



بنك الإمارات دبي الوطني
Emirates NBD

Commodities

16 August 2020

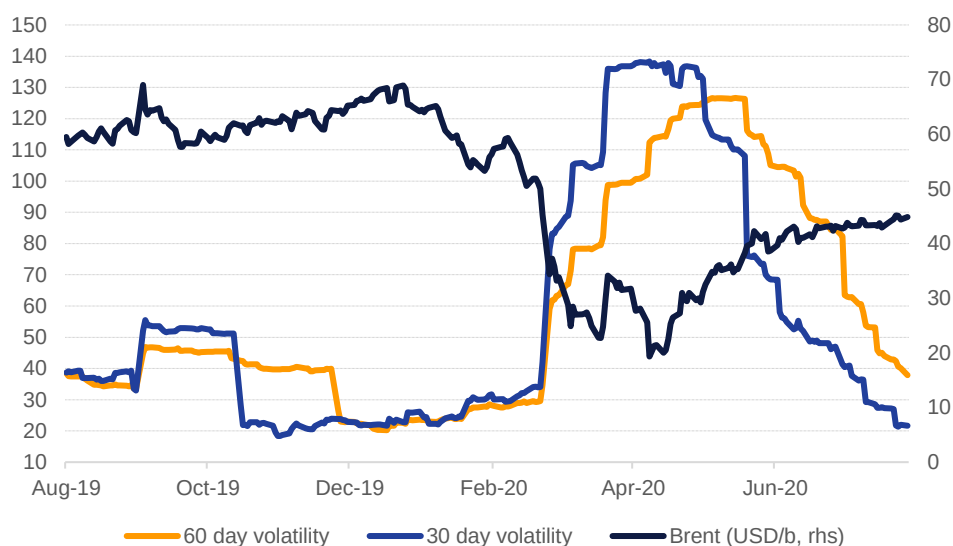
Oil market highlights

Oil markets added a second consecutive week of gains last week despite some tempering of the demand outlook from major forecasting agencies. Brent futures settled at USD 44.80/b, a gain of 0.9% over the week after some choppy trading. WTI managed to do better, adding 1.9% to close the week at just over USD 42/b. Volatility in oil markets has been trending significantly lower in recent trading sessions, moving to almost its lowest year-to-date. As we have outlined in the past most of the action for oil markets now will relate to demand conditions as the market has already priced in the OPEC+ supply cuts and adjustments outside of OPEC+. For a sharp push higher we expect oil prices would need a much stronger demand signal, either in the form of substantial new stimulus measures or movement toward a coronavirus vaccine.

Even as spot prices managed to move higher, forward structures have begun to drift. Front month spreads in both Brent and WTI futures both closed in a wider contango last week while 1-6 month spreads settled at USD 1.57/b in Brent and over USD 2/b in WTI. The weakening of the Dubai market structure has also gathered pace in line with higher volumes from Gulf producers as per the terms of the OPEC+ deal: the 1-3 month Dubai swap spread moved to more than USD 1/b in contango, its widest level since May.

Investors look to be taking a more bi-directional view on oil futures as there are few fundamental signals to push the market in either direction. Speculative net length in Brent added 17k new positions as shorts were closed out for the first time since early July while 8.7k long positions were added. In WTI, however, the dynamic was reversed: net length fell by almost 13k lots as investors reversed the prior week's long additions and built up shorts for the third week running. WTI is still substantially more crowded on long positions than Brent, however, with net length taking up almost 13% of total open interest compared with less than 7% in Brent.

Volatility continues to sink in oil markets



Source: Bloomberg, Emirates NBD Research.

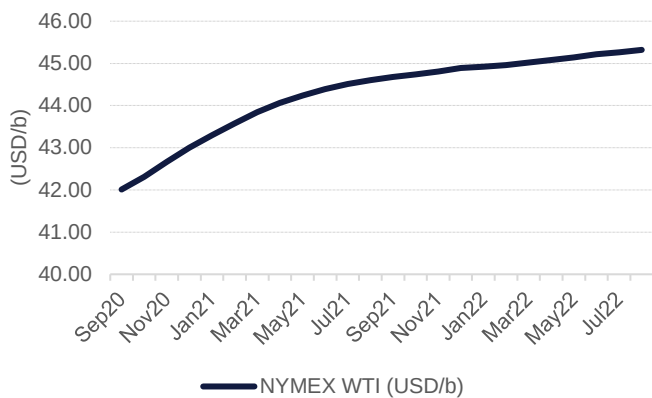
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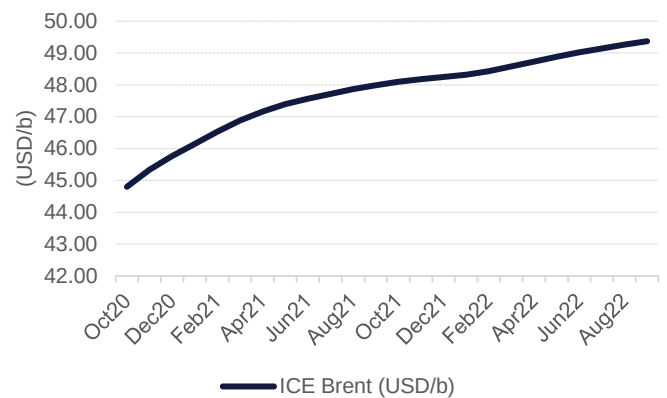
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WTI forward curve



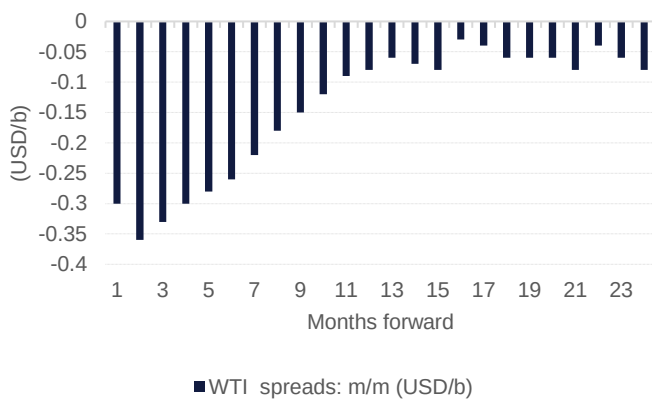
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

Brent forward curve



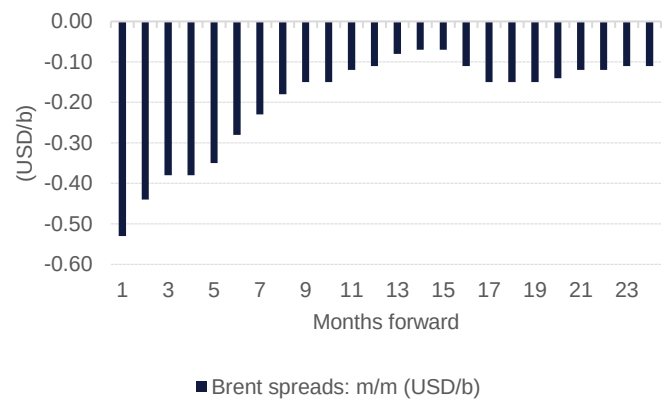
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

WTI time spreads



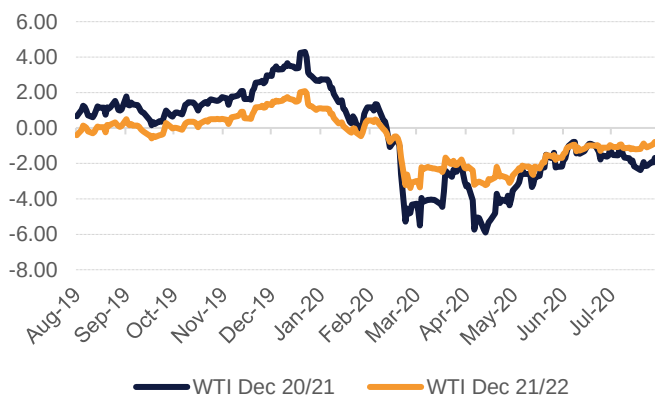
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

Brent time spreads



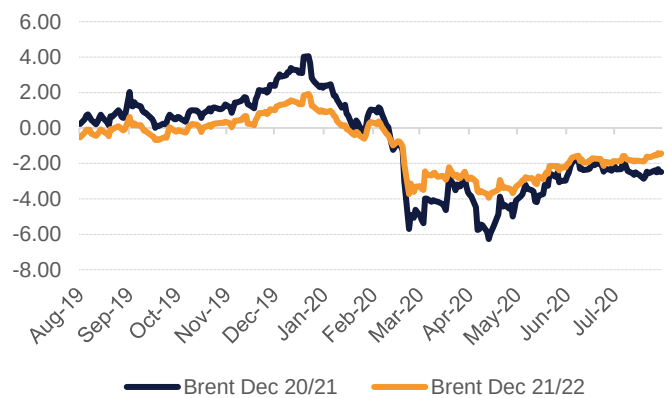
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

WTI December spreads



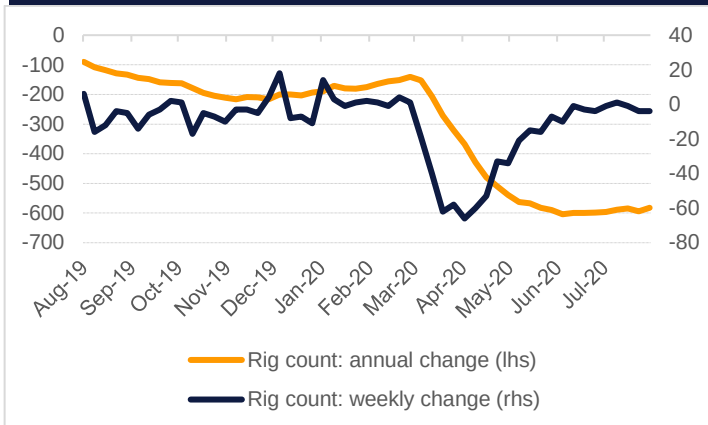
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

Brent December spreads



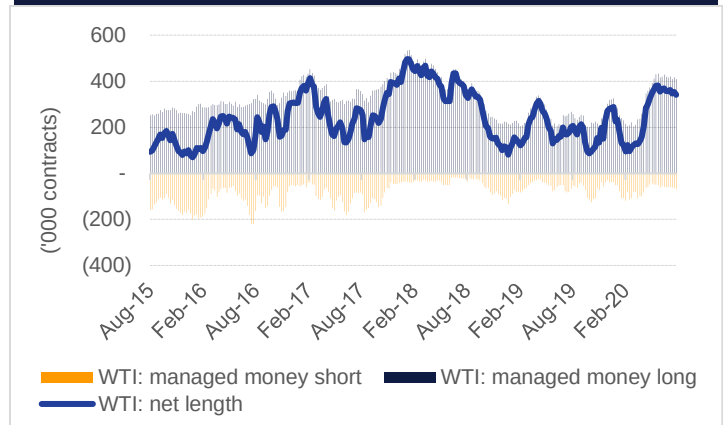
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

US drilling rig count



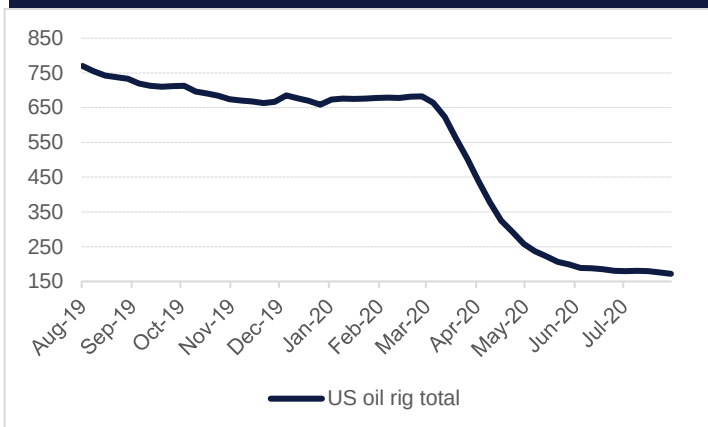
Source: Bloomberg, Emirates NBD Research.

WTI net length managed money



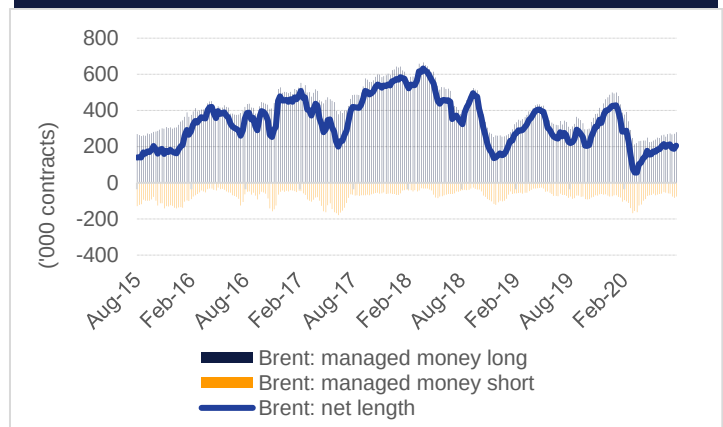
Source: Bloomberg, Emirates NBD Research. Note: NYMEX futures and options only.

US drilling rig count (1 year)



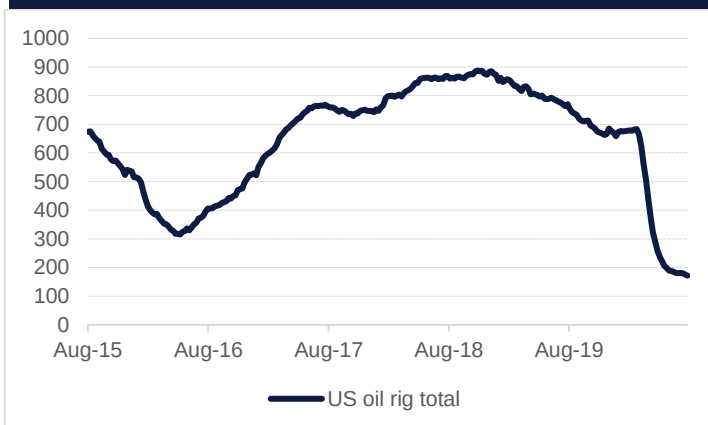
Source: Bloomberg, Emirates NBD Research.

Brent net length managed money



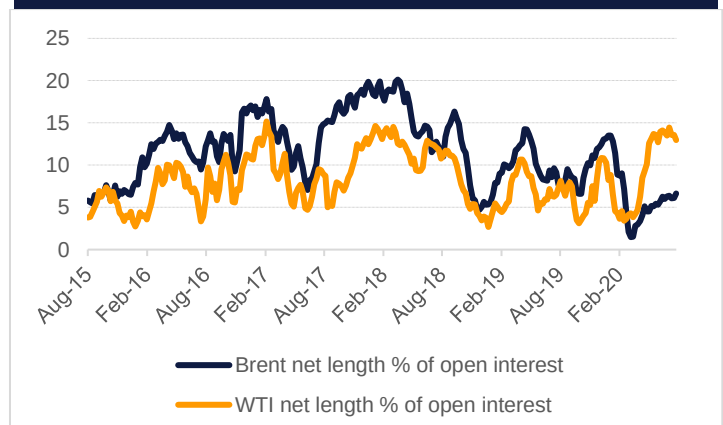
Source: Bloomberg, Emirates NBD Research.

US drilling rig count (5 year)



Source: Bloomberg, Emirates NBD Research.

Net length managed money/open interest



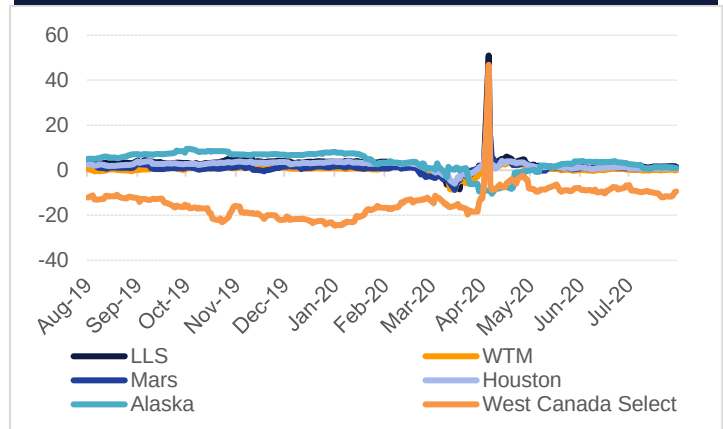
Source: Bloomberg, Emirates NBD Research.

Total crude stocks: US



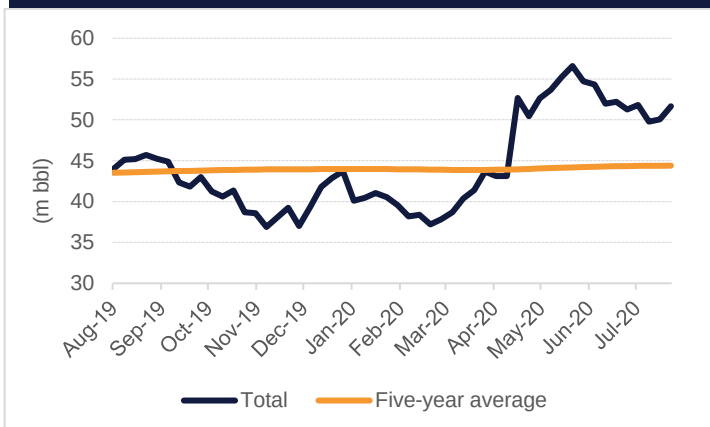
Source: Bloomberg, Emirates NBD Research.

North America prices



Source: Bloomberg, Emirates NBD Research. Note: spread to WTI USD/b

Total inventories: ARA



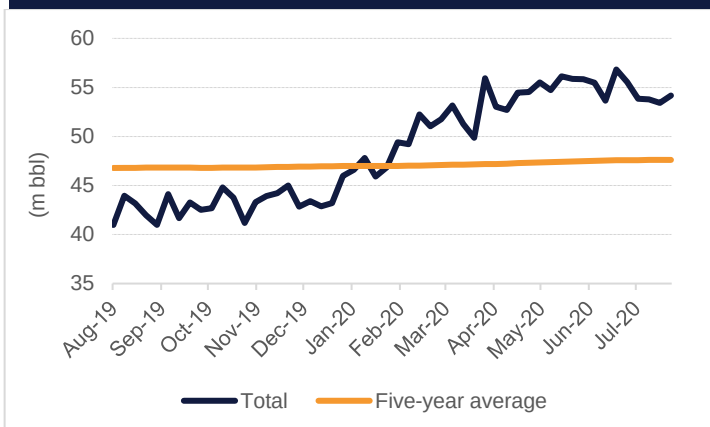
Source: Bloomberg, Emirates NBD Research. Note: products only.

Brent/Dubai spread



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

Total inventories: Singapore



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

Dubai market 1-3 month spread



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

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