



بنك الإمارات دبي الوطني
Emirates NBD

Commodities

23 June 2019

Oil market weekly highlights

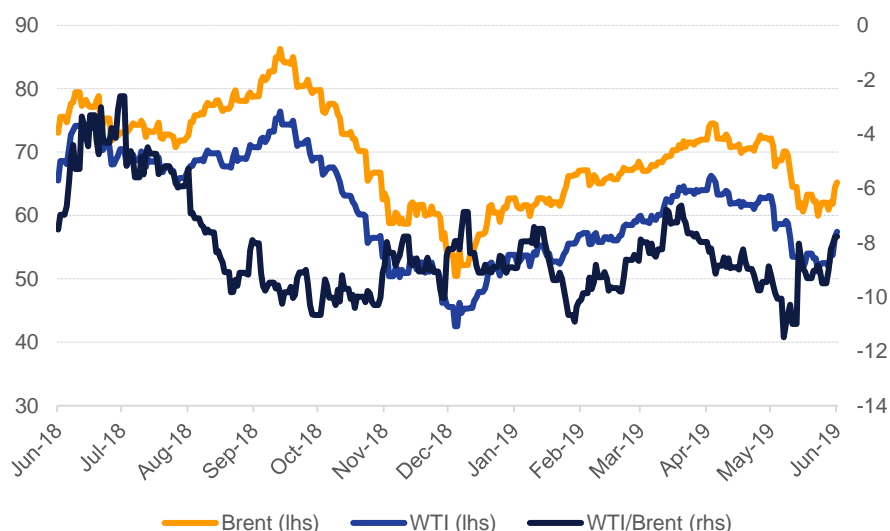
Oil markets remain transfixed by the escalation in tension between the US and Iran and the impact heightened geopolitical risks could have on flows of crude oil out of the Gulf region. Brent futures rose more than 5% over the week to close at USD 65.20/b, with much of the gain occurring thanks to a more than 4% jump on Thursday in response to news that a US military drone was shot down. WTI futures rose almost 10%, abetted by a draw in US crude inventories.

The geopolitical risk centred on the Strait of Hormuz remains a highly fluid and dynamic variable and the uncertainty it is causing will support oil prices in the short-term. However, we reiterate that unless there is a step change in how crude, products or natural gas flow out of the region, then the impact will wane and prices will remain bound by broader fundamental issues such as US-China trade relations and OPEC's stance on production levels in H2. Oil will likely be on the agenda for the G20 meeting at the end of this week as US president Donald Trump has apparently discussed the market with the crown prince of Saudi Arabia, Mohammed bin Salman. Dialogue at the G20 between Mohammed bin Salman and Russia's president, Vladimir Putin, will also come under scrutiny as Putin and Russian oil company executives have been vocal in stressing a fair price for crude around USD 65/b, far below what Saudi Arabia and other Middle East producers require as fiscal break-even prices.

OPEC has finally agreed to meet at the start of July after weeks of dithering on when or if to hold a meeting. There appears to be broad consensus within OPEC on the need to extend the current round of production cuts into H2 but doubt on whether Russia will continue to support the cuts. Our expectation is for OPEC producers to roll over the cuts but that output will increase to closer to targeted levels as there is ample room to increase. Saudi Arabia production in May was 260k b/d lower than its target, according to Reuters estimates. But producers in OPEC will be reticent to appear to respond to any US call to increase production and keep prices stable after their experience in 2018 when the effect of output increases was undercut by the US providing Iranian crude export waivers.

The backwardation in both the longer-dated Brent and WTI curves strengthened last week in response to the escalation in geopolitical tension. Dec spreads for both Brent and WTI closed well above USD 2/b for 19/20 even as spreads at the front of the curve were relative underperformers. Brent 1-2 month spreads actually compressed to a backwardation of USD 0.75/b compared with USD 1/b a week earlier. Brent's second month contract outperformed the front month, hence the compression in spreads. WTI moved closer to backwardation at the front of the curve, ending the week at just USD 0.07/b in contango.

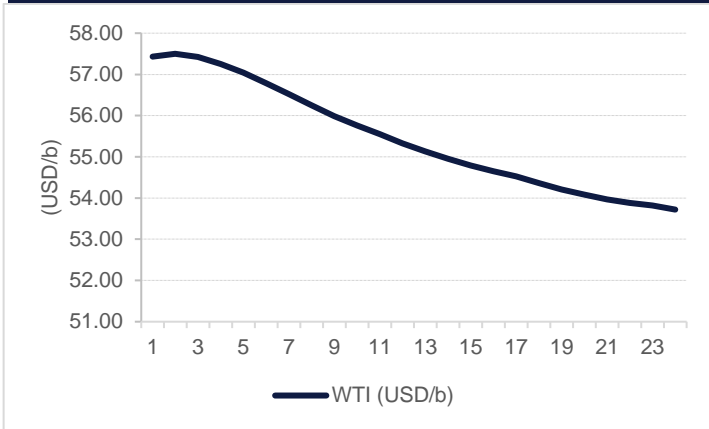
Oil moves higher on geopolitical risk



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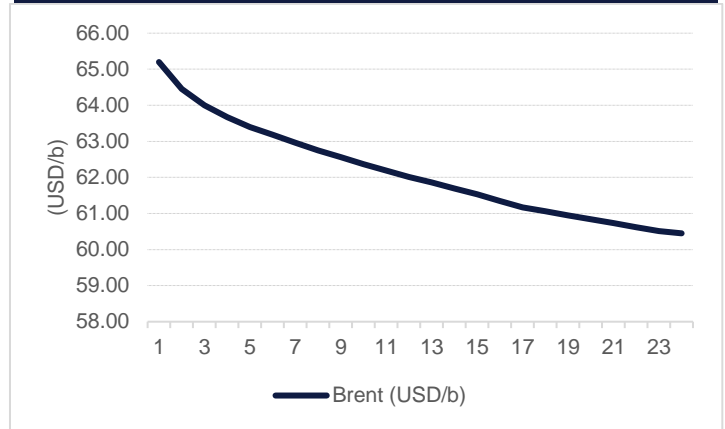
Source: EIKON, Emirates NBD Research.

WTI forward curve



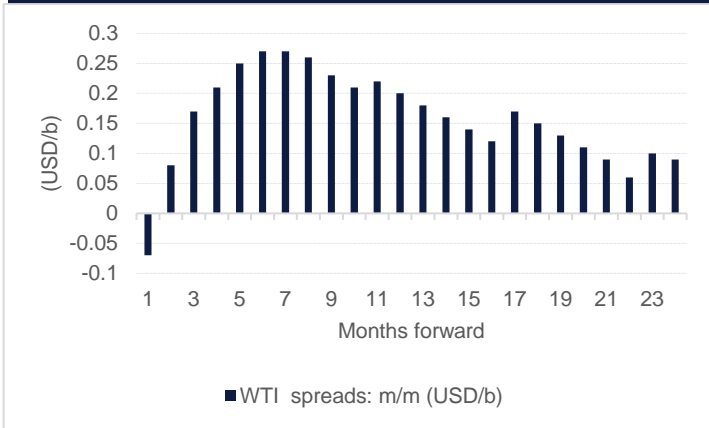
Source: EIKON, Emirates NBD Research. Note: USD/b.

Brent forward curve



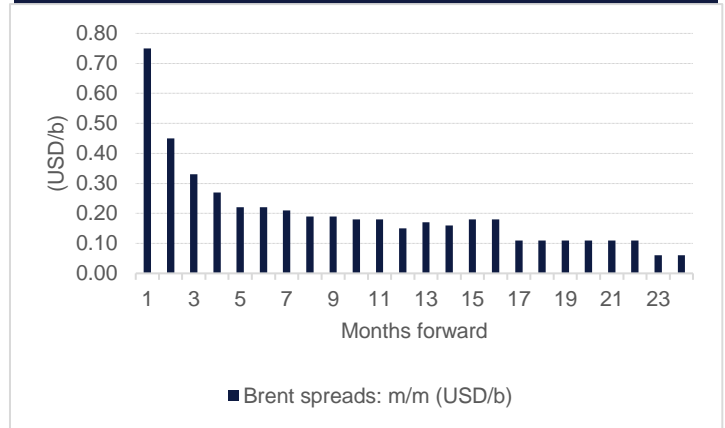
Source: EIKON, Emirates NBD Research. Note: USD/b.

WTI time spreads



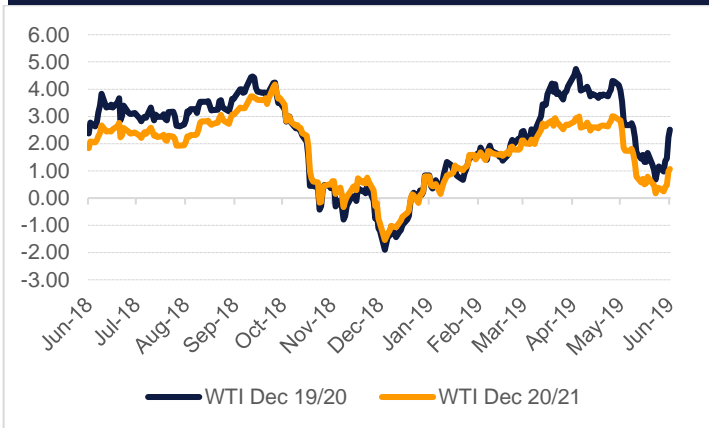
Source: EIKON, Emirates NBD Research. Note: USD/b.

Brent time spreads



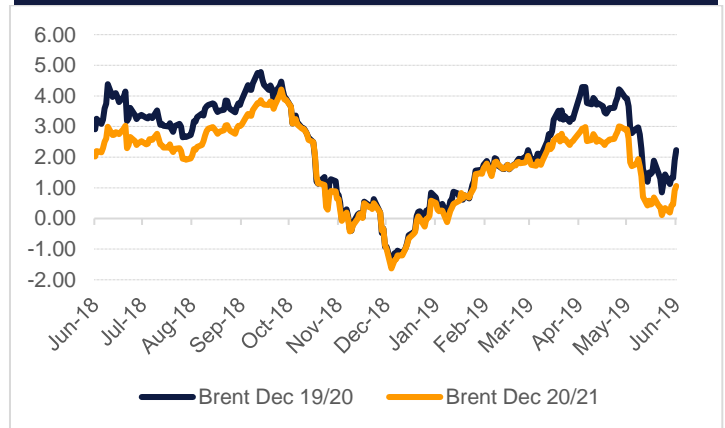
Source: EIKON, Emirates NBD Research. Note: USD/b.

WTI December spreads

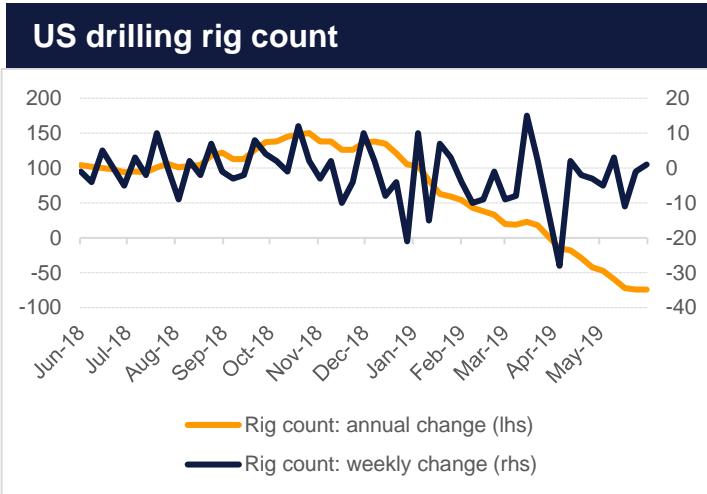


Source: EIKON, Emirates NBD Research. Note: USD/b.

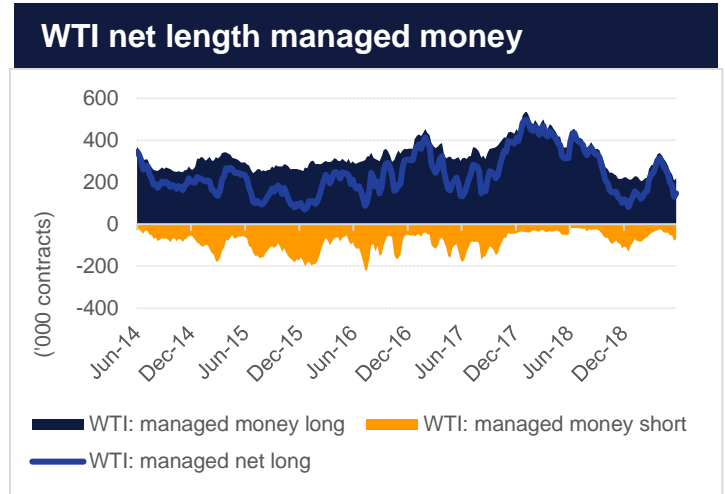
Brent December spreads



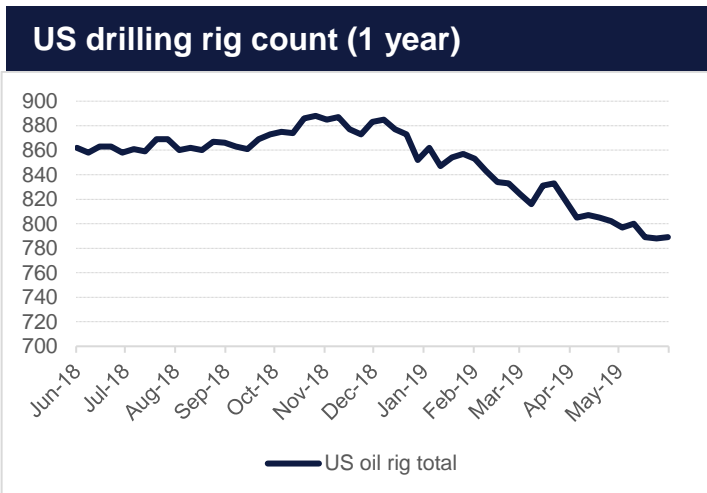
Source: EIKON, Emirates NBD Research. Note: USD/b.



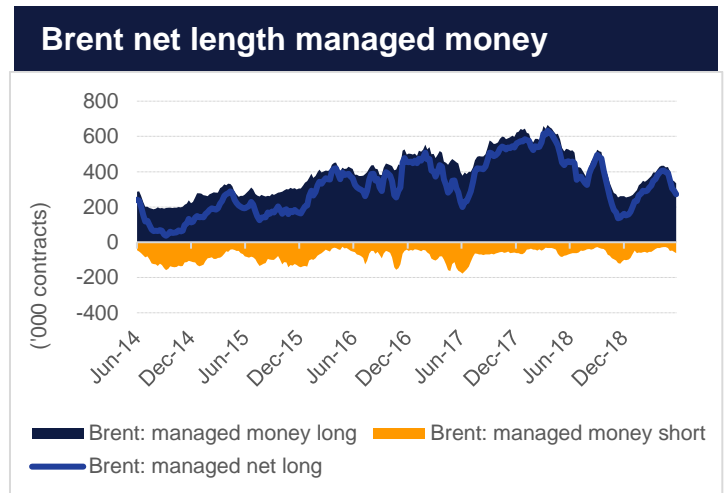
Source: EIKON, Emirates NBD Research.



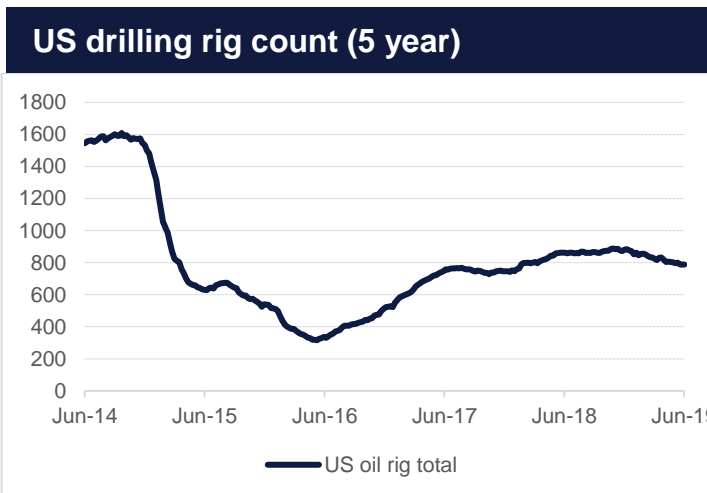
Source: EIKON, Emirates NBD Research. Note: NYMEX futures and options only.



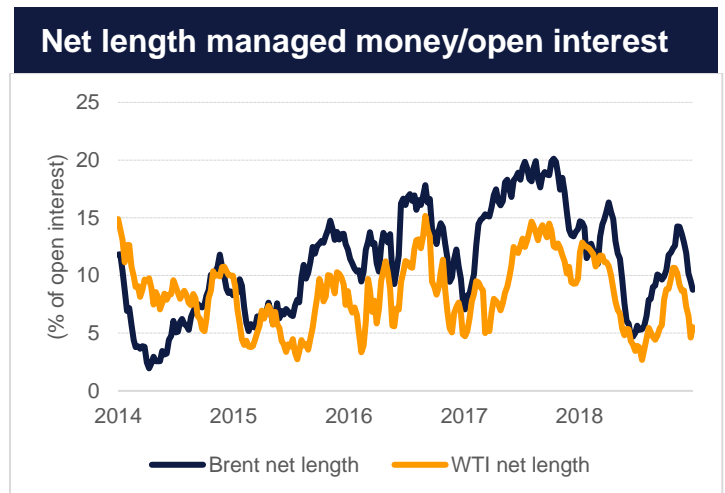
Source: EIKON, Emirates NBD Research.



Source: EIKON, Emirates NBD Research. Note: ICE only.



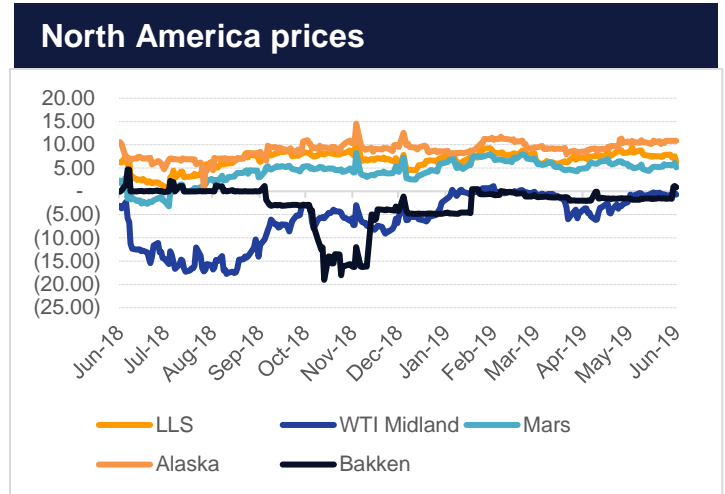
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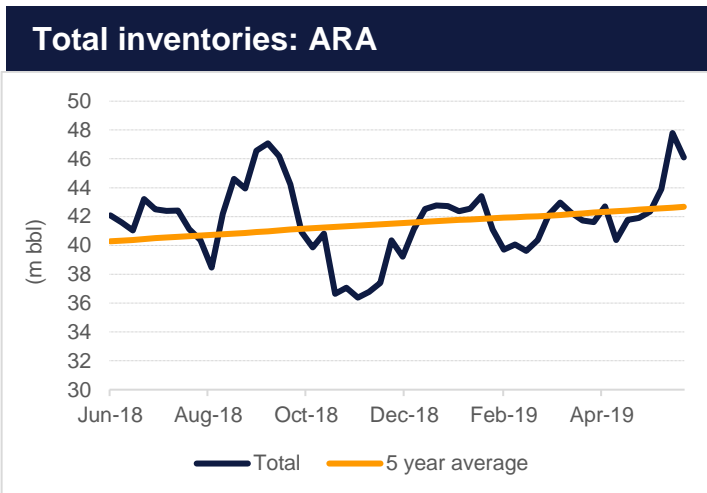
Source: EIKON, Emirates NBD Research. Note: NYMEX and ICE.



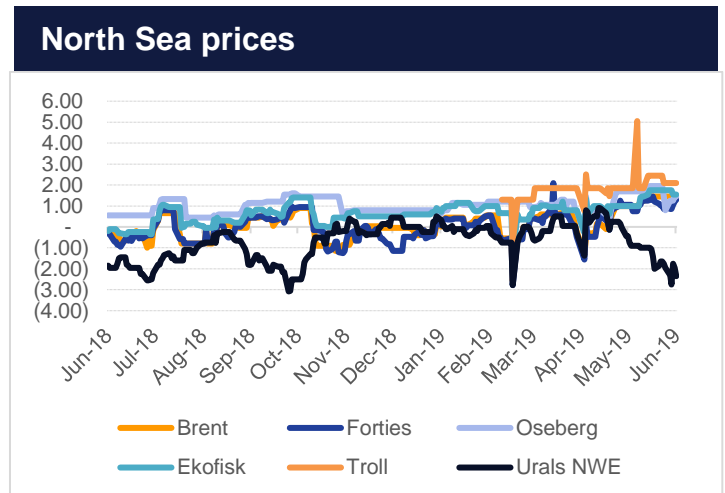
Source: EIKON, Emirates NBD Research. Note: crude and products.



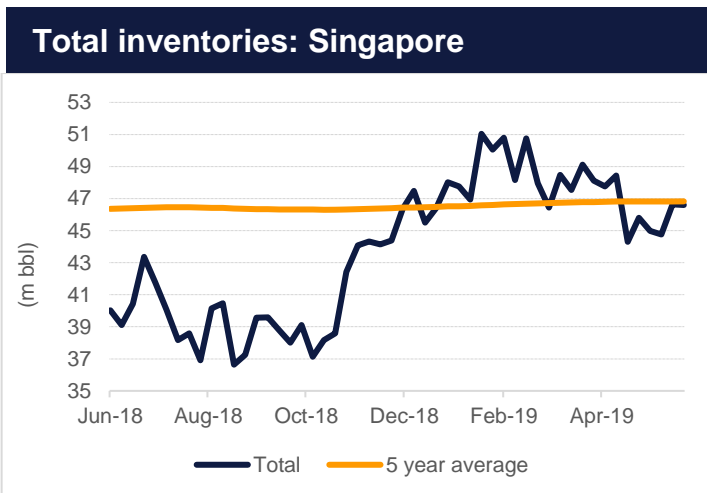
Source: EIKON, Emirates NBD Research. Note: USD/b



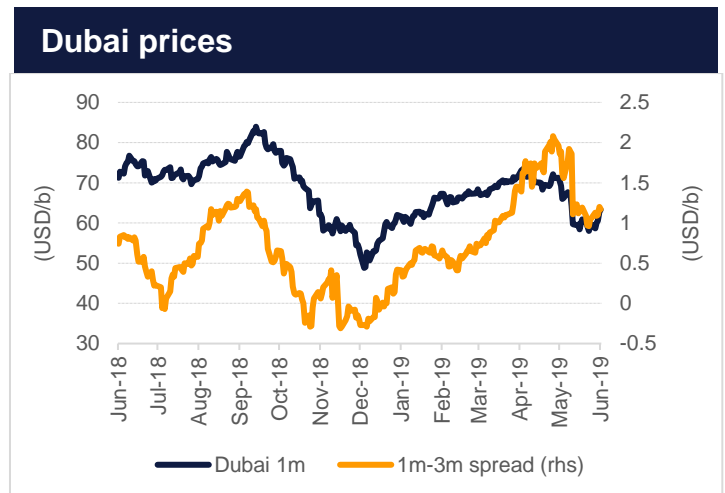
Source: EIKON, Emirates NBD Research. Note: products only.



Source: EIKON, Emirates NBD Research. Note: USD/b.

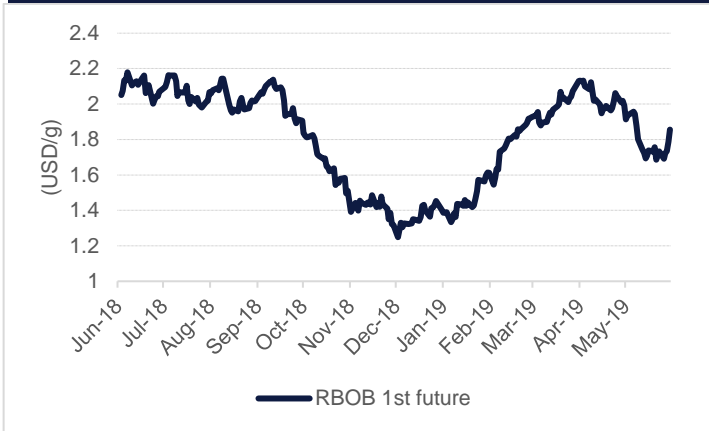


Source: EIKON, Emirates NBD Research. Note: products only.



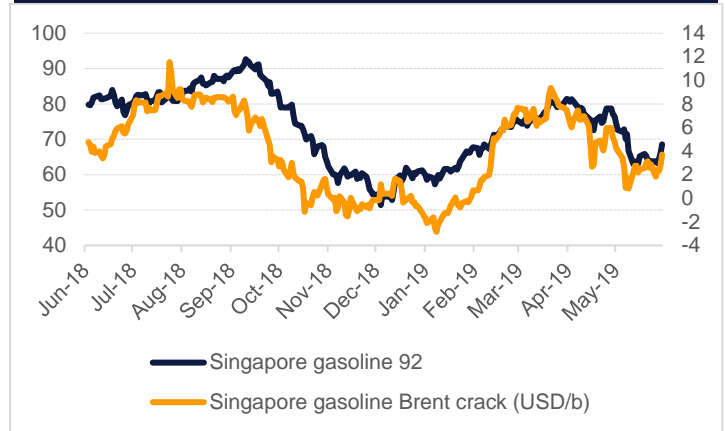
Source: EIKON, Emirates NBD Research. Note: USD/b.

RBOB futures



Source: EIKON, Emirates NBD Research

Singapore gasoline



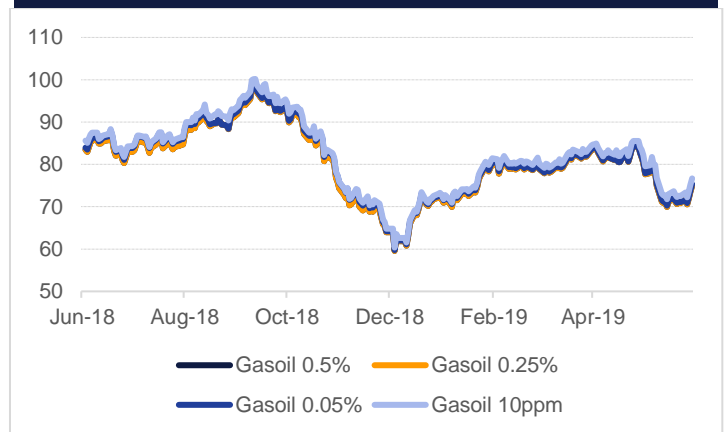
Source: EIKON, Emirates NBD Research

ULSD futures



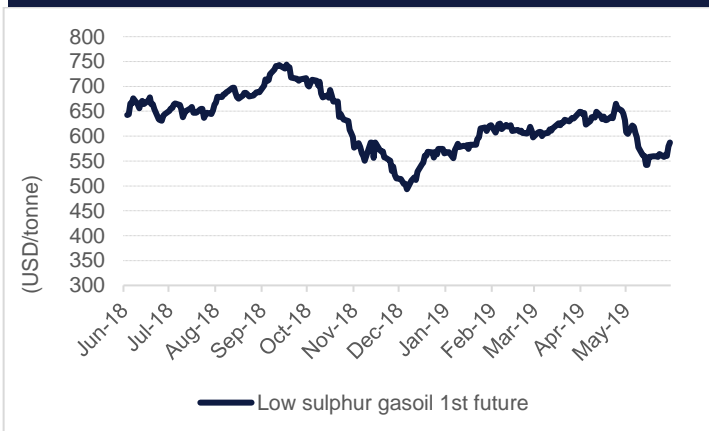
Source: EIKON, Emirates NBD Research.

Singapore gasoil



Source: EIKON, Emirates NBD Research

Low sulphur gasoil futures



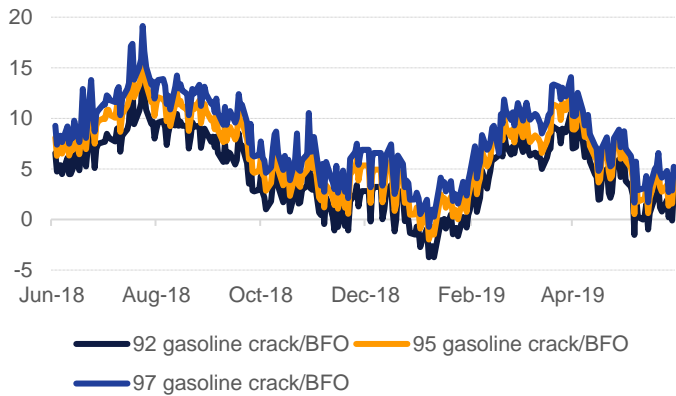
Source: EIKON, Emirates NBD Research

Singapore fuel oil



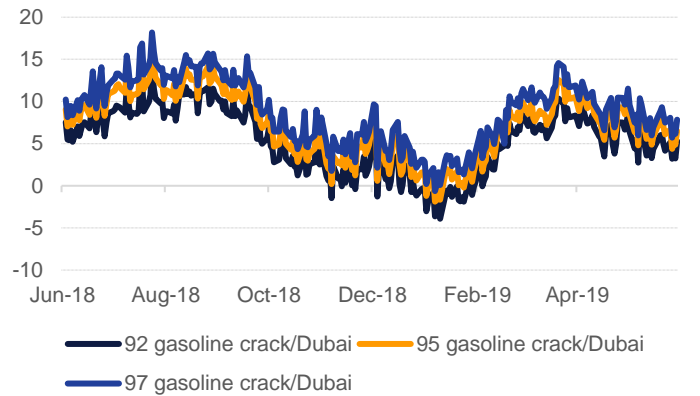
Source: EIKON, Emirates NBD Research

Singapore/BFO crack gasoline



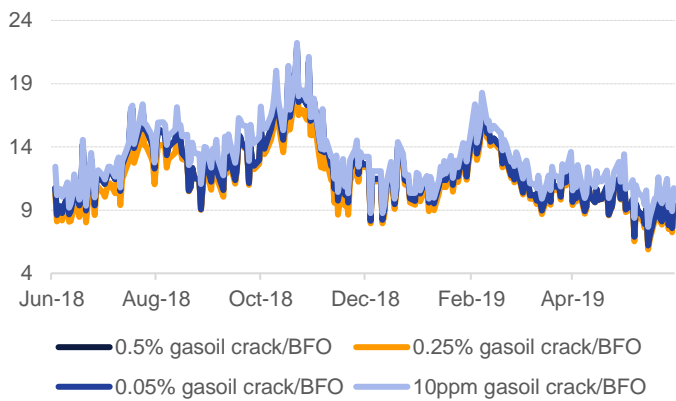
Source: EIKON, Emirates NBD Research

Singapore/Dubai crack gasoline



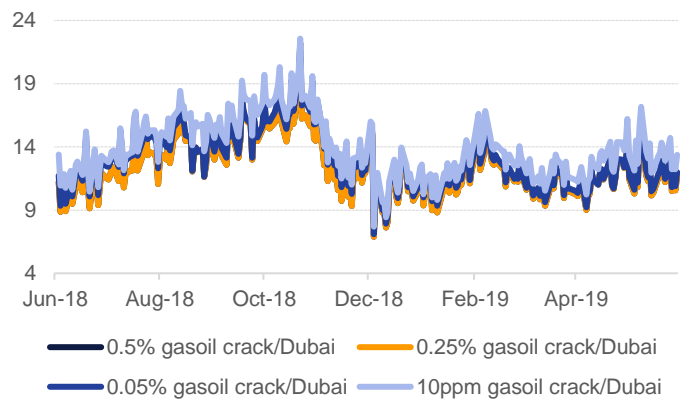
Source: EIKON, Emirates NBD Research.

Singapore/BFO crack gasoil



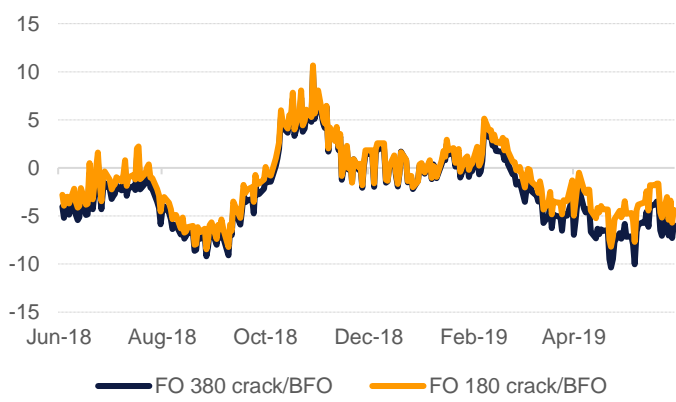
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Singapore/Dubai crack gasoil



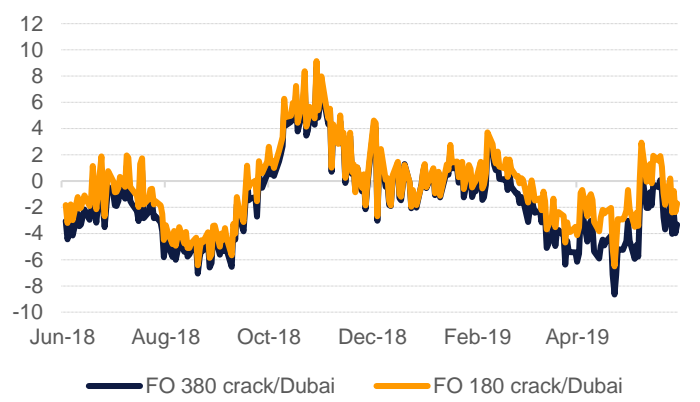
Source: EIKON, Emirates NBD Research.

Singapore/BFO crack fuel oil



Source: EIKON, Emirates NBD Research

Singapore/Dubai crack fuel oil



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