



بنك الإمارات دبي الوطني  
Emirates NBD

## Commodities

19 August 2018

### Oil market weekly highlights

Oil futures weakened last week taking the run of weekly losses on front-month futures to seven in a row for WTI and three consecutively for Brent. Disappointing industrial data out of China along with concerns over emerging market economies centered on Turkey weighed on commodities and caught oil prices in their downward move. WTI ended the week down 2.5% at US 65.91/b while Brent weakened by 1.35% to USD 71.83/b. Both benchmarks are finding support at their 200-day moving averages but a break below them (USD 70.27/b for Brent and USD 64.45/b for WTI) opens the way for considerable downside.

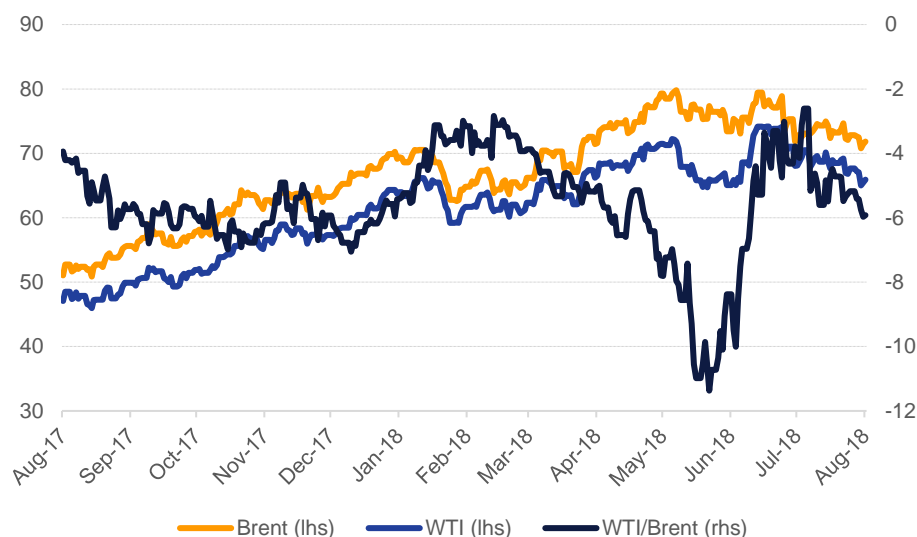
Forward curves improved slightly over the week. The 1-2month spread in WTI ended the week in a backwardation of USD 0.7/b, slightly higher than a week earlier, while the contango in Brent for the same spread tightened to USD 0.24/b. The December calendar spreads (Dec 18-19) both weakened however. There was considerable selling pressure over the course of the week as speculative long positions in both Brent and WTI shrank. Net length in all WTI futures and options fell by more than 41k contracts while in Brent net length decreased by 17.5k contracts. The general trend of softer forward curves and weaker roll yields will likely see speculators continue to cut positions, particularly in WTI where more downside risks are evident.

The drilling rig count in the US held steady last week as no new rigs were added. The total rig count in the US is holding just below 870 rigs. The EIA's drilling productivity report, released last week, estimated that total shale output would hit 7.5m b/d in September with the Permian basin accounting for the bulk of output. However, the recent softening in benchmark prices should temper the pace of growth in US exploration and production activity and lead to slower overall output growth.

Prices in the physical market remain underwhelming, particularly for Permian producers. WTI priced at Midland, Texas closed last week at a discount of nearly USD 16/b to NYMEX WTI last week and nearly USD 19/b to seaborne WTI priced at Houston. The trans-Atlantic Brent WTI spread also weakened over the week to nearly USD 6/b as bearish US inventory data weighed on the US market. A roughly similar sized move down in Dubai swaps compared with Brent futures kept the Dubai-Brent EFS relatively steady over the week, ending the five days at USD 1.72/b.

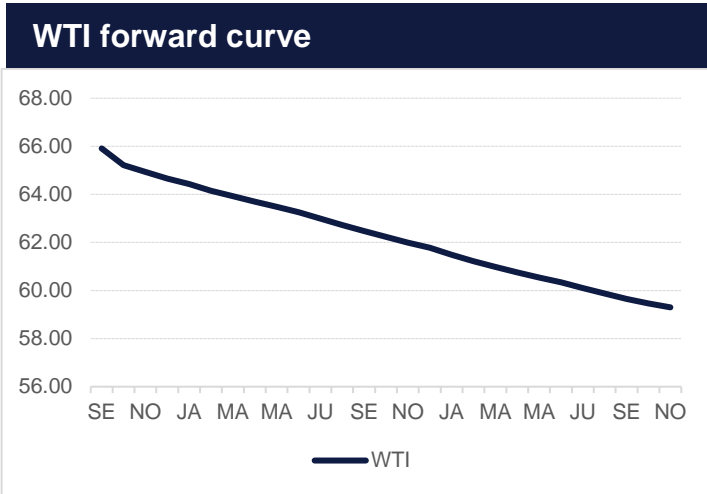
US crude inventories rose by 6.8m bbl in the latest data while total crude and product stocks increased by 17m bbl, their largest weekly gain over the last five years. Product stocks in Singapore rose marginally last week while ARA inventories fell.

#### Oil benchmarks continue their weekly declines

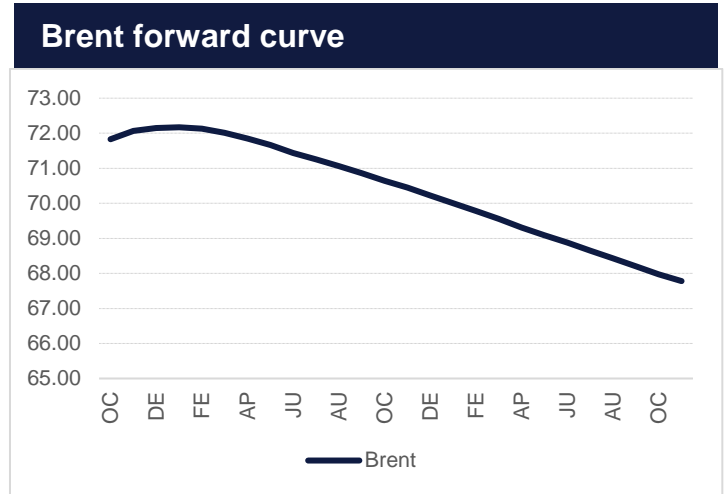


Source: EIKON, Emirates NBD Research.

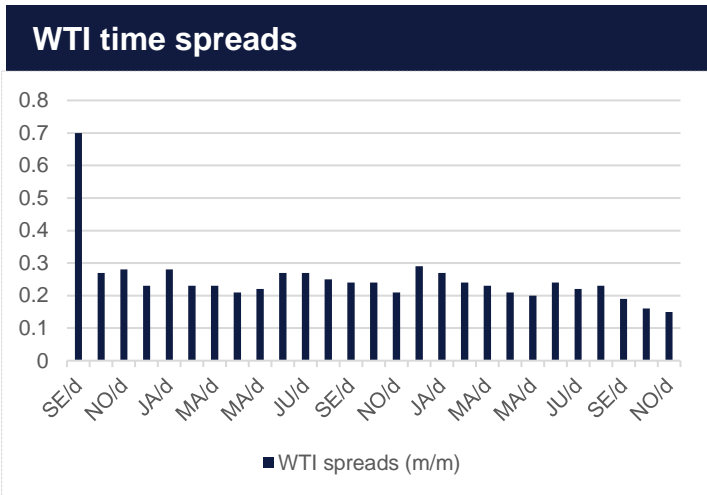
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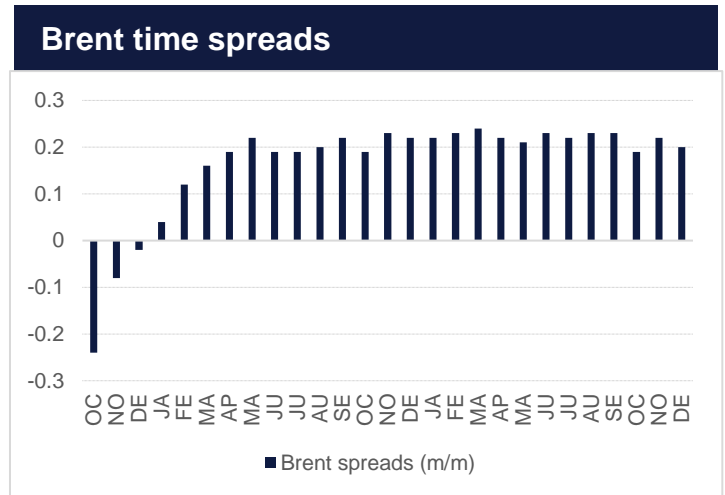
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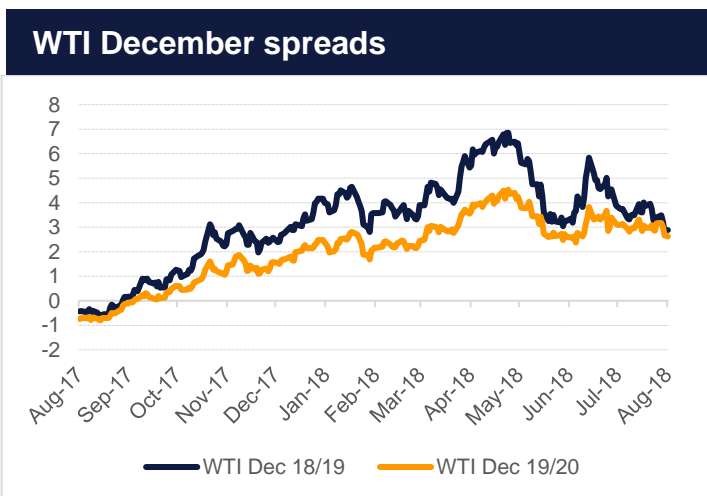
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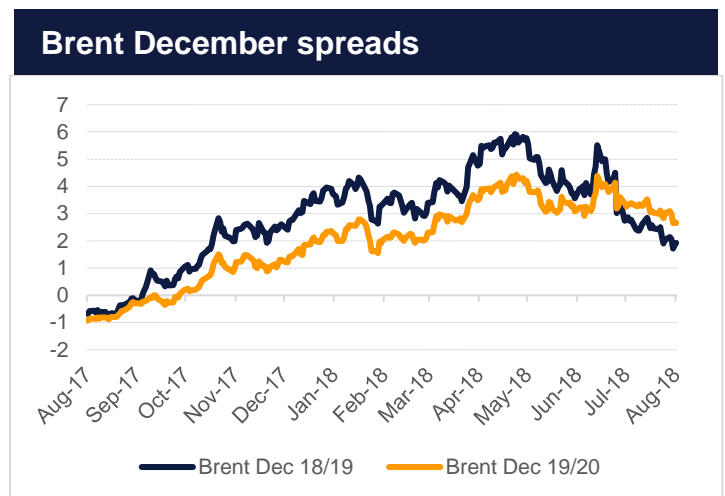
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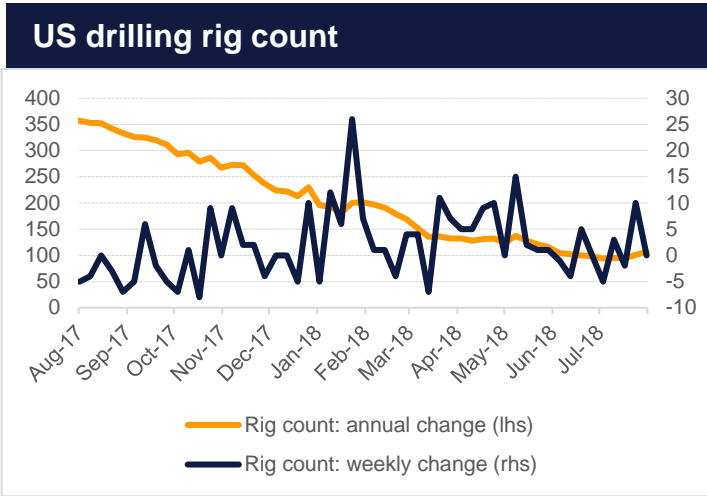
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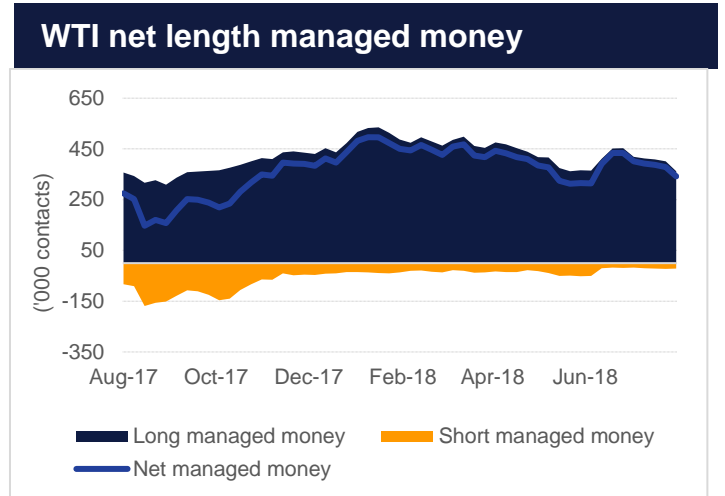
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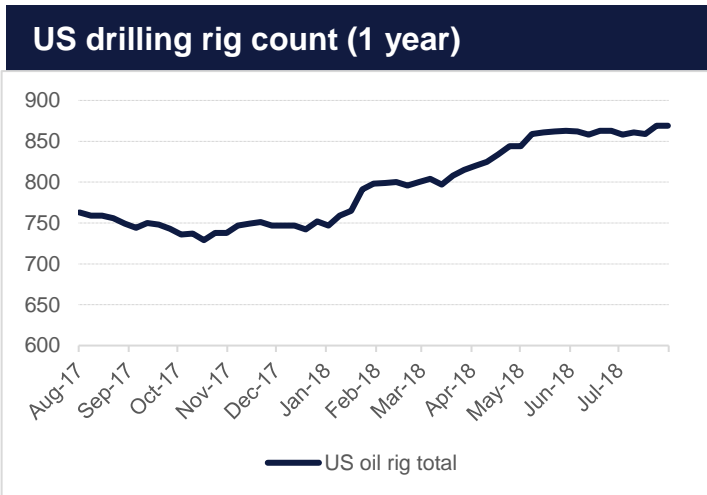
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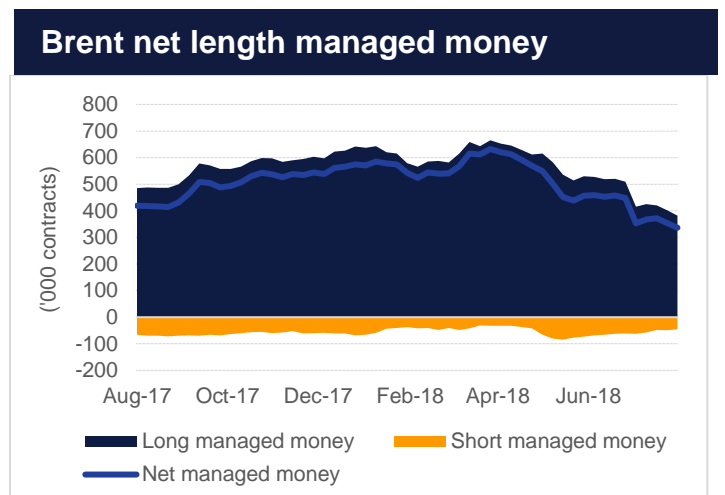
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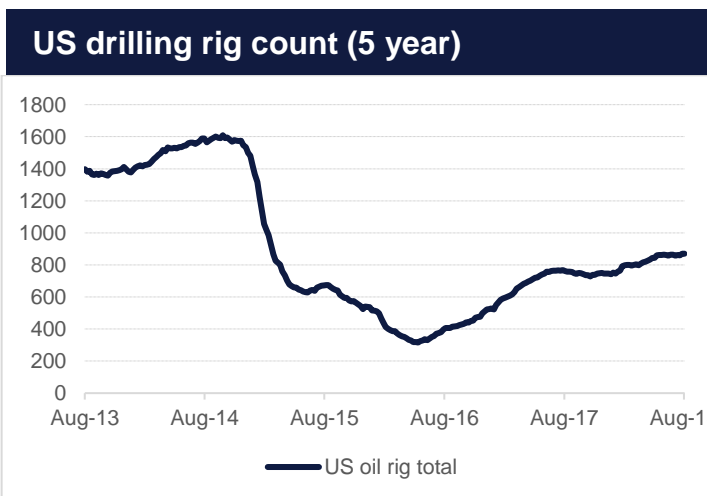
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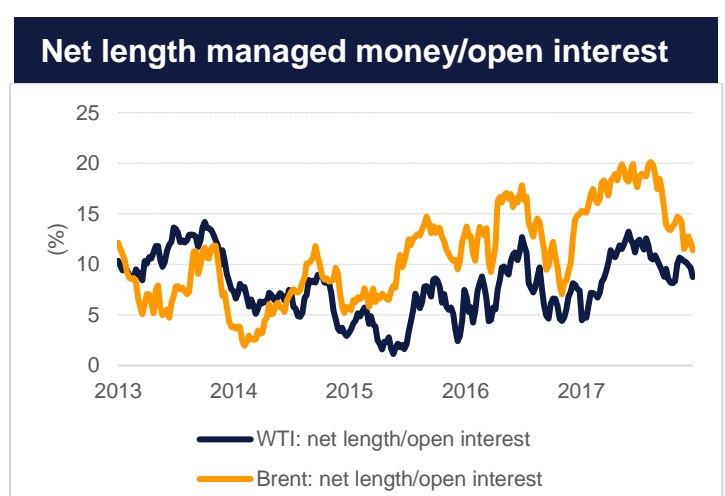
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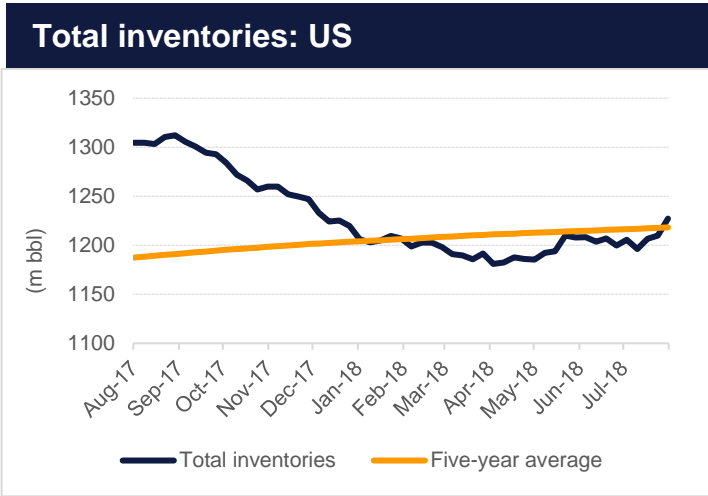
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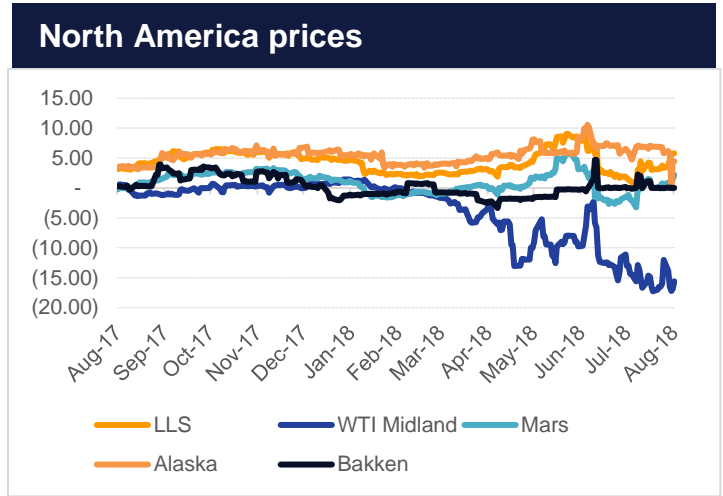
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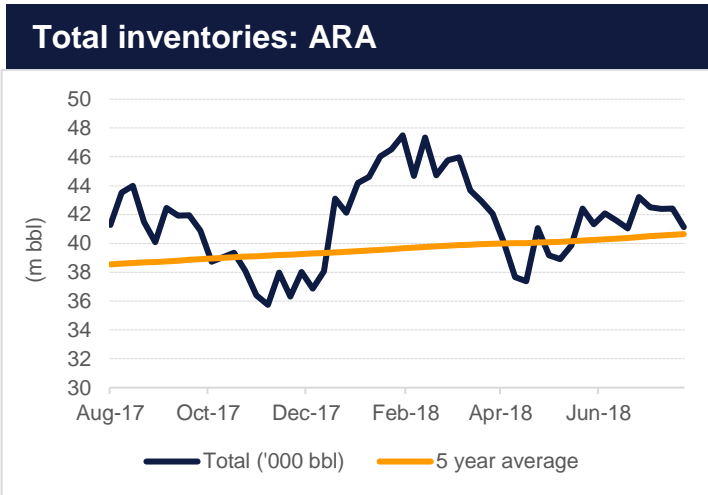
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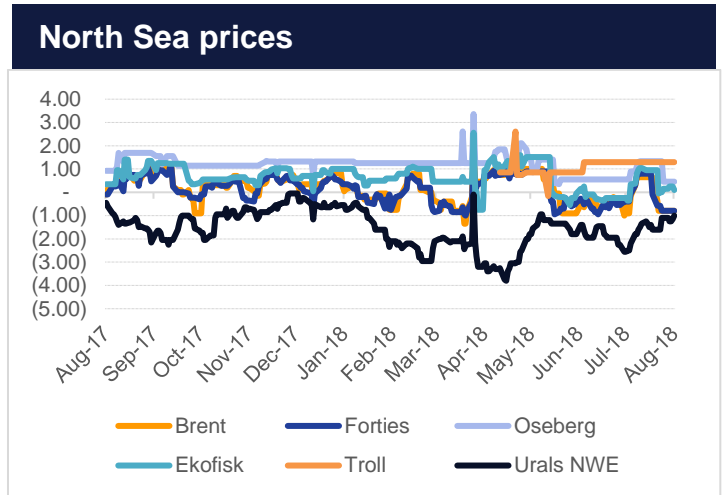
Source: EIKON, Emirates NBD Research. Note: crude and products.



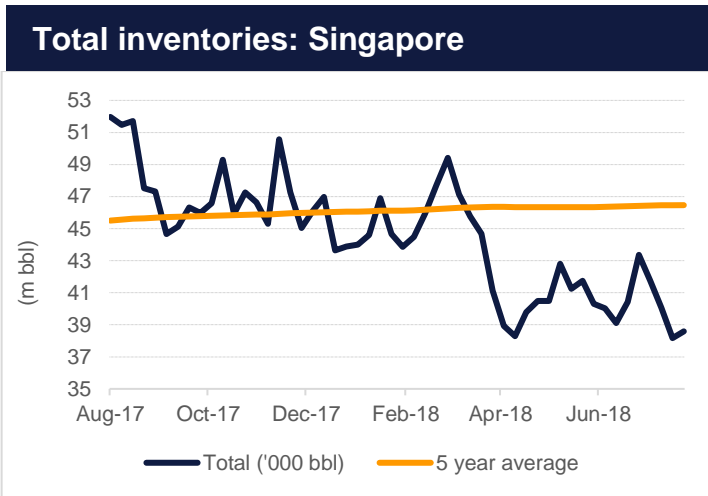
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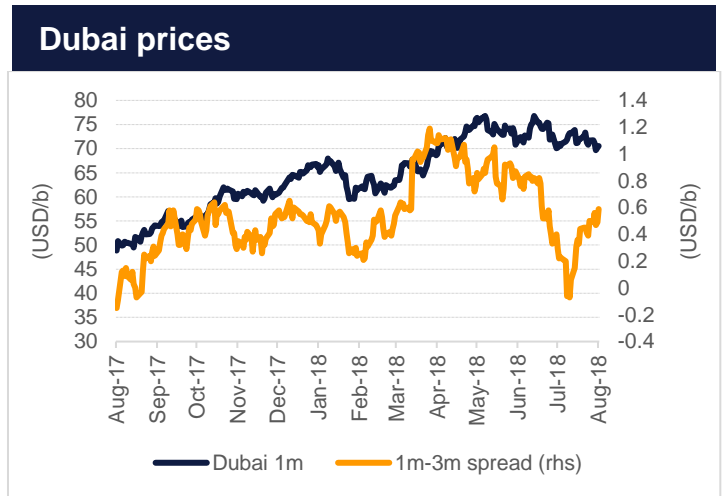
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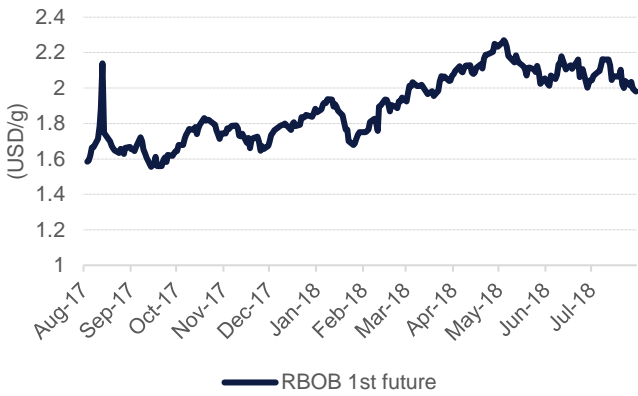


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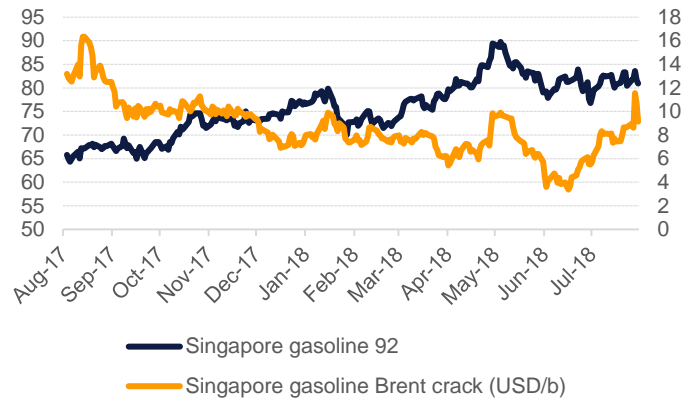
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### RBOB futures



Source: EIKON, Emirates NBD Research

### Singapore gasoline



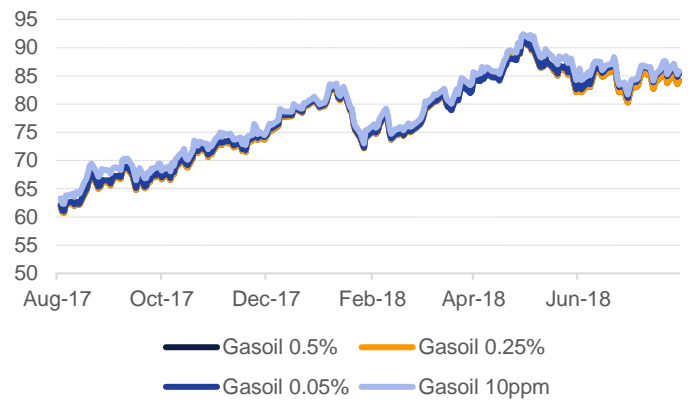
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### ULSD futures



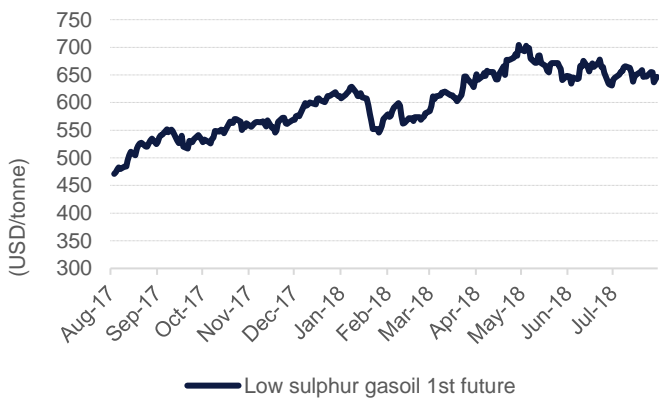
Source: EIKON, Emirates NBD Research.

### Singapore gasoil



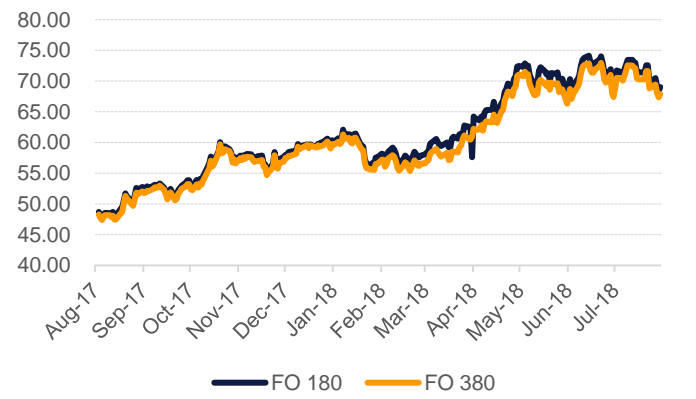
Source: EIKON, Emirates NBD Research

### Low sulphur gasoil futures



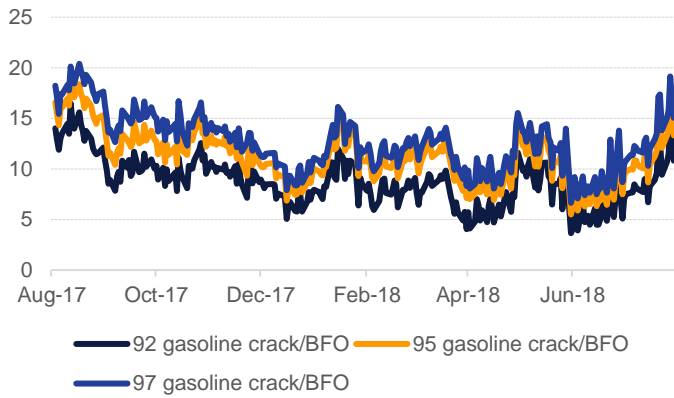
Source: EIKON, Emirates NBD Research

### Singapore fuel oil



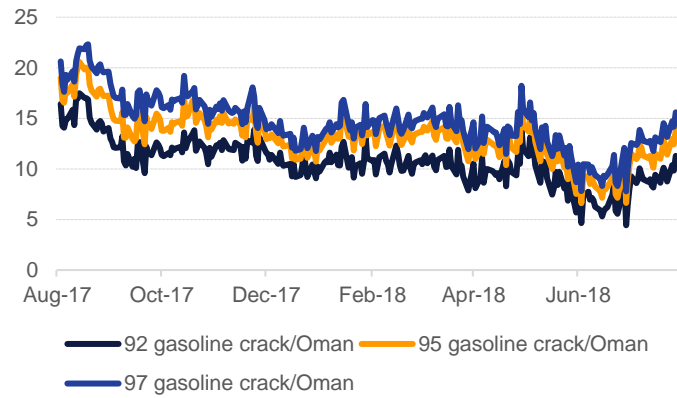
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### Singapore/BFO crack gasoline



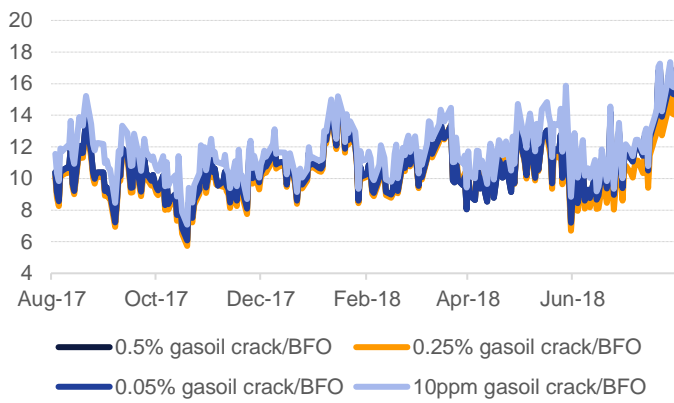
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### Singapore/Oman crack gasoline



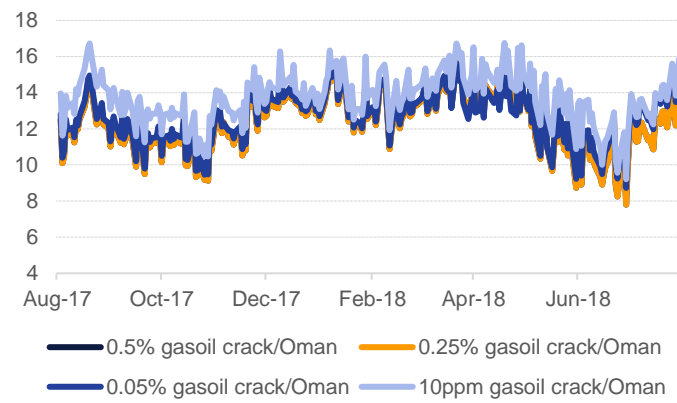
Source: EIKON, Emirates NBD Research. Note: Oman swaps

### Singapore/BFO crack gasoil



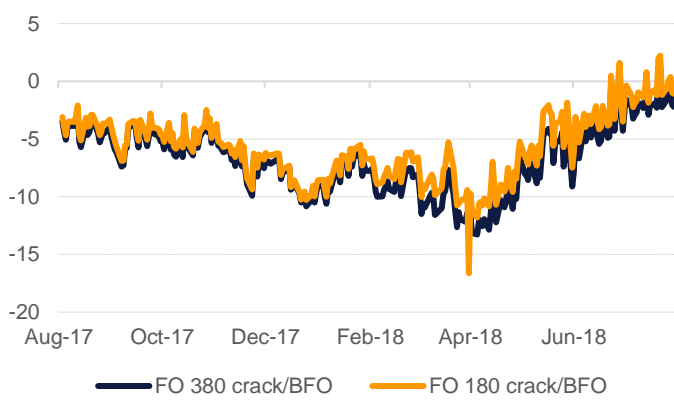
Source: EIKON, Emirates NBD Research.

### Singapore/Oman crack gasoil



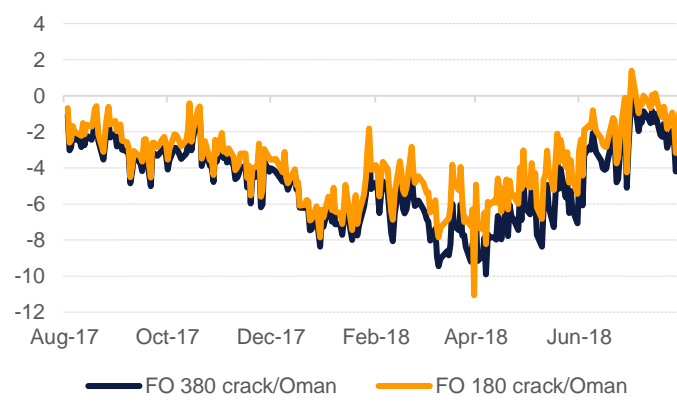
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### Singapore/BFO crack fuel oil



Source: EIKON, Emirates NBD Research

### Singapore/Oman crack fuel oil



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