.4	6.1
Brent/LLS	0.2	1.1	0.9	0.1	1.1
Brent/Dubai	(1.1)	(0.3)	0.8	1.1	1.5

Source: OPEC Monthly Oil Market Report - January-19

World Oil Demand

World oil demand growth expectations were left unchanged in OPEC's latest monthly report at a growth of 1.5 mb/d with total demand averaging at 98.78 mb/d. However, there were revisions in quarterly demand figures with an upward revision for Q3-18 demand owing to strong demand in the US that was offset by an equal downward revision for Q4-18 demand estimates. Demand in OECD Asia Pacific and Other Asia were lowered for the final quarter of 2018 owing to lower-than-expected oil requirements. Oil demand data for the US showed healthy growth during October-18 with the third largest rise in the previous twelve month owing to higher diesel demand for the industrial sector coupled with higher demand in the petrochemical sector. On the other hand, gasoline demand was light during the month due to higher fuel prices, a decline in miles travelled and a drop in vehicle sales. Preliminary data until December-18 also showed

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	25.73	25.64	25.49	0.44	1.75
of which US	20.27	20.57	20.64	20.88	20.78	20.72	0.45	2.20
Europe	14.30	13.95	14.19	14.73	14.46	14.33	0.04	0.25
Asia Pacific	8.06	8.54	7.65	7.70	8.26	8.04	(0.02)	(0.30)
Total OECD	47.42	47.69	47.24	48.16	48.36	47.87	0.45	0.95
Other Asia	13.24	13.55	13.84	13.38	13.93	13.68	0.43	3.25
of which India	4.53	4.83	4.74	4.40	4.99	4.74	0.21	4.59
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	7.90	8.11	(0.06)	(0.73)
Africa	4.20	4.35	4.32	4.27	4.38	4.33	0.13	3.01
Total Developing Countries (DCs)	32.13	32.44	32.60	32.86	32.68	32.64	0.52	1.61
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	99.94	98.78	1.50	1.54

Source: OPEC Monthly Oil Market Report - January-19

continued strong demand for oil in the US partly offset by lower gasoline usage. Oil demand also rose in Canada during October-18, as compared to October-17 demand led by higher demand for gasoline, diesel fuel and residual fuel oil partly offset by decline in demand for LPG and naphtha. Meanwhile, after weak demand in September-18, OECD Europe witnessed a growth in demand in October-18 in most of the region barring Germany led by a decline in demand for naphtha, gasoline in the road transportation sector and diesel in the industrial sector. Preliminary numbers for November-18 for Germany, France and the UK showed a decline in demand while Italy showed some positive trend. In OECD Asia Pacific, Japan witnessed a ninth consecutive month of decline which was the biggest decline in five months in November-18. In the non-OECD camp, demand in China was strong in November-18 partly offset by lower requirements for diesel. Increased driving led to higher gasoline demand despite a drop in vehicle sales for the fifth month in a row in November-18. India's November-18 demand declined for the first time since March-17 due to lower diesel requirements as well as downward adjustment to November-17 figures. Demand growth for 2019 was also left unchanged at 1.29 mb/d with total demand expected to reach 100.08 mb/d driven by higher demand from India, China and the OECD Americas.

World Oil Demand - 2018/2019, mb/d	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Y-o-Y Growth	% Chg.
Americas	25.49	25.46	25.64	26.01	25.90	25.76	0.26	1.03
of which US	20.72	20.82	20.85	21.14	21.02	20.96	0.24	1.15
Europe	14.33	13.98	14.19	14.75	14.47	14.35	0.02	0.13
Asia Pacific	8.04	8.53	7.61	7.68	8.23	8.01	(0.03)	(0.34)
Total OECD	47.87	47.98	47.44	48.44	48.61	48.12	0.25	0.53
Other Asia	13.68	13.91	14.21	13.75	14.31	14.05	0.37	2.70
of which India	4.74	5.03	4.93	4.58	5.18	4.93	0.19	4.05
Latin America	6.53	6.39	6.53	6.87	6.52	6.58	0.05	0.81
Middle East	8.11	8.25	8.01	8.47	7.96	8.17	0.06	0.74
Africa	4.33	4.46	4.43	4.37	4.48	4.44	0.11	2.45
Total Developing Countries (DCs)	32.64	33.01	33.19	33.46	33.27	33.23	0.59	1.80
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	98.78	99.10	99.26	100.67	101.25	100.08	1.29	1.31

Source: OPEC Monthly Oil Market Report - January-19

World Oil Supply

According to preliminary data, global oil supply witnessed a m-o-m decline of 0.35 mb/d during December-18 to average at 100.02 mb/d. The decline came primarily as a result of lower supply from OPEC that was partially offset by an increase in supply mainly from OECD Americas. Non-OPEC supply growth estimates were revised up by 0.05 mb/d to an average supply of 62.06 mb/d. The revision came on the back of an upward adjustment of supply figures from the US, Canada, Russia and China. OECD oil supply for the year was revised up by 31 tb/d on the back of higher supply estimates from OECD Americas despite a downward revision of 37 tb/d to supply estimates from OECD Europe. Supply forecasts for US liquids alone was revised up by 69 tb/d and is now expected to average at 16.61 mb/d following a 281 tb/d upward adjustment to supply during Q4-18. Tight crude production estimates for the US were revised upward by 0.04 mb/d and

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	23.35	24.53	24.61	23.86	2.37	11.03
of which US	14.40	15.53	16.22	17.17	17.48	16.61	2.20	15.29
Europe	3.83	3.92	3.73	3.63	3.77	3.76	(0.07)	(1.78)
Asia Pacific	0.39	0.40	0.38	0.42	0.44	0.41	0.02	4.49
Total OECD	25.71	27.25	27.46	28.58	28.81	28.03	2.32	9.02
Other Asia	3.61	3.6	3.55	3.45	3.47	3.52	(0.09)	-2.61
Latin America	5.15	5.15	5.20	5.10	5.23	5.17	0.02	0.32
Middle East	3.13	3.16	3.21	3.22	3.24	3.21	0.07	2.29
Africa	1.48	1.51	1.52	1.55	1.49	1.52	0.04	2.55
Total Developing Countries (DCs)	13.38	13.41	13.47	13.32	13.43	13.41	0.03	0.24
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	3.97	3.94	4.00	3.94	3.99	3.97	0.00	(0.12)
Total "Other regions"	18.15	18.17	18.25	18.39	18.68	18.37	0.22	1.24
Total Non-OPEC Production	57.24	58.83	59.19	60.29	60.93	59.81	2.58	4.5
Processing gains	2.21	2.25	2.25	2.25	2.25	2.25	0.04	1.67
Total Non-OPEC Supply	59.45	61.07	61.44	62.53	63.18	62.06	2.61	4.39
OPEC NGLs and non-conventionals	4.94	4.92	4.96	4.98	5.05	4.98	0.04	0.81
OPEC Crude Oil Production	32.02	31.80	31.59	31.97	32.09	31.86	(0.15)	(0.48)
Total World Supply	96.41	97.79	97.99	99.48	100.32	98.90	2.50	2.59

Source: OPEC Monthly Oil Market Report - January-19

is now expected to grow by 1.52 mb/d in 2018 to average at 6.23 mb/d. For Canada, total liquids supply forecast was revised upward by 13 tb/d on the back of a positive revision of 53 tb/d for Q3-18. Production estimates for Mexico was revised down by 16 tb/d as a result of lower supply estimates for November-18. In OECD Europe, supply estimates from Norway was revised down by 14 tb/d due to a decline in production estimates for November-18, while supply estimates for UK was lowered by 18 tb/d.

For 2019, non-OPEC supply forecasts were revised downward by 0.06 mb/d to 2.1 mb/d and supply is now expected to average at 64.16 mb/d. The revision mainly reflected lower supply forecast from Canada.

Non-OPEC Oil Supply - 2018/2019, mb/d	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Y-o-Y Growth	% Chg.
Americas	23.86	24.60	24.76	25.61	26.51	25.37	1.51	6.34
of which US	16.61	17.60	17.85	18.50	19.27	18.31	1.70	10.26
Europe	3.76	3.81	3.62	3.71	3.94	3.77	0.01	0.28
Asia Pacific	0.41	0.44	0.45	0.47	0.49	0.46	0.05	13.28
Total OECD	28.03	28.84	28.84	29.79	30.94	29.61	1.58	5.62
Other Asia	3.52	3.49	3.44	3.46	3.46	3.46	-0.05	-1.53
Latin America	5.17	5.37	5.42	5.51	5.73	5.50	0.34	6.51
Middle East	3.21	3.22	3.22	3.24	3.24	3.23	0.02	0.73
Africa	1.52	1.52	1.53	1.59	1.62	1.57	0.05	3.17
Total Developing Countries (DCs)	13.41	13.59	13.60	13.80	14.05	13.76	0.35	2.64
Former Soviet Union (FSU)	14.29	14.53	14.36	14.38	14.51	14.44	0.16	1.09
of which Russia	11.35	11.54	11.40	11.50	11.50	11.49	0.14	1.23
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	(1.08)
China	3.97	3.99	3.94	3.93	3.95	3.95	(0.02)	(0.41)
Total "Other regions"	18.37	18.64	18.41	18.42	18.58	18.51	0.14	0.75
Total Non-OPEC Production	59.81	61.07	60.86	62.02	63.57	61.88	2.07	3.46
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.25
Total Non-OPEC Supply	62.06	63.34	63.13	64.29	65.84	64.16	2.1	3.38

Source: OPEC Monthly Oil Market Report - January-19

OPEC Oil Production & Spare Capacity

According to Bloomberg data, total OPEC production (including Qatar) remained almost flat y-o-y during December-18 seeing only a marginal decline of 80 tb/d. However, at the individual country level, there were significant changes during the year. Saudi Arabia added the most barrels during December-18 as compared to December-17 at around 0.7 mb/d followed by the UAE at 460 tb/d. On the other hand, Iran witnessed the biggest drop of around 0.9 mb/d. Saudi Arabia, UAE, Iraq and Kuwait together added 1.55 mb/d that partially offset 1.62 mb/d decline recorded by Iran, Venezuela, Nigeria and Angola. On a m-o-m basis, however, total OPEC production declined by 0.53 mb/d during December-18 as Saudi Arabia and a majority of the other OPEC producers lowered output after the OPEC+ meeting during the first week of the month that was targeted at containing the fall in oil prices.

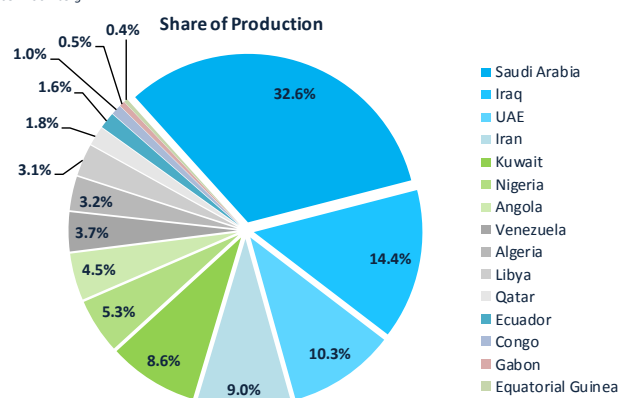
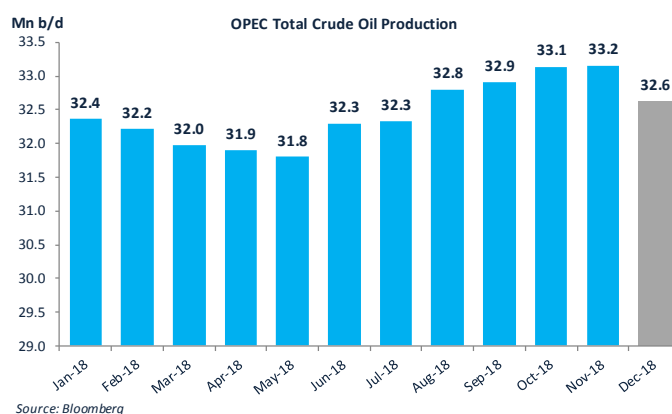
Production ('000 b/d)	Dec-17	Nov-18	Dec-18	Change Y-o-Y		Change M-o-M		Capacity	Spare Capacity
Total OPEC-15	32,380	33,150	32,620	-80	0.7%	-530	-1.6%	35,895	3,275
Saudi Arabia	9,950	11,070	10,650	700	7.0%	-420	-3.8%	11,500	850
Iraq	4,430	4,570	4,700	270	6.1%	130	2.8%	4,700	0
UAE	2,890	3,270	3,350	460	15.9%	80	2.4%	3,400	50
Iran	3,800	3,040	2,920	-880	-23.2%	-120	-3.9%	4,000	1,080
Kuwait	2,690	2,800	2,810	120	4.5%	10	0.4%	3,000	190
Nigeria	1,820	1,760	1,720	-100	-5.5%	-40	-2.3%	1,900	180
Angola	1,630	1,490	1,470	-160	-9.8%	-20	-1.3%	1,710	240
Venezuela	1,700	1,230	1,220	-480	-28.2%	-10	-0.8%	1,440	220
Algeria	1,040	1,070	1,060	20	1.9%	-10	-0.9%	1,150	90
Libya	970	1,110	1,000	30	3.1%	-110	-9.9%	1,200	200
Qatar	610	610	600	-10	-1.6%	-10	-1.6%	640	40
Ecuador	520	520	510	-10	-1.9%	-10	-1.9%	555	45
Congo	N/A	320	320	N/A	N/A	0	0.0%	330	10
Gabon	200	180	170	-30	-15.0%	-10	-5.6%	220	50
Equatorial Guinea	130	110	120	-10	-7.7%	10	9.1%	150	30
Total OPEC-14	28,720	28,580	27,920	-350	-2.79%	-660	-2.31%	31,195	3,275

Source: Bloomberg, OPEC

Average OPEC production for 2018, including Qatar, stood at 32.6 mb/d, a marginal decline of -0.4% as compared to 2017 production of 32.7 mb/d.

Meanwhile, OPEC recently published production targets for the OPEC+ countries until Jun-19. The quotas would be effective from January-19 and were mostly based on production levels in October-18. According to the voluntary adjustment figures, Saudi Arabia would cut the largest number of barrels by 322 tb/d followed by Russia at 230 tb/d and Iraq at 141 tb/d while UAE would cut output by 96 tb/d. Furthermore, recent statements issued by Iraq and UAE oil ministers instills further confidence in terms of compliance to the agreed upon output cuts. The Iraqi oil minister reportedly said that they are willing to extend the agreement in the next meeting in April-19 while his UAE counterpart said that the group can convene an extraordinary meeting if the cuts are not enough.

On the other hand, Nigeria which produced at 1.72 mb/d in December-18 and is expected to voluntarily reduce production by 53 tb/d to 1.685 mb/d, started production from its ultra-deepwater oil field Egina which is expected to produce at 0.2 mb/d. Also, Libya, which is exempt from the production cuts, opened all its ports after a week of turbulent weather. The chairman of Libya's NOC said that the country plans to double the country's oil production to 2.1 mb/d by 2021.



OPEC+ : Country Production Adjustments from January-19

OPEC+ Countries (tb/d)	Reference production*	Voluntary Adjustment	Voluntary Prod. Level	December-18 Production	Excess Prodn. in Dec-18 vs. Quota
Algeria	1,057	-32	1,025	1,051	26
Angola	1,528	-47	1,481	1,490	9
Congo	325	-10	315	329	14
Ecuador	524	-16	508	524	16
Eq. Guinea	127	-4	123	108	-15
Gabon	187	-6	181	197	16
Iraq	4,653	-141	4,512	4,714	202
Kuwait	2,809	-85	2,724	2,800	76
Nigeria	1,738	-53	1,685	1,750	65
Saudi Arabia	10,633	-322	10,311	10,553	242
UAE	3,168	-96	3,072	3,218	146
Total OPEC	26,749	-812	25,937	26,734	797
Azerbaijan	796	-20	776		
Bahrain	227	-5	222		
Brunei	131	-3	128		
Kazakhstan	1,900	-40	1,860		
Malaysia	627	-15	612		
Mexico	2,017	-40	1,977		
Oman	995	-25	970		
Russia	11,421	-230	11,191		
Sudan	74	-2	72		
South Sudan	132	-3	129		
Non-OPEC	18,320	-383	17,937		
Total OPEC + Non-OPEC	45,069	-1,195	43,874		

Source : OPEC, KAMCO Research

* Reference production is October 2018 except for Kuwait, Azerbaijan and Kazakhstan

Notes:

OPEC Dec-18 production data is based on secondary sources as per OPEC Monthly Report Jan-19.

Libya, Iran, and Venezuela are exempted

Kuwait and Azerbaijan are based on September 2018 production level

Kazakhstan is based on November 2018 production level

Brent Crude Oil Price Forecasts

Firm	As Of	Q1 19	Q2 19	Q3 19	Q4 19
Lloyds Bank PLC	16/Jan/19	66.0	70.0	75.0	80.0
Raymond James Financial Inc	14/Jan/19	62.0	66.0	75.0	85.0
Itau Unibanco Holding SA	14/Jan/19	58.3	58.8	59.3	59.8
Capital Economics Ltd	14/Jan/19	56.0	56.5	53.5	51.0
Raiffeisen Bank International AG	11/Jan/19	67.0	74.0	75.0	70.0
Emirates NBD PJSC	10/Jan/19	61.0	67.5	67.5	63.0
CIBC	9/Jan/19	63.0	68.0		
Societe Generale SA	9/Jan/19	67.2	74.9	76.0	68.9
Market Risk Advisory Co Ltd	7/Jan/19	60.0	62.0	60.0	60.0
Bank of Tokyo-Mitsubishi UFJ Ltd/The	27/Dec/18	62.4	57.2	64.6	66.5
Natixis SA	21/Dec/18	62.0	68.0	73.0	77.0
CIMB	20/Dec/18	63.0	66.0	70.0	71.0
ABN AMRO Bank NV	18/Dec/18	68.0	70.0	70.0	70.0
Westpac Banking Corp	17/Dec/18	63.9	65.0	63.7	62.3
Banco Santander SA	14/Dec/18	62.0	64.0	63.0	63.0
Intesa Sanpaolo SpA	14/Dec/18	75.0	80.0	81.0	81.0
Australia & New Zealand Banking Group Ltd	13/Dec/18	70.5	77.0	78.5	76.5
Commerzbank AG	12/Dec/18	60.0	63.0	67.0	70.0
Landesbank Baden-Wuerttemberg	12/Dec/18	57.0	57.0	60.0	60.0
Wells Fargo Securities LLC	10/Dec/18	62.0	64.0	68.0	70.0
Incrementum AG	10/Dec/18	63.0	65.0	71.0	78.0
Norddeutsche Landesbank Girozentrale	7/Dec/18	59.0	58.0	58.0	62.0
Oxford Economics Ltd	6/Dec/18	60.0	63.0	64.3	64.9
MPS Capital Services Banca per le Imprese SpA	5/Dec/18	70.0	75.0	73.0	70.0
Bank of Nova Scotia/The	4/Dec/18	64.0	69.0	68.0	67.0
Guggenheim Securities LLC	4/Dec/18	74.0	76.0	78.0	76.0
Rabobank International	26/Nov/18	67.0	67.8	67.6	67.5
Barclays PLC	20/Nov/18	75.0	71.0	70.0	73.0
BNP Paribas SA	19/Nov/18	79.0	82.0	76.0	65.0
Toronto-Dominion Bank/Toronto	19/Nov/18	78.0	80.0	80.0	80.0
DZ Bank AG	16/Oct/18	80.0	77.5	75.0	72.5
Deutsche Bank AG	2/Oct/18	80.0	78.0	78.0	76.0
HSBC Holdings PLC	11/Sep/18	75.0	80.0	80.0	85.0
Promsvyazbank PJSC	31/Jul/18	55.0	53.1	52.7	55.6
Median		63.5	67.9	70.0	70.0
Mean		66.0	68.4	69.4	69.6
High		80.0	82.0	81.0	85.0
Low		55.0	53.1	52.7	51.0
Current Fwd		61.4	61.7	61.6	61.5
Difference (Median - Current)		2.1	6.2	8.4	8.5

Source: Bloomberg

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