



بنك الإمارات دبي الوطني  
Emirates NBD

## Commodities 29 September 2019

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### Oil market weekly highlights

Macroeconomic concerns returned to the paramount position in determining oil prices last week as both benchmark contracts recorded losses. Brent futures fell 3.69% to settle at USD 61.91/b while WTI ended the week at USD 55.91/b, down almost 3.8%. The impact of the attacks on Saudi Aramco facilities earlier this month has largely faded with Brent now only USD 1.69/b higher than it was prior to the attacks and WTI up slightly more than USD 1/b.

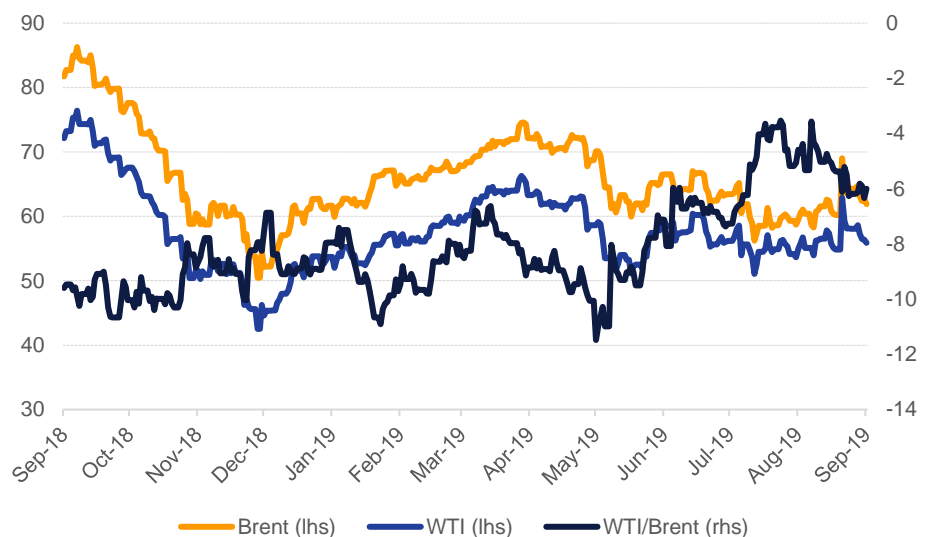
The resumption of negative trade war headlines—with reports that the US is threatening the funding of Chinese companies by preventing them listing on US exchanges—and warnings from the head of the IEA that the agency may downgrade oil demand growth forecasts further weighed on oil and commodities generally last week. The IEA's demand growth forecast for 2019 is just 1.1m b/d, what would be the slowest growth since 2008 while the agency still expects an improvement next year to 1.3m b/d. Soft consumer data in the US for August will also raise concern that one of the few bright spots in the global economy, US consumers, is starting to wane. In the week ahead, national holidays in China may limit liquidity while headlines on how far advanced repair work at Abqaiq and Khurais in Saudi Arabia has progressed will push and pull on prices.

Forward curves weakened in sympathy with the downward move in spot prices. Brent 1-2 month spreads settled in a backwardation of USD 0.87/b at the end of the week compared with USD 1.08/b a week earlier while long-dated spreads also compressed. The front of the WTI curve ended the week barely in backwardation and looks at risk of moving back into contango. Dubai time spreads did weaken along with Brent and WTI but by a far more muted degree. We expect that regional time spreads or grade differentials will be the more explicit expression of geopolitical risk in the oil market, rather than spot Brent or WTI which are more susceptible to factors outside of regional geopolitics.

Investors continued to pour scorn on the possibility for crude prices to move higher with net length in Brent and WTI declining as long positions were closed out and new short positions added. The Brent long/short ration fell back to 4.4 while in NYMEX WTI it was just a little higher. That compares with peak levels of over 15 in Brent in mid-May, prior to any direct geopolitical risk event in the Middle East.

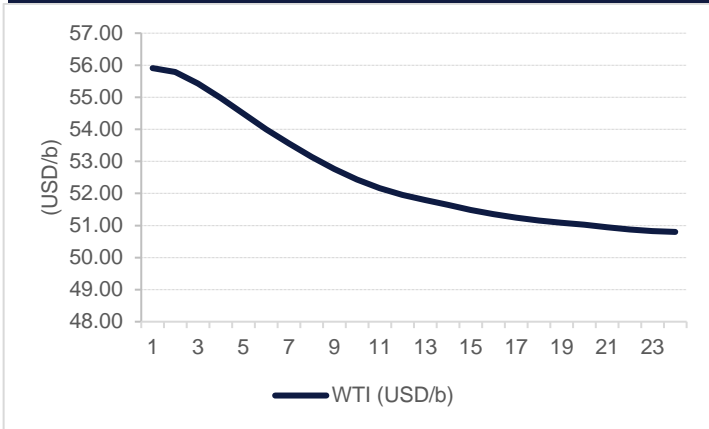
Freight rates are the latest element to be caught up in the US-China trade war and regional geopolitics after the US imposed sanctions on several Chinese shipping companies for reportedly carrying Iranian crude. The cost of shipping crude from the Gulf to Asian ports soared at the end of the week with a VLCC Gulf/Singapore hitting more than 76 on Worldscale. While the sanctions are related to US policy toward Iran, the rise in shipping costs will again be another hurdle for Middle East exporters to contend with just as the market was digesting elevated geopolitical risk.

#### Geopolitics fades as economic concerns mount



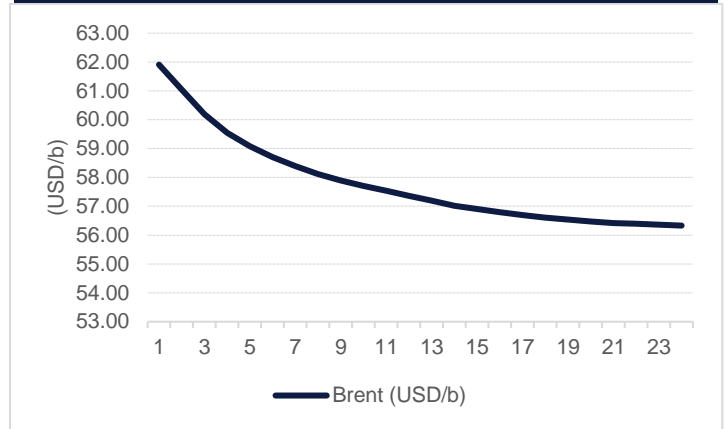
Source: EIKON, Emirates NBD Research

### WTI forward curve



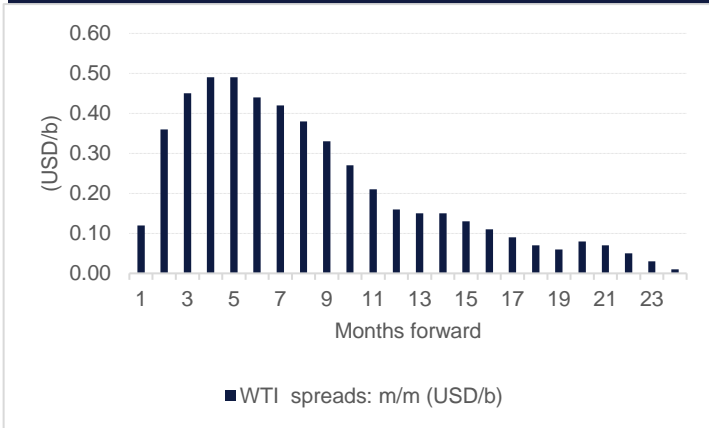
Source: EIKON, Emirates NBD Research. Note: USD/b.

### Brent forward curve



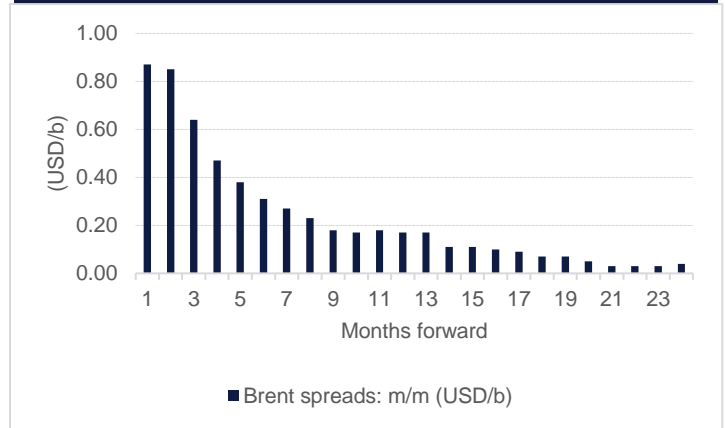
Source: EIKON, Emirates NBD Research. Note: USD/b.

### WTI time spreads



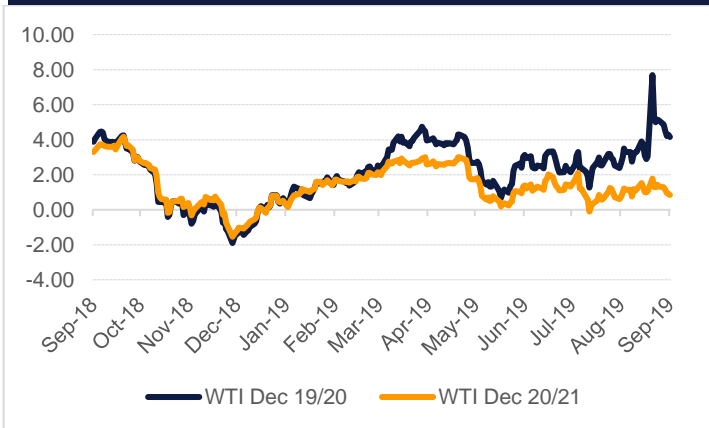
Source: EIKON, Emirates NBD Research. Note: USD/b.

### Brent time spreads



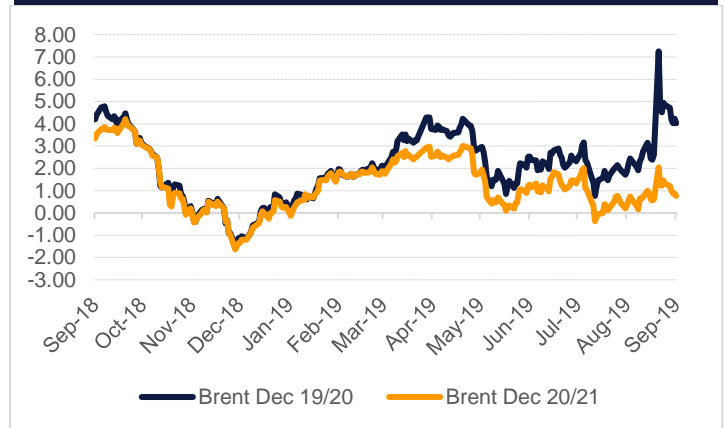
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### WTI December spreads

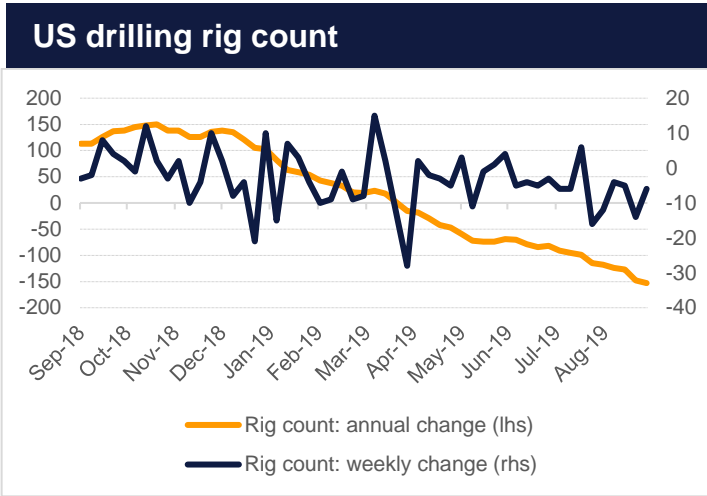


Source: EIKON, Emirates NBD Research. Note: USD/b.

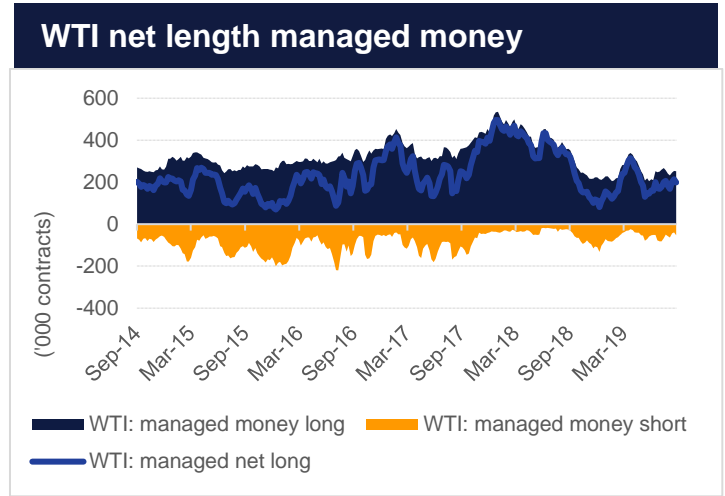
### Brent December spreads



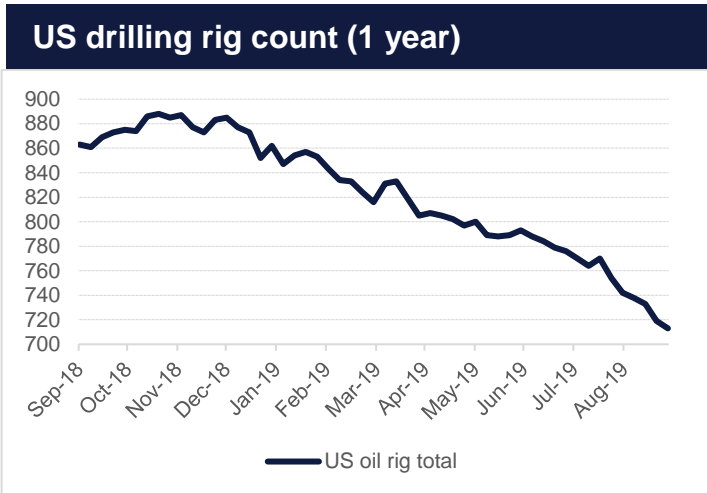
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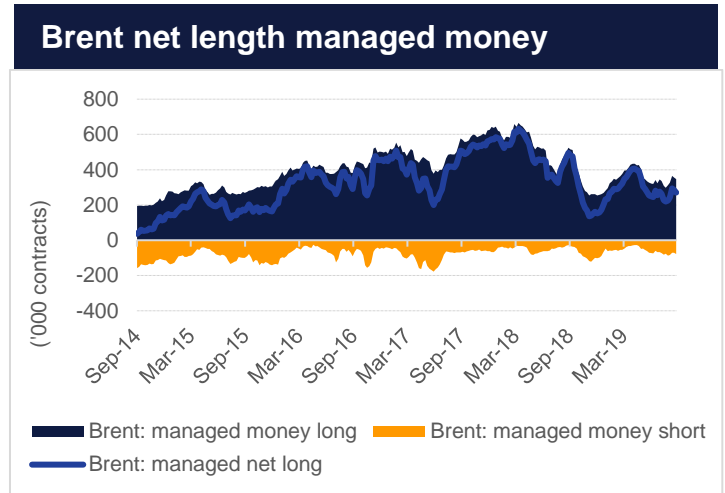
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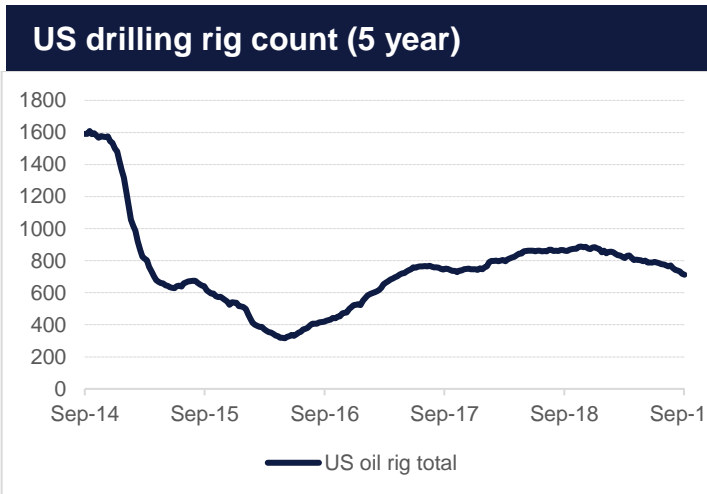
Source: EIKON, Emirates NBD Research. Note: NYMEX futures and options only.



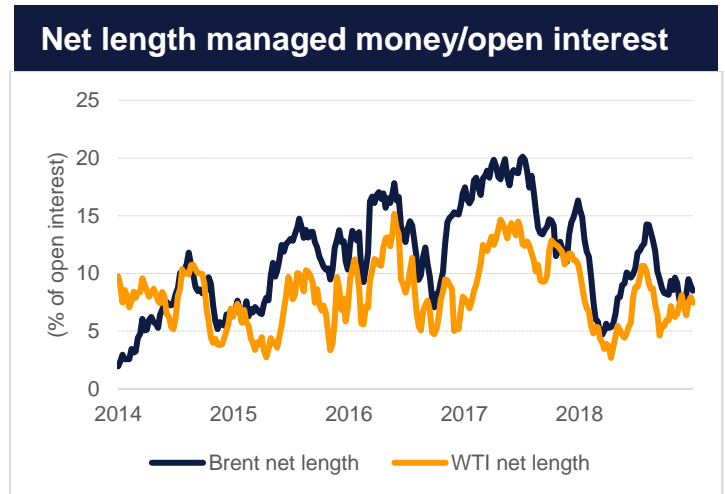
Source: EIKON, Emirates NBD Research.



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



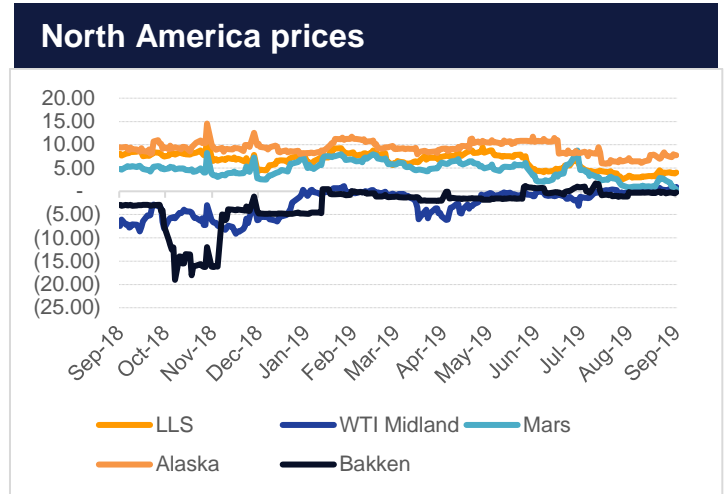
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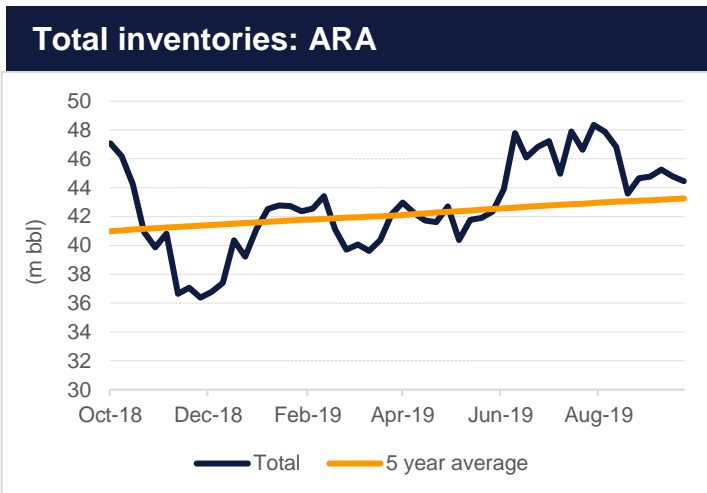
Source: EIKON, Emirates NBD Research. Note: NYMEX and ICE.



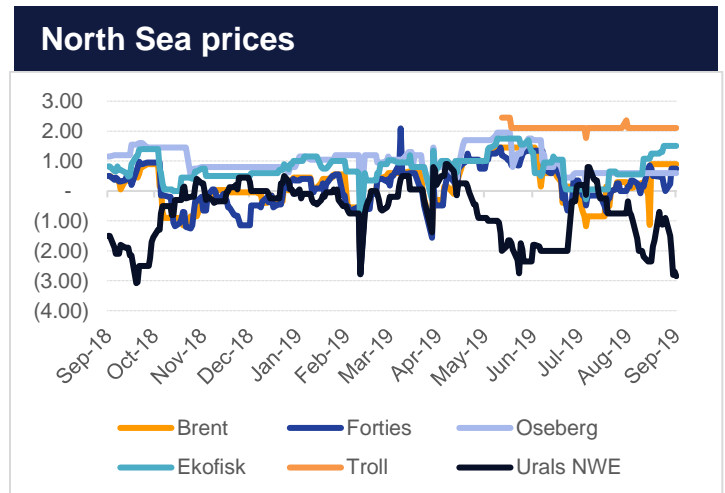
Source: EIKON, Emirates NBD Research. Note: crude and products.



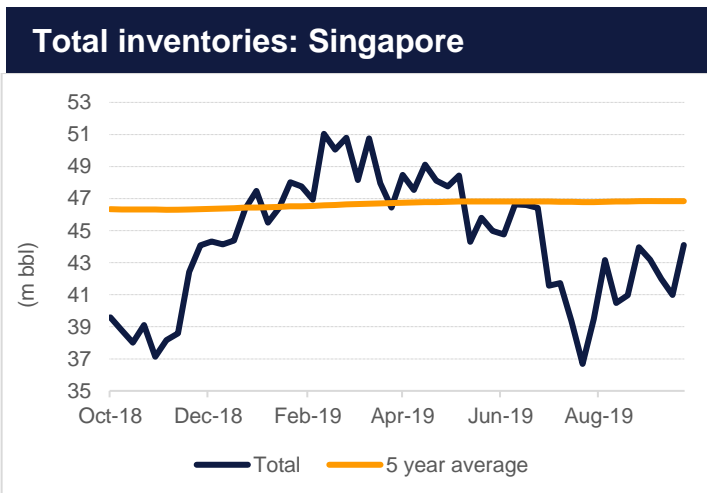
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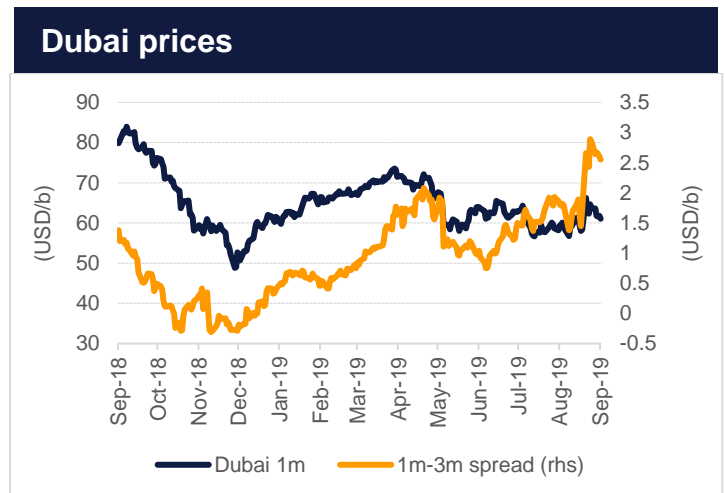
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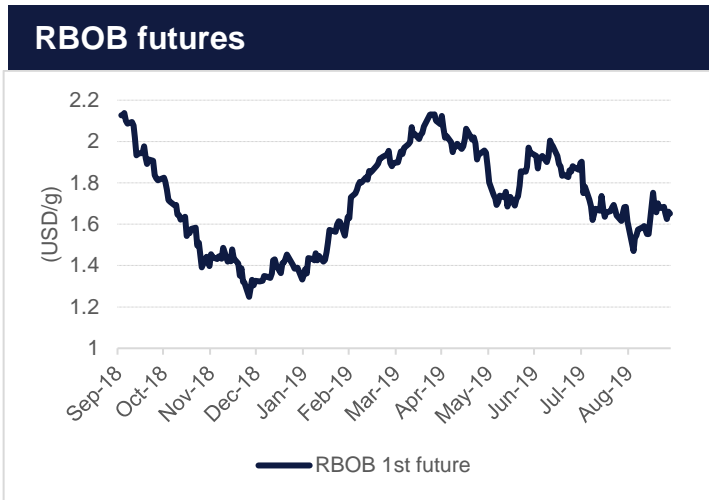
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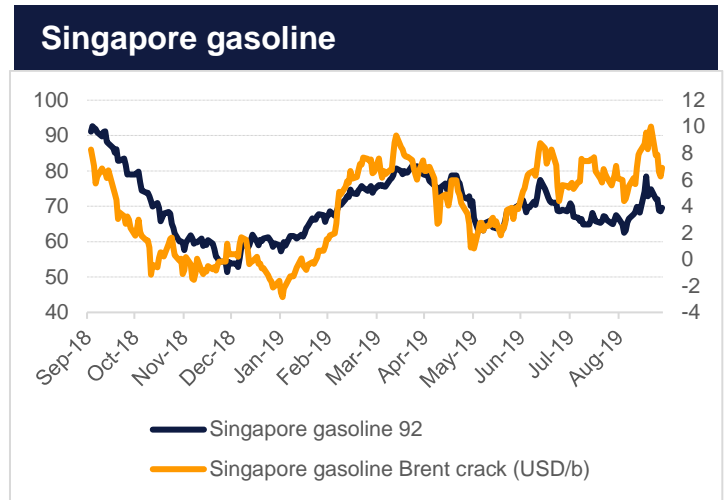
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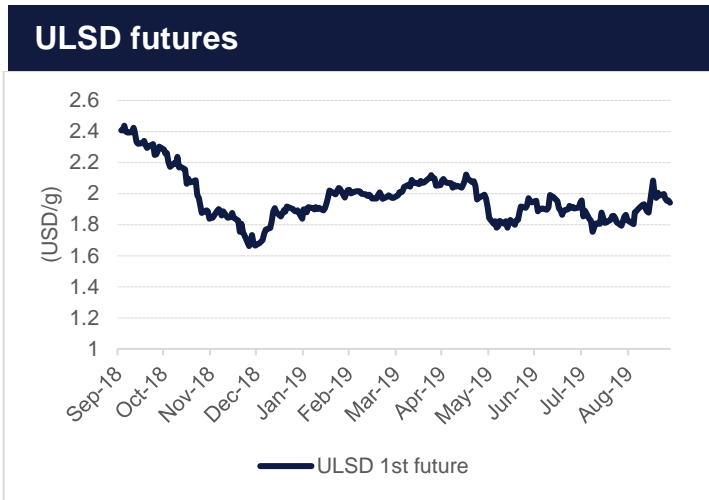
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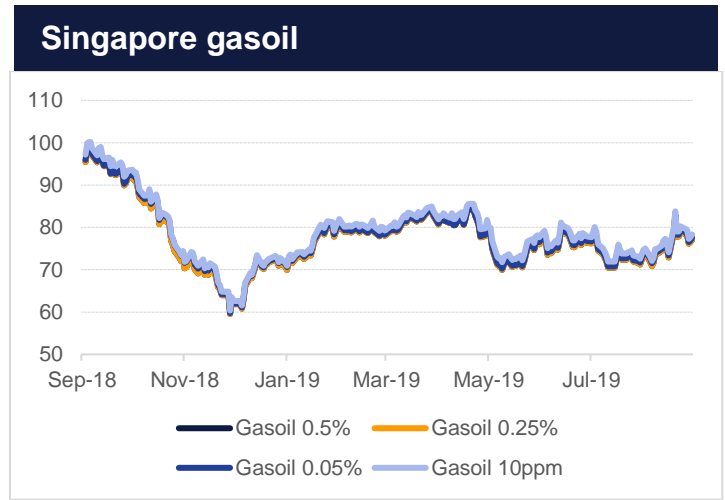
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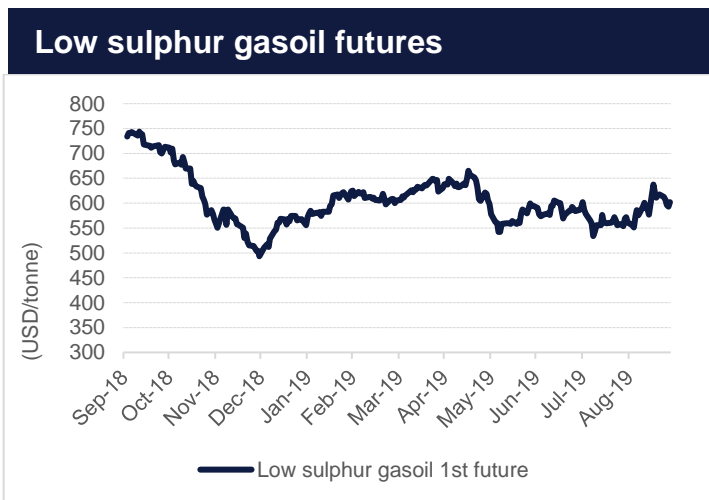
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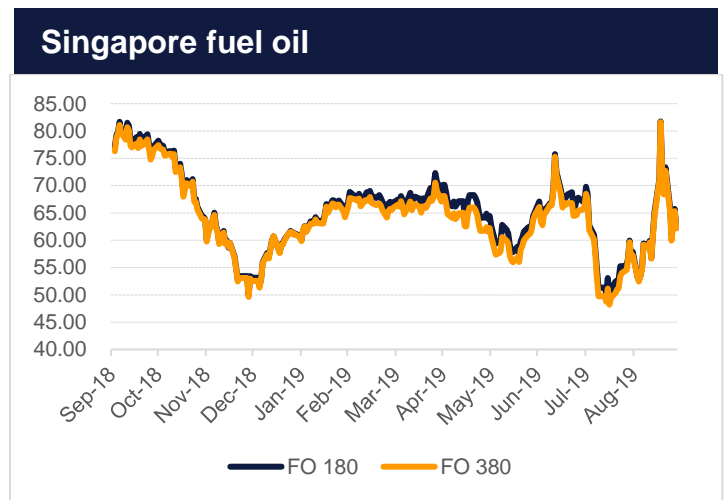
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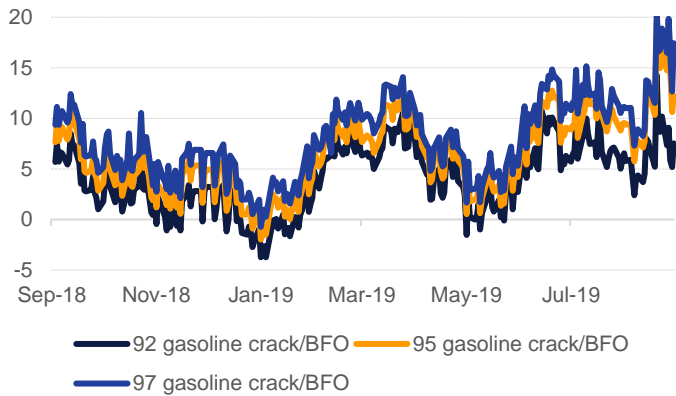


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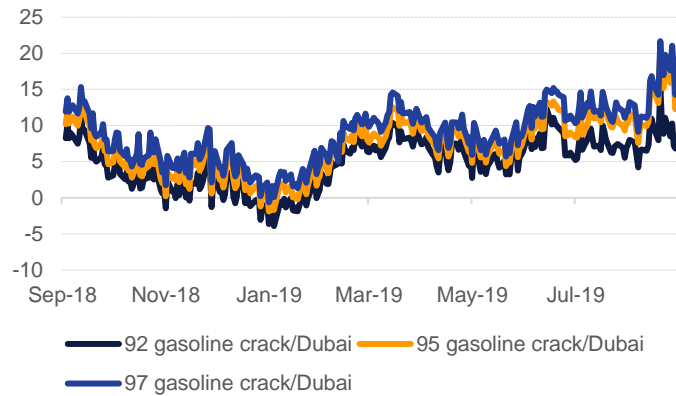
Source: EIKON, Emirates NBD Research

### Singapore/BFO crack gasoline



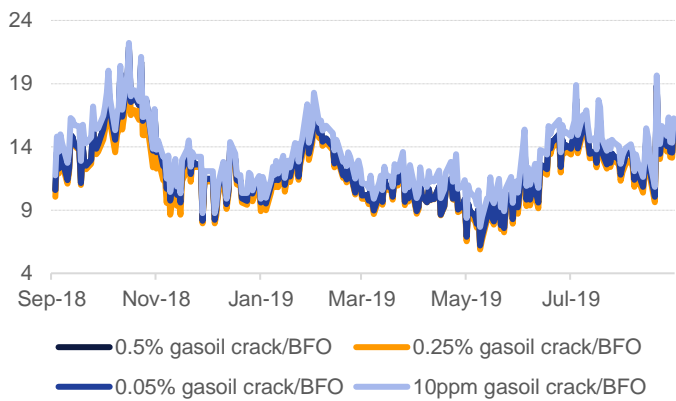
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### Singapore/Dubai crack gasoline



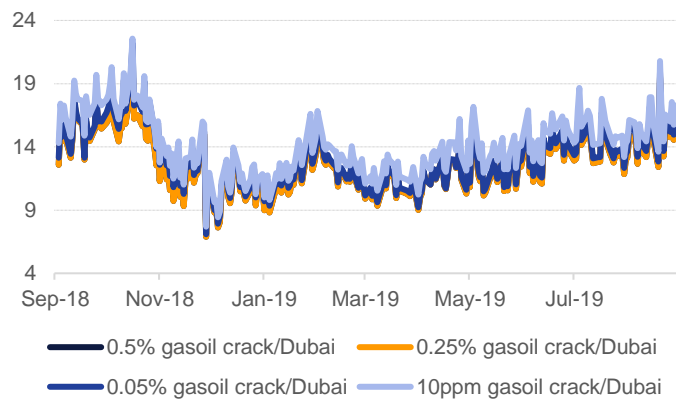
Source: EIKON, Emirates NBD Research.

### Singapore/BFO crack gasoil



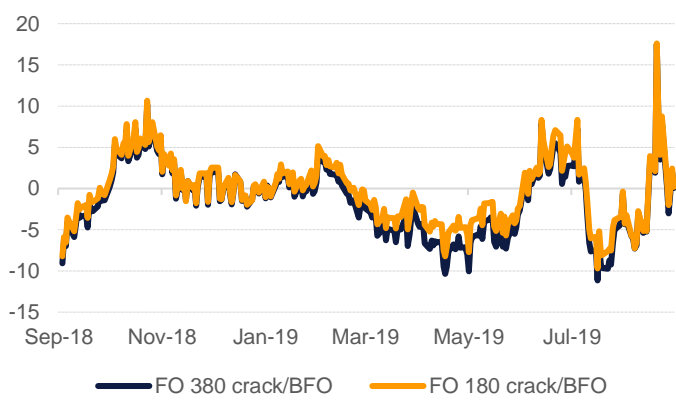
Source: EIKON, Emirates NBD Research.

### Singapore/Dubai crack gasoil



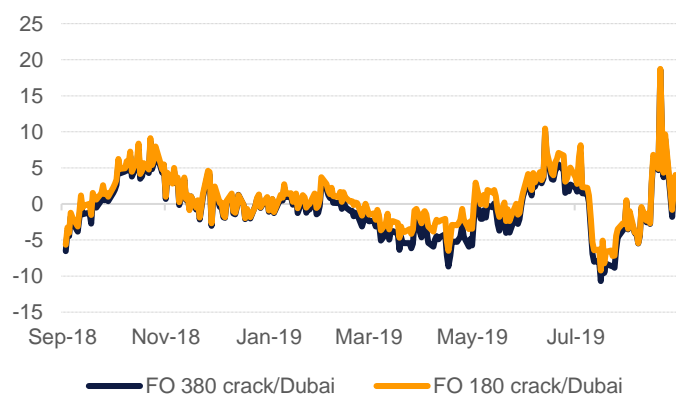
Source: EIKON, Emirates NBD Research.

### Singapore/BFO crack fuel oil



Source: EIKON, Emirates NBD Research

### Singapore/Dubai crack fuel oil



Source: EIKON, Emirates NBD Research.

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