



بنك الإمارات دبي الوطني
Emirates NBD

Commodities

17 February 2019

Oil market weekly highlights

Both Brent and WTI futures extended their year-to-date gains last week and hit new high closes for the year. Brent added 6.7% last week to end at USD 66.25/b while WTI was up more than 5% to finish at USD 55.59/b. Risk assets generally performed well as markets expect an extension of the deadline on US-China trade talks, helping shore up sentiment amidst otherwise soft economic data. Several Fed officials have also indicated they are looking at fewer rate hikes this year than the central bank had projected earlier. A softer trajectory for the dollar will also help support crude prices near term.

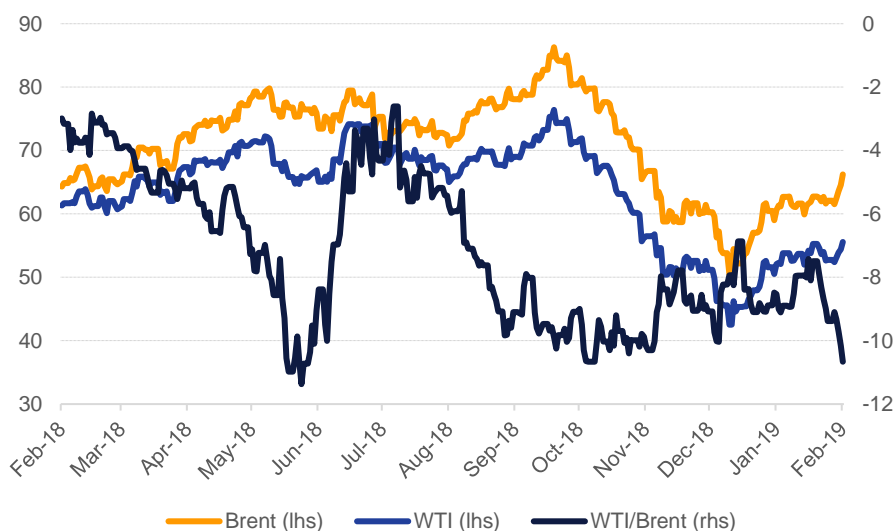
The rally in oil markets was particularly striking as all the major forecasting agencies pointed to softening fundamentals in their latest market reports. OPEC cut its forecast for the call on its own members' crude to 30.57m b/d thanks to higher output forecasts for non-OPEC supply growth (expecting growth of 2.18m b/d this year). The EIA revised its 2019 US supply forecast up sharply to 1.46m b/d from 1.14m b/d previously and also brought forward the date it expects the US to pass over 13m b/d of production to Q1 2020. Finally the IEA left its own demand forecasts unchanged while revising upward its non-OPEC supply forecast. Taken together, all the agencies pointed to a tight market for heavy, sour crude in H1 thanks to OPEC cuts and sanctions on PDVSA but none of them project a very positive outlook for other oil market indicators. Few economies are posting economic data outperformance and the US is now starting to show more signs of softening growth. Rising oil prices along with weaker economic growth is a trend with a short life expectancy that could unwind viciously in the oil market.

Brent time spreads, relatively more influenced by OPEC issues than WTI, tightened last week into a more consistent backwardation in the first two years of the curve. Dec spreads for 19/20 closed last week at over USD 1.5/b, more than doubling their level at the start of the week. Long-dated WTI spreads have also been tightening but at the front end of the curve, the glut of US oil is still weighing on spreads: a contango is still in play for the first nine months of the curve.

US exploration and development companies added another three rigs last week despite current WTI prices coming in close to break-even levels for many producers. Prices for Mars, a heavy grade of US crude from the Gulf of Mexico, remain elevated thanks to the relative tightness of heavy, sour crudes.

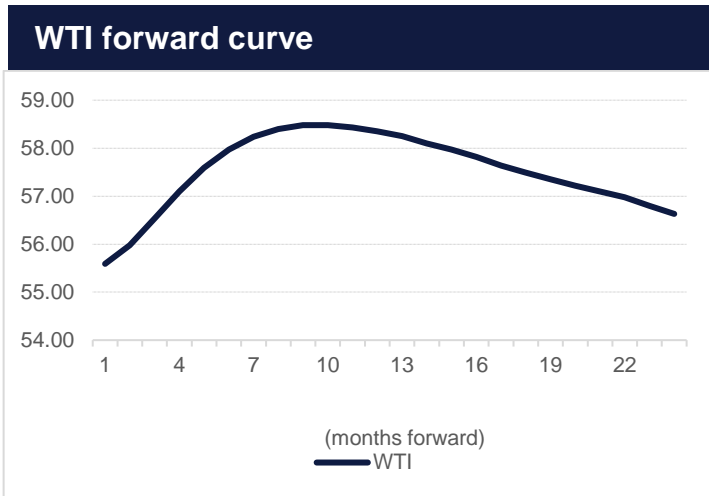
The gain in crude prices is providing little relief to refiners as margins continue to hover near year lows. A large weekly build in Singapore fuel oil and light distillate stocks helped push inventories there to their highest level since September 2017. Stocks in north-west Europe also edged higher while US crude stocks hit their highest level in the past year.

Oil prices extend year-to-date gains

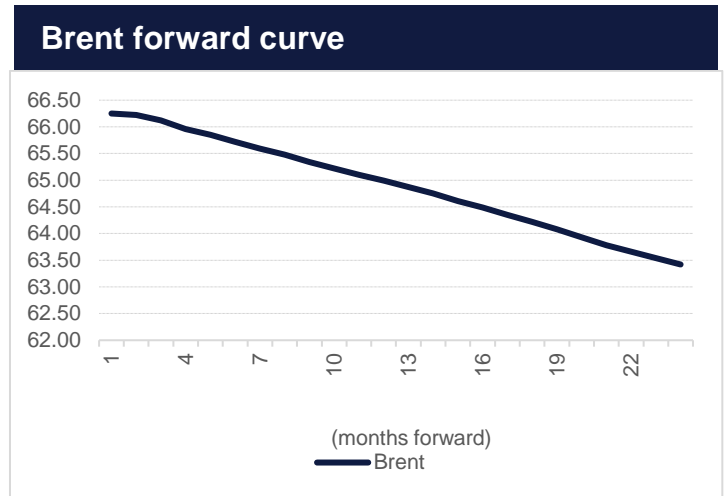


Source: EIKON, Emirates NBD Research.

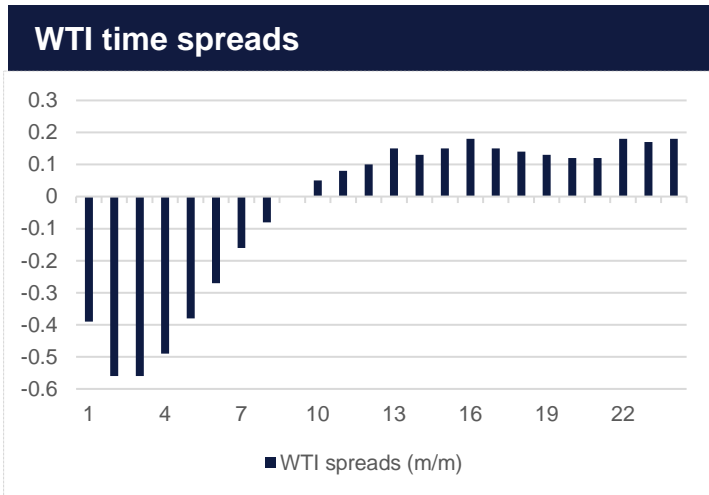
Edward Bell
Commodities Analyst
+971 4 230 7701
edwardpb@emiratesnbd.com



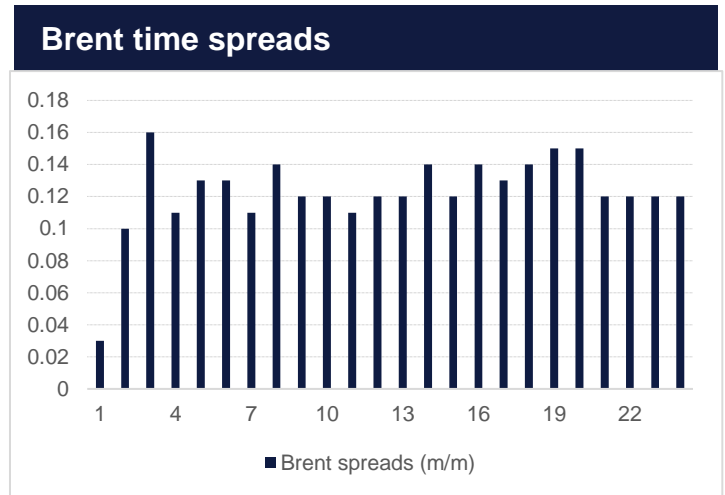
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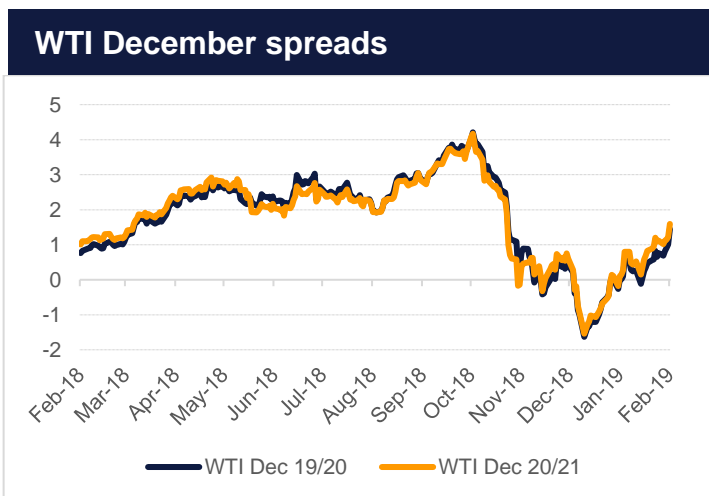
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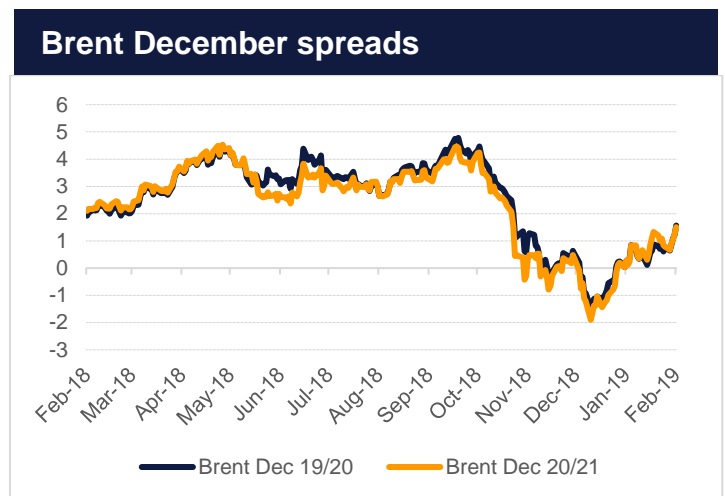
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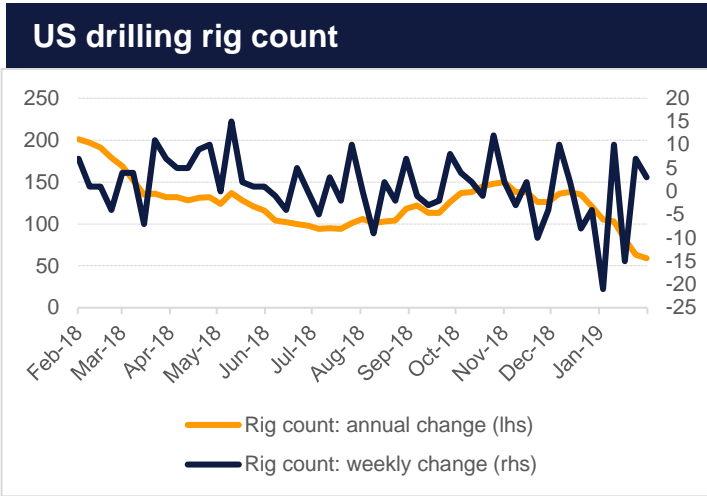
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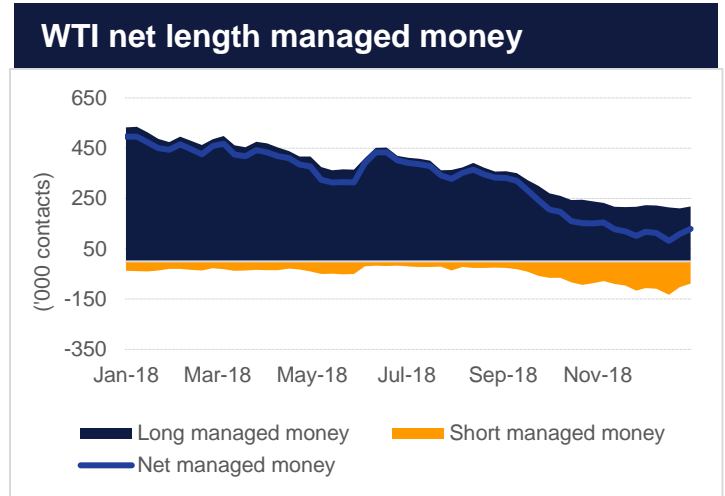
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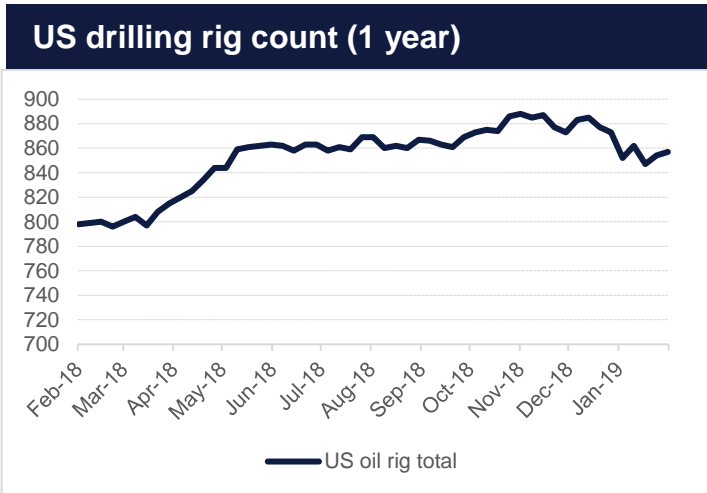
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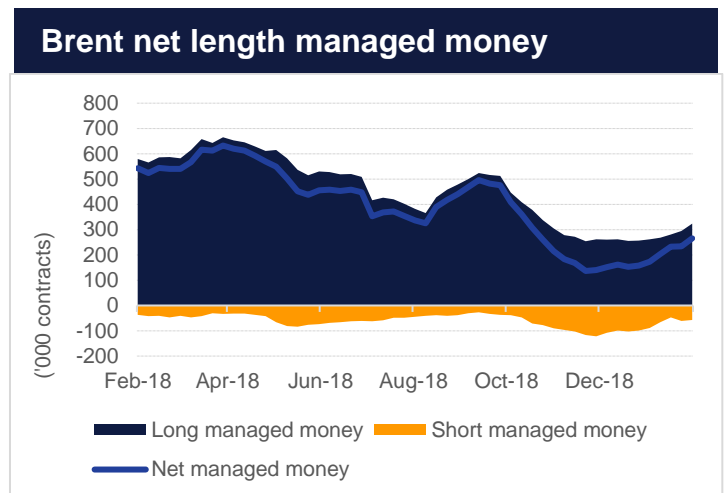
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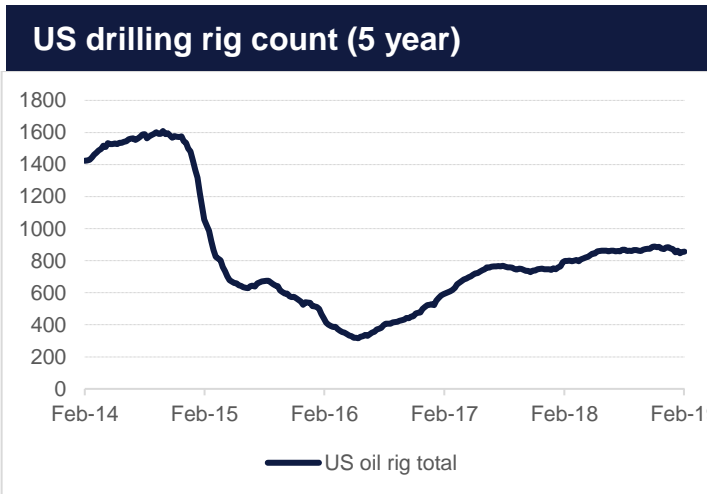
Source: EIKON, Emirates NBD Research. Note: NYMEX futures and options only.



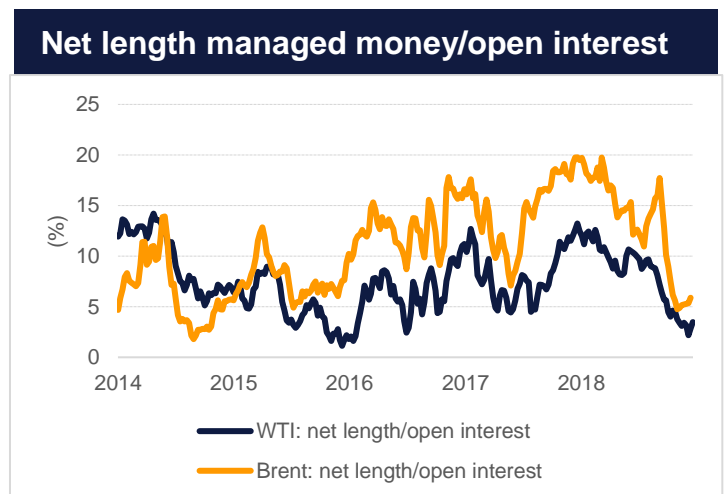
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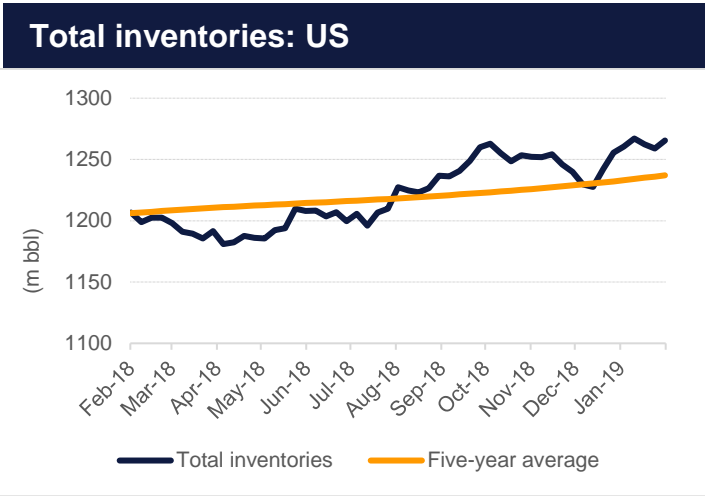
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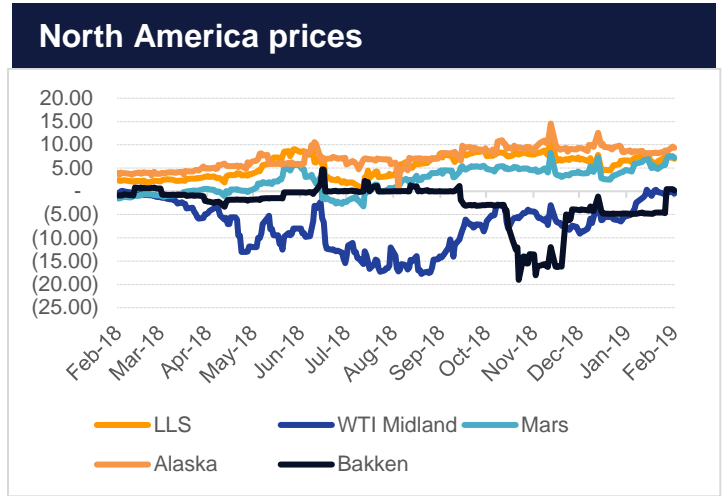
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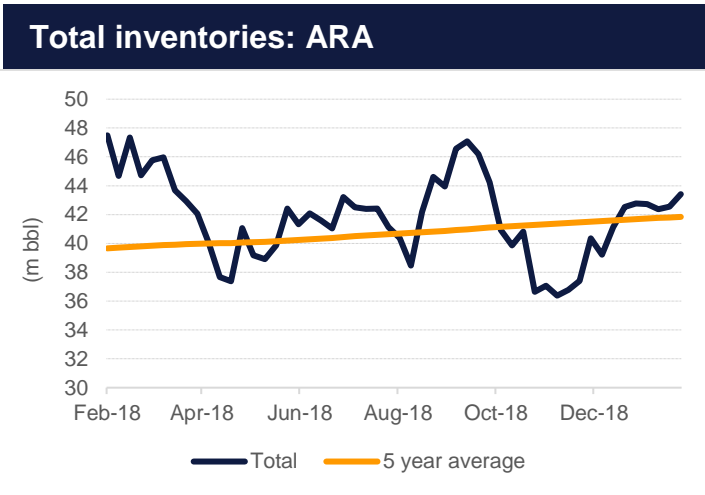
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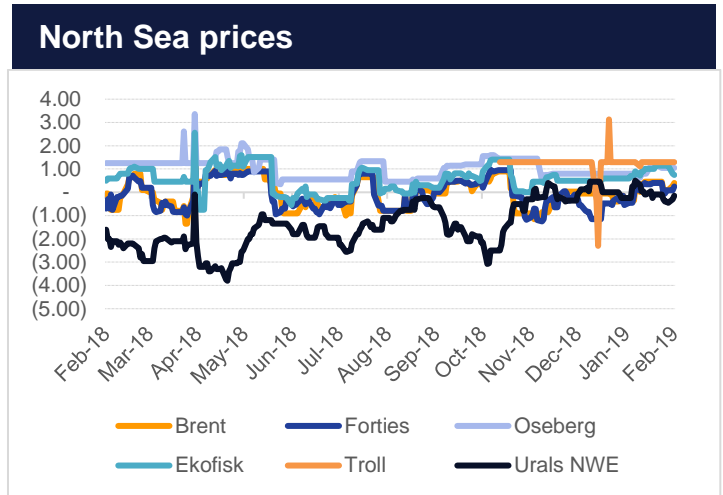
Source: EIKON, Emirates NBD Research. Note: crude and products.



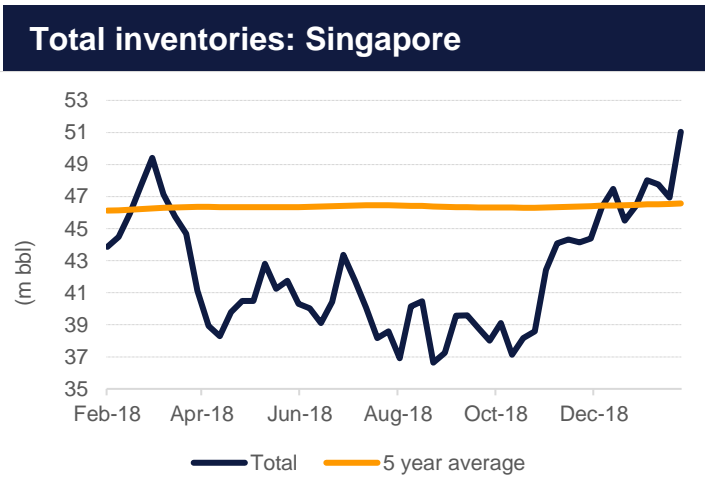
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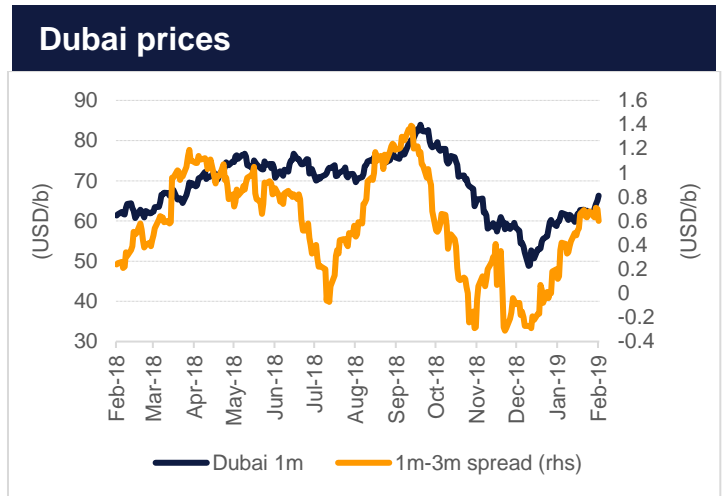
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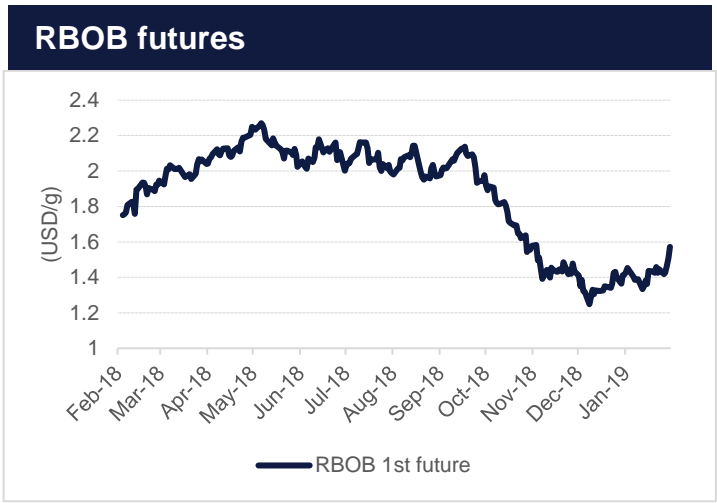
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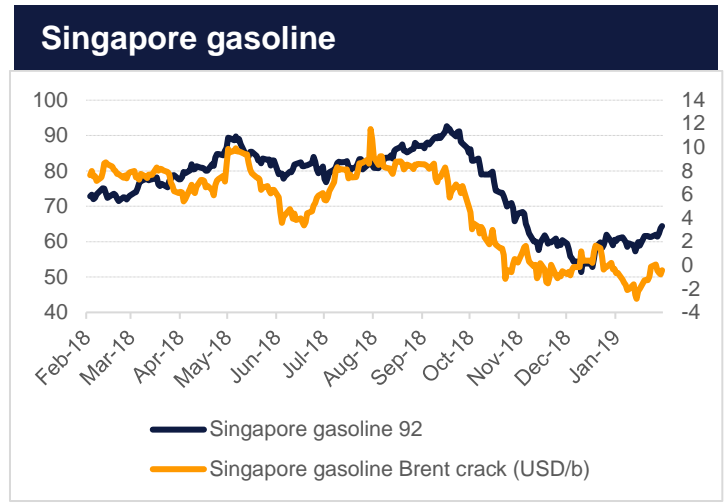
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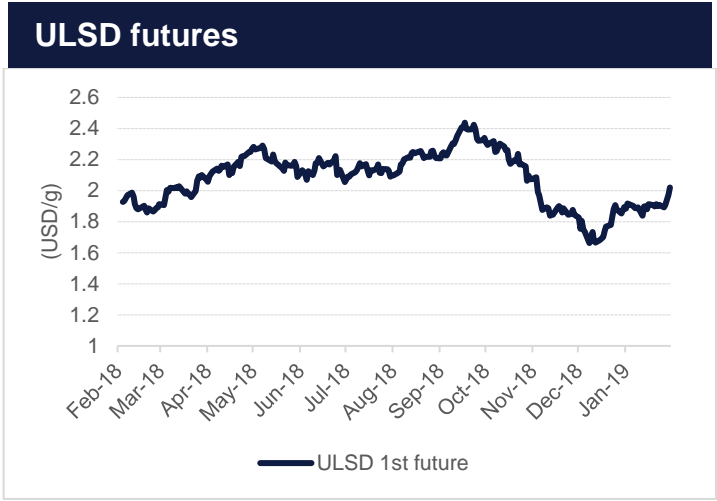
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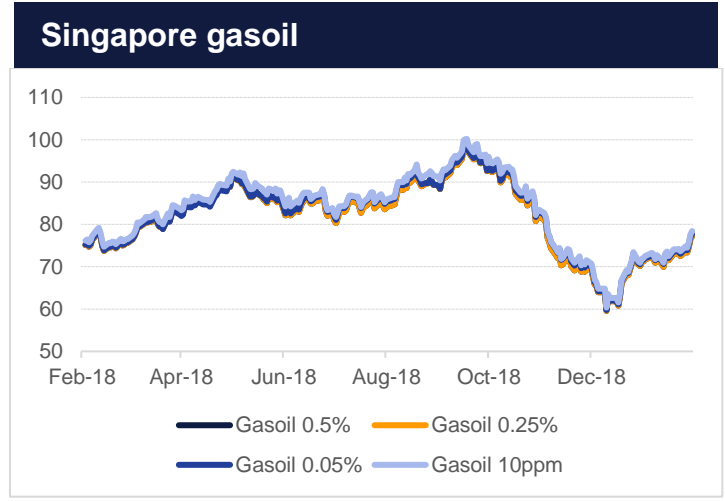
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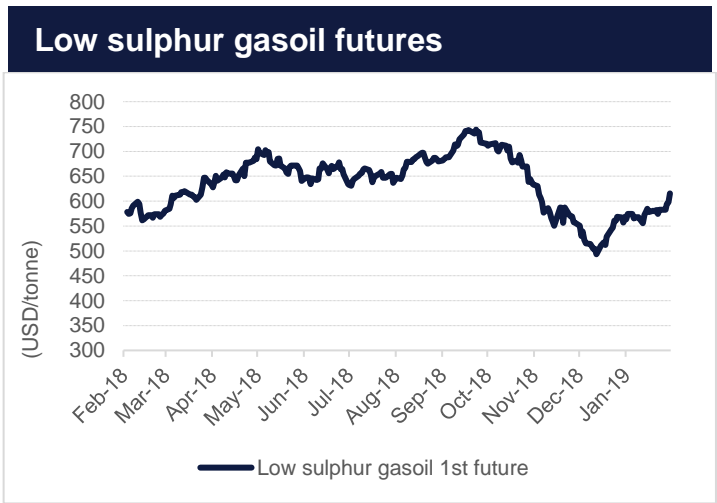
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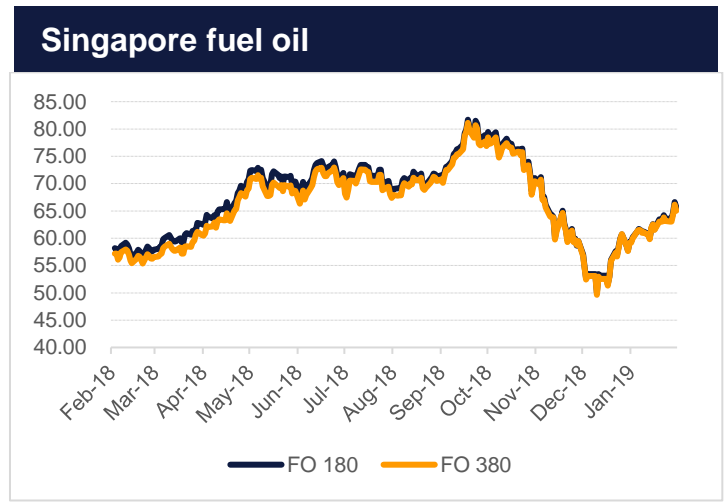
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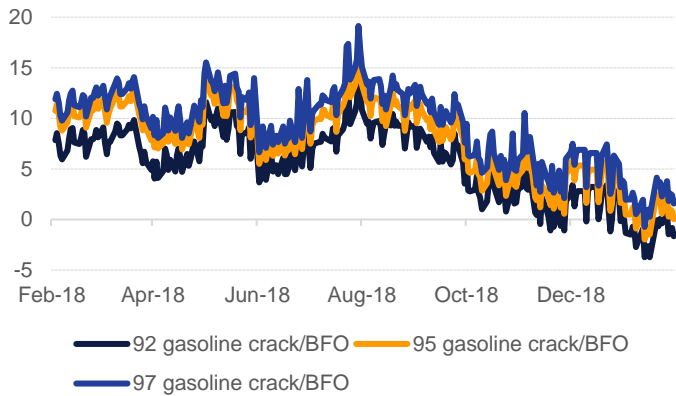


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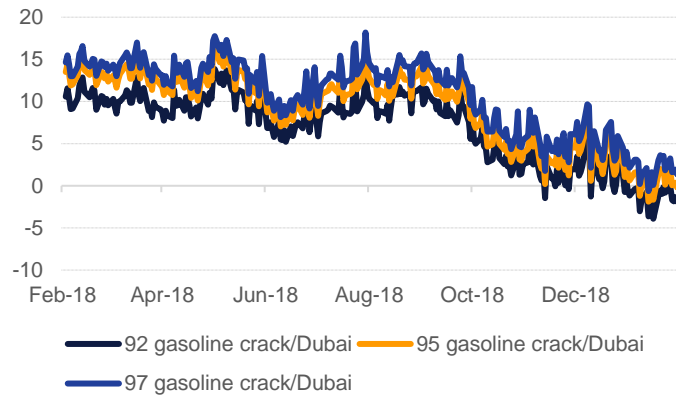
Source: EIKON, Emirates NBD Research

Singapore/BFO crack gasoline



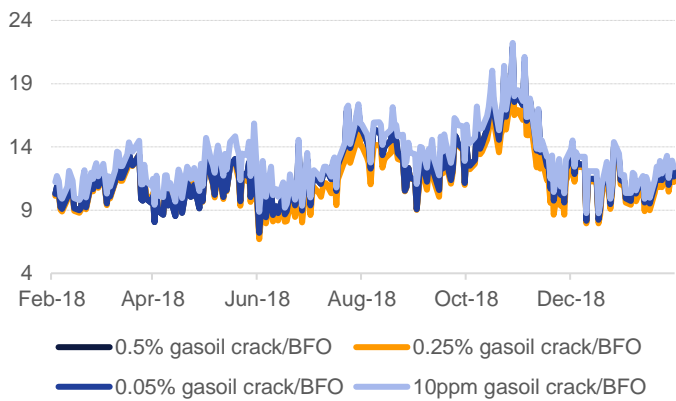
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Singapore/Dubai crack gasoline



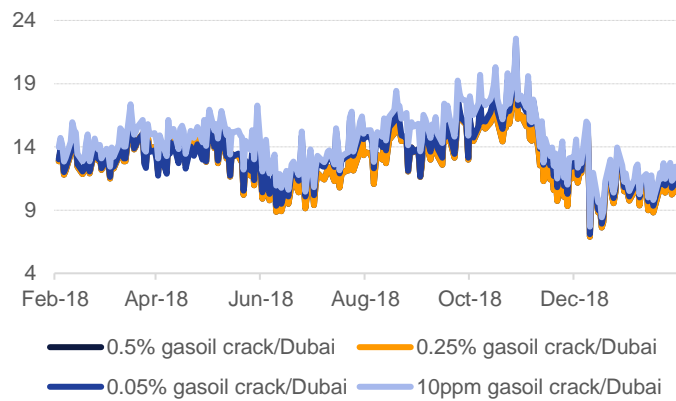
Source: EIKON, Emirates NBD Research.

Singapore/BFO crack gasoil



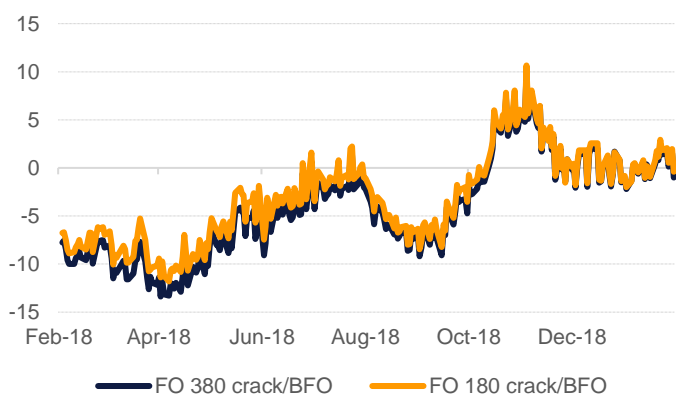
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Singapore/Dubai crack gasoil



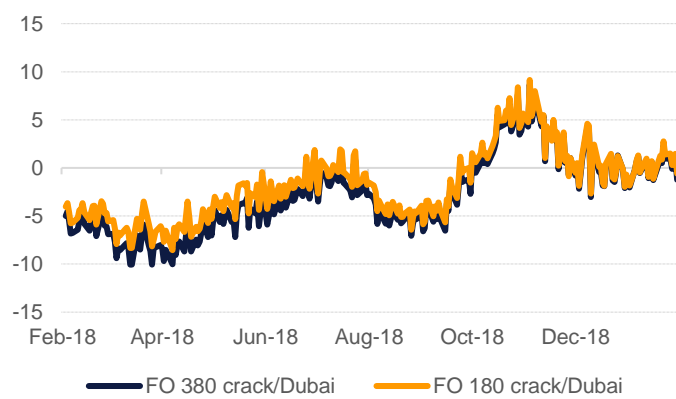
Source: EIKON, Emirates NBD Research.

Singapore/BFO crack fuel oil



Source: EIKON, Emirates NBD Research

Singapore/Dubai crack fuel oil



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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Aditya Pugalia
Director - Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com