



بنك الإمارات دبي الوطني  
Emirates NBD

## Commodities

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## Oil market highlights

Hurricane Laura swept through oil markets last week but despite being one of the strongest ever storms to hit the US Gulf coast, it failed to shake benchmark prices out of the trading range that has been in place for the last two months. Brent futures added 1.6% to settle at USD 45.05/b while WTI closed just short of USD 42.97/b, a weekly gain of 1.5%. Volatility in oil markets continues to shrink with 30-day vol in Brent futures near its lowest level in the past year.

The relatively muted price reaction to US production shut in because of Hurricane Laura speaks to the still well supplied conditions in oil markets. US crude inventories have fallen for six weeks in a row as of August 21st but at roughly 508m bbl are still more than 20% higher than the same time last year and represent 34 days of refinery intake, roughly 42% higher than year ago levels. Gasoline futures popped higher in response to the shut-down of refineries affected by Hurricane Laura but then proceeded to give back much of those gains over the course of the week. The past week's prices movements suggest to us that demand is still not anywhere close to pushing the oil market significantly tighter and that outside catalysts like a hurricane will only have very short-term upward effects.

Forward structures also seemed to shrug off the impact of Hurricane Laura with time spreads in both WTI and Brent futures closing weaker. Front month (1-2 month) spreads in WTI closed last week in a contango of USD 0.32/b, their widest level since the end of July while Dec 20/21 spreads closed at more than USD 2/b in contango. In Brent markets Dec spreads held onto the wide contango of almost USD 3/b for 20/21, extending a persistent downward trend that has been in place since May.

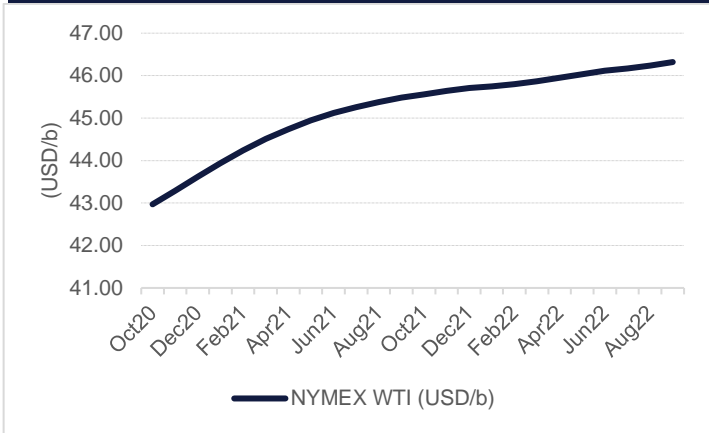
Investors have been recalibrating their views on oil markets over the past few weeks, pulling more net long positions out of WTI and adding them to Brent. Speculative net length in WTI futures fell by 7.5k contracts last week, its third weekly decline in a row while Brent net length rose by 4k contracts. Net length in WTI now occupies around 13% of total open interest compared with a peak of more than 14% at the end of June while in Bren it has crept upward to around 6.7% of total open interest. Despite the only grinding moves higher in oil futures over the last few months amid substantial demand concerns, investors aren't pricing in substantial downside risks at the moment. In WTI futures, 25D risk reversal strategies display a minimal put premium while in Brent the same strategy has been showing a consistently declining downside bias since April.

### Oil prices grind higher amid low volatility



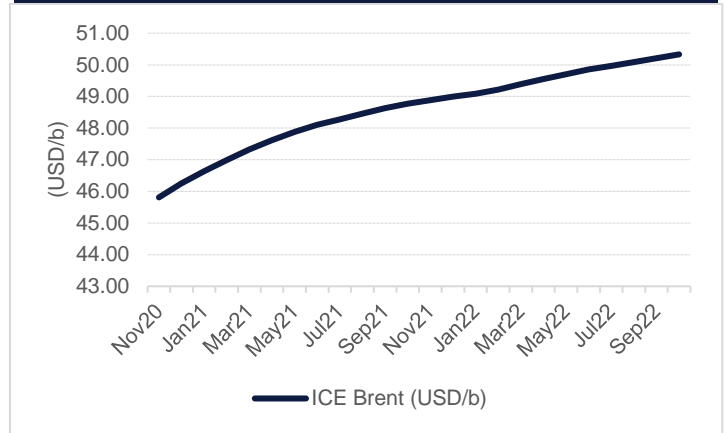
Source: Bloomberg, Emirates NBD Research.

### WTI forward curve



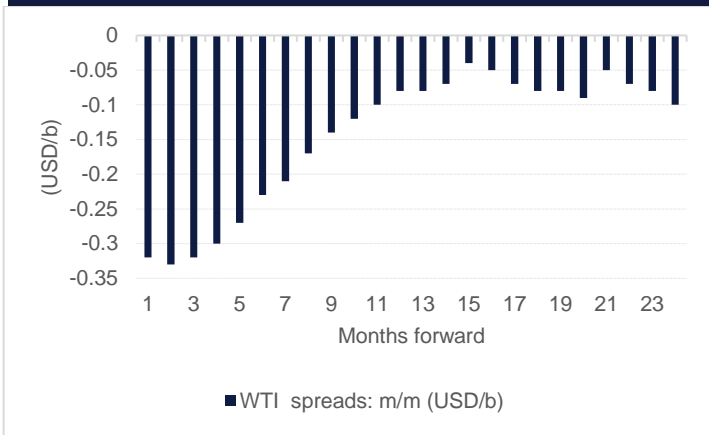
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

### Brent forward curve



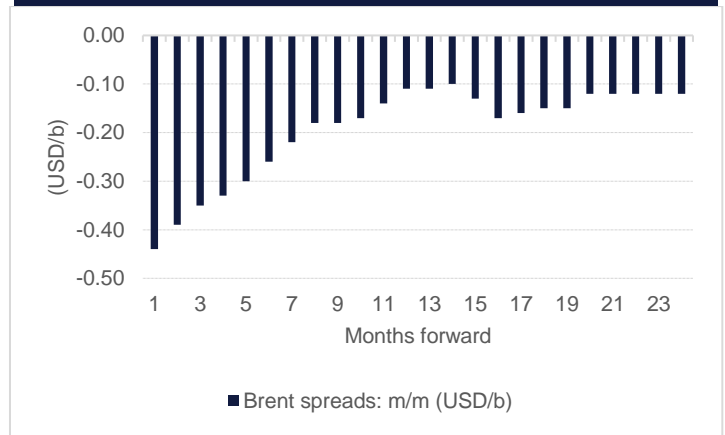
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

### WTI time spreads



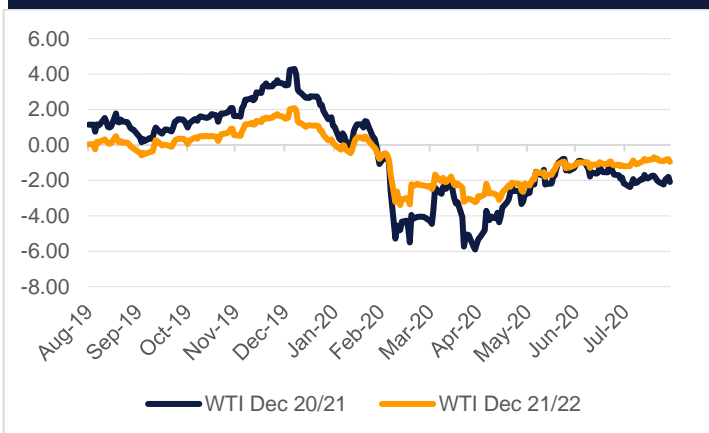
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

### Brent time spreads



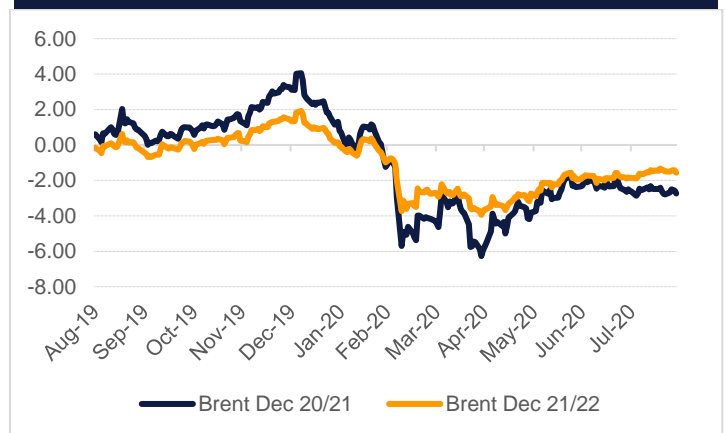
Source: Bloomberg, Emirates NBD Research. Note: USD/b.

### WTI December spreads

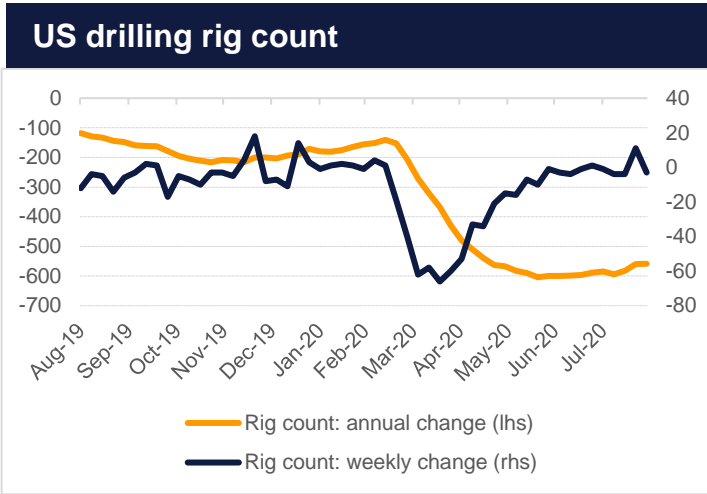


Source: Bloomberg, Emirates NBD Research. Note: USD/b.

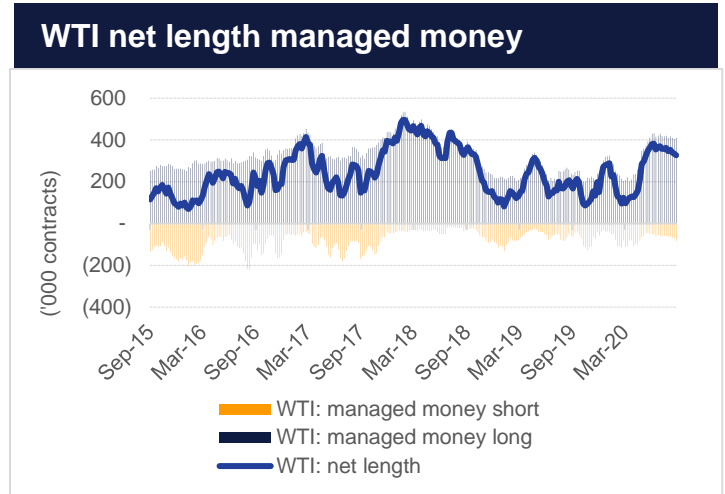
### Brent December spreads



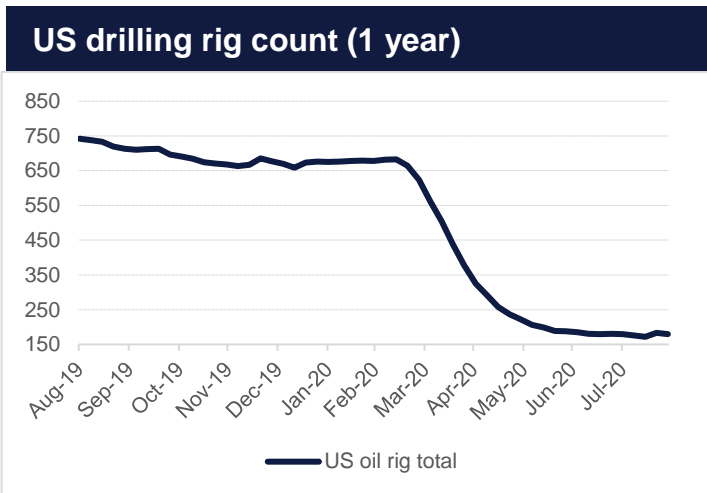
Source: Bloomberg, Emirates NBD Research. Note: USD/b.



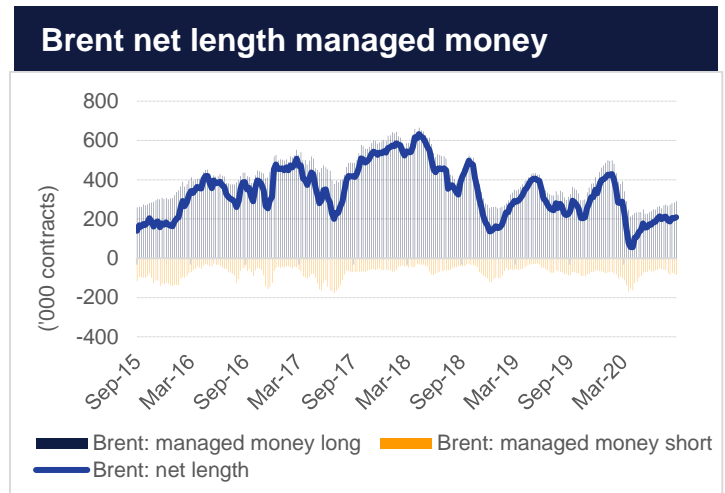
Source: Bloomberg, Emirates NBD Research.



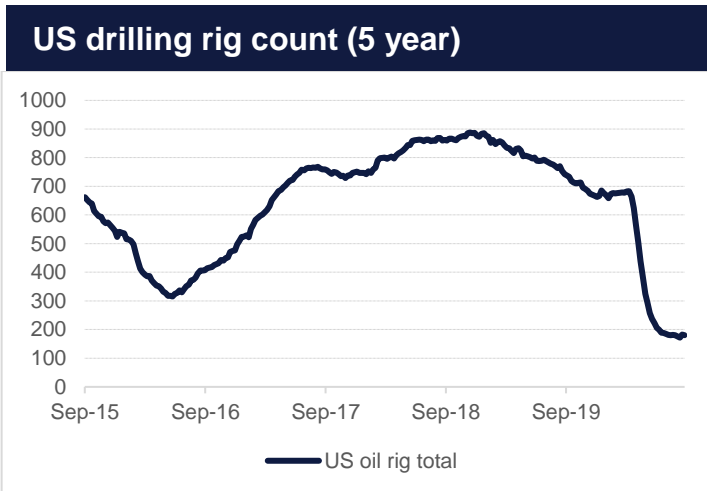
Source: Bloomberg, Emirates NBD Research. Note: NYMEX futures and options only.



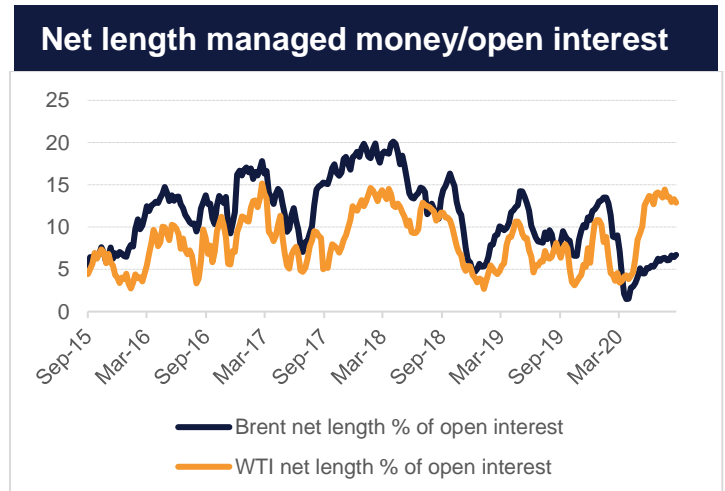
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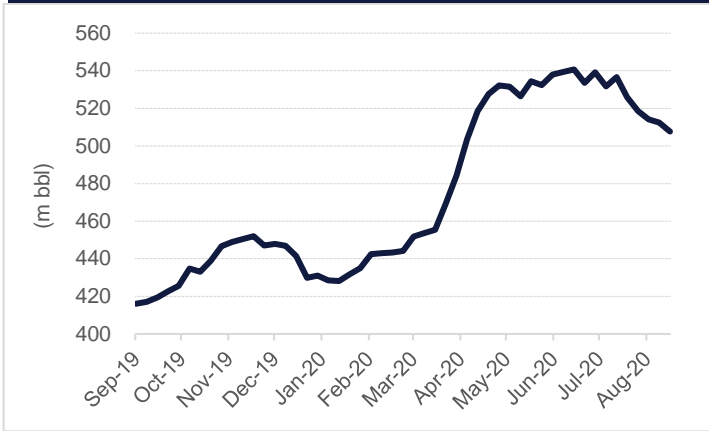


Source: Bloomberg, Emirates NBD Research.



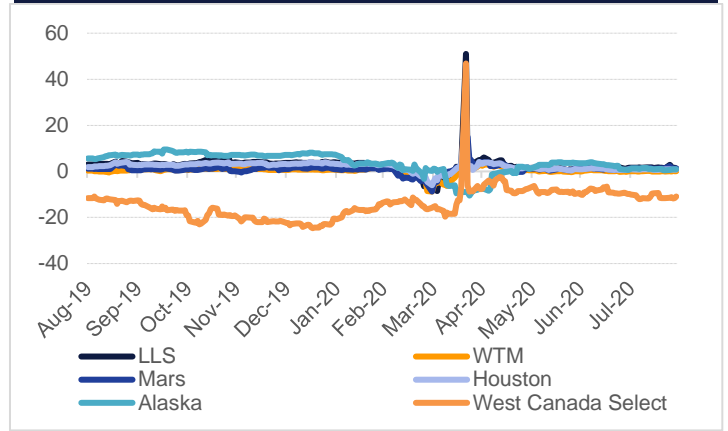
Source: Bloomberg, Emirates NBD Research.

### Total crude stocks: US



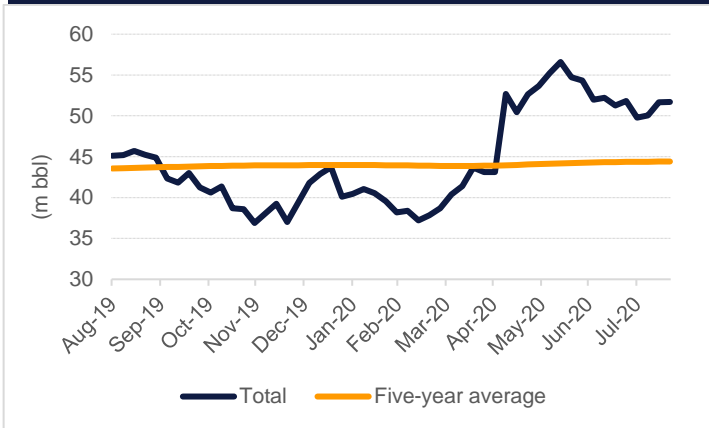
Source: Bloomberg, Emirates NBD Research.

### North America prices



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

### Total inventories: ARA



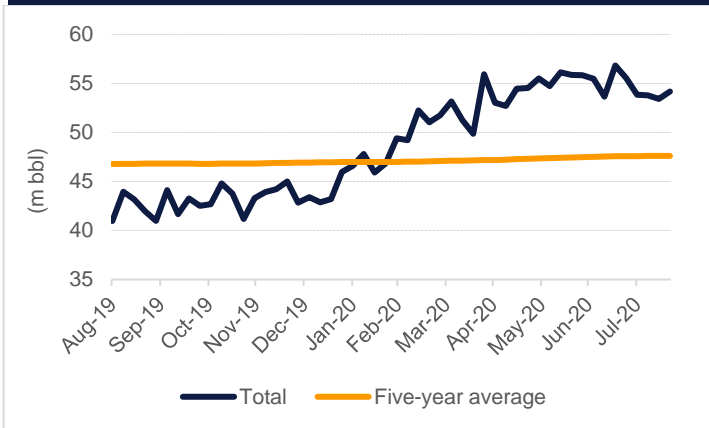
Source: Bloomberg, Emirates NBD Research. Note: products only.

### 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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