



بنك الإمارات دبي الوطني
Emirates NBD

Commodities 16 December 2018

Oil market weekly highlights

Oil markets resumed their downward trend last week with both Brent and WTI falling over the five days. Brent futures fell 2.2% to close at USD 60.28/b while WTI gave up 2.7% to end the week at USD 51.20/b. Both benchmarks are now below the levels they recorded ahead of the OPEC+ decision at the start of December to cut production by 1.2m b/d. With markets winding down for the end of the year we expect to see liquidity waning from the market and potentially ramping up volatility.

Forecasts from all major forecasting agencies were released this week with the EIA and OPEC pointing to tougher year ahead for OPEC countries as both cut their forecast for the call on OPEC in 2019. OPEC estimates 31.4m b/d of crude will be needed from the bloc to balance markets, more than 1.5m b/d less than what the bloc produced in November. The official cuts as they stand won't be enough in our view to push the market into deficit in Q1 unless there are substantially more unplanned outages. The IEA has grown more cautious on the supply outlook for several producers next year, expecting Canada at a slower pace of growth as companies face similar logistical bottlenecks around pipeline capacity as their counterparts in the US.

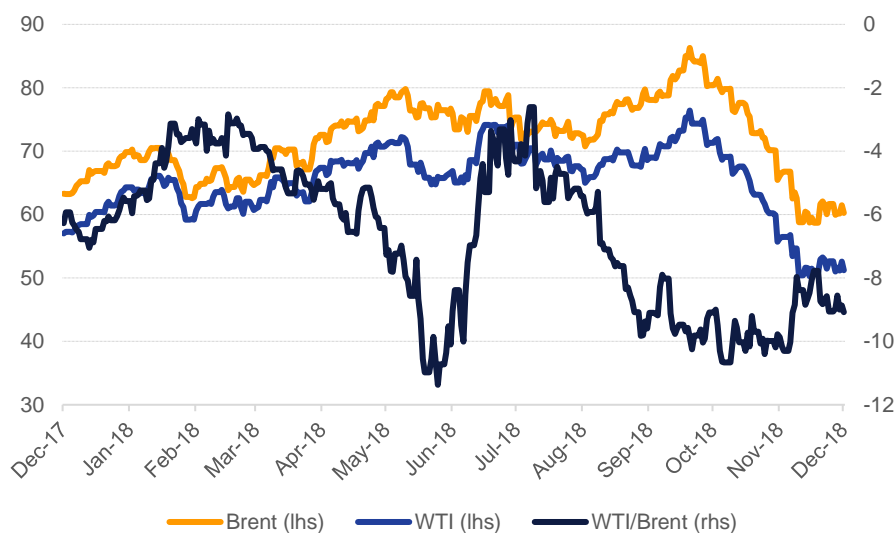
Contango structures remain intact in both the Brent and WTI markets. Front month (1-2 month) spreads closed the week at USD 0.27/b in WTI and USD 0.12/b in Brent. Longer-dated spreads have levelled off around recent lows last week.

Investors in crude markets remain in evacuation mode. Net length in WTI fell a second week running thanks to an increase in short positions while positioning on Brent was a little more balanced this week. Nevertheless investors have essentially abandoned long crude positions in the last month and a half. WTI net length represents just 3.4% of total open interest, its lowest level since August 2016. With so much cash out of the market, the market will be prone to sharp moves off of limited headlines. In the US, the drilling rig count fell by four rigs last week, the second weekly decline in a row.

US crude stocks fell 1.2m bbl last week although there was a build at Cushing. The rest of the barrel was more mixed with gasoline inventories rising but distillates falling. Singapore inventories have leveled off in recent weeks as gasoline stocks taper off. Nevertheless, inventories in the trading hub remain at relatively tight levels with total stocks still below their five year average.

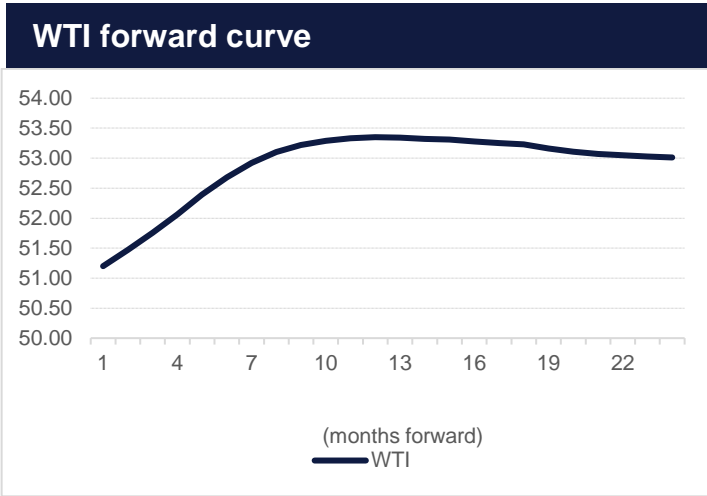
Refiners will be looking forward to closing the door on 2018 as margins remain weak. Singapore gasoline cracks over Brent are still negative, closing the week at around USD -1/b while gasoil cracks have softened considerably.

Crude markets drifting lower after OPEC cuts

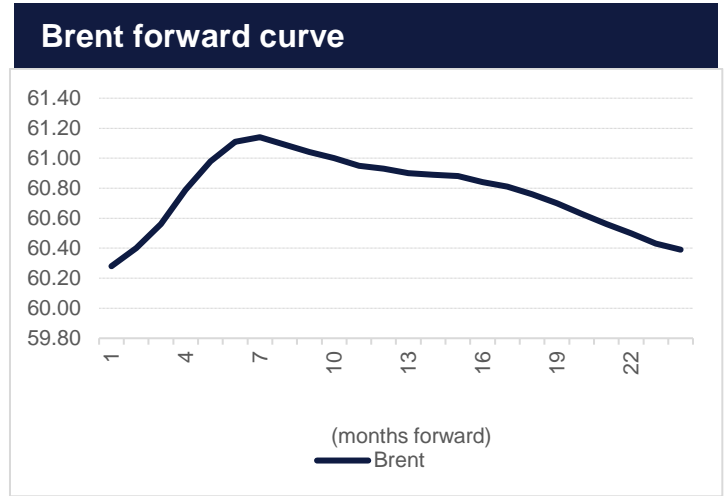


Source: EIKON, Emirates NBD Research.

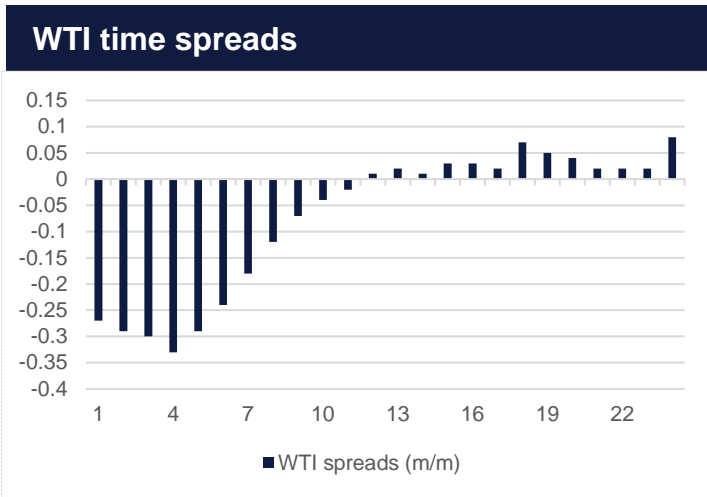
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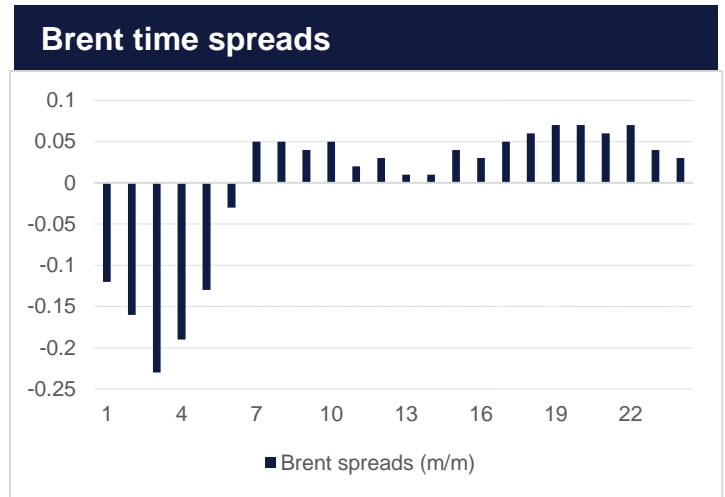
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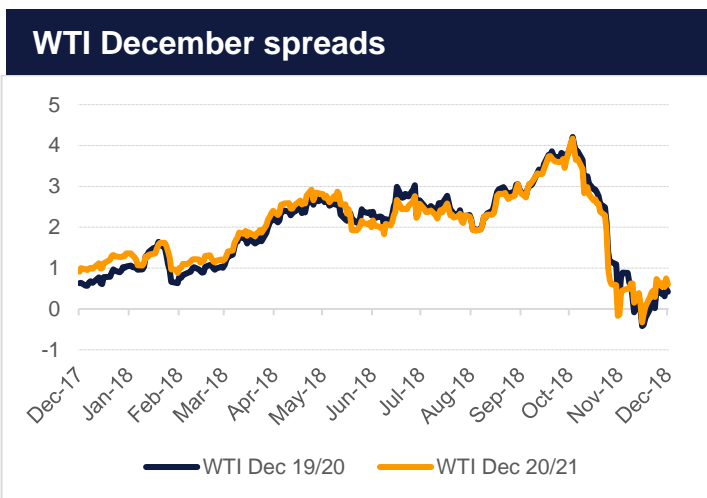
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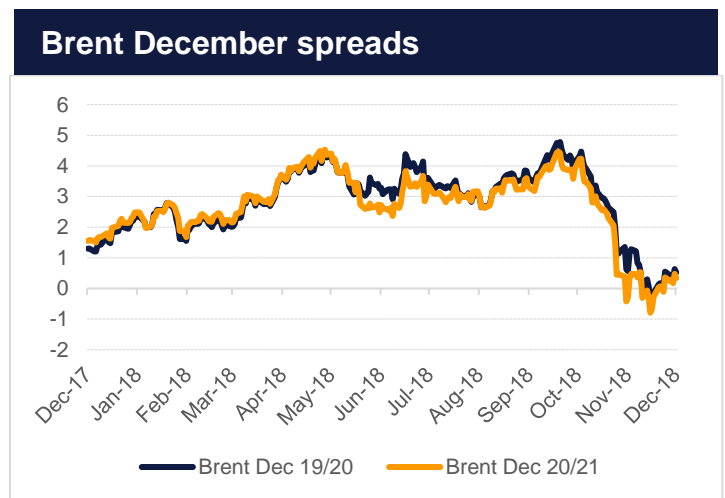
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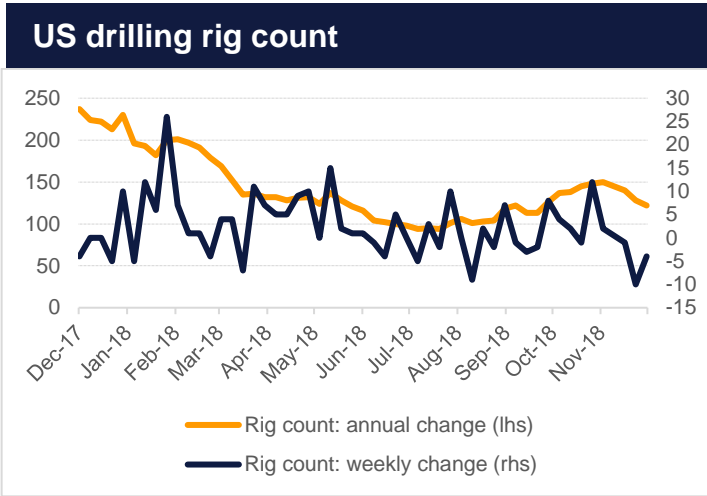
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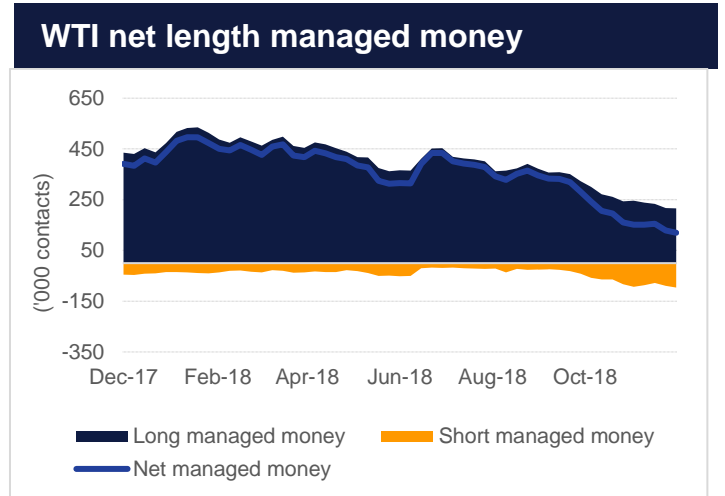
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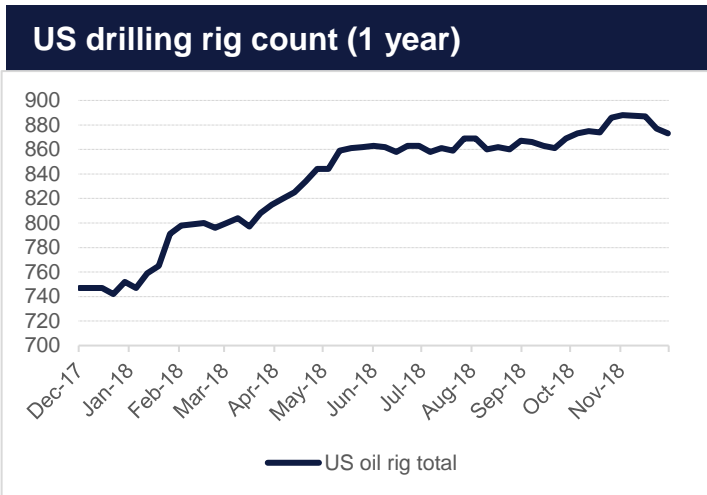
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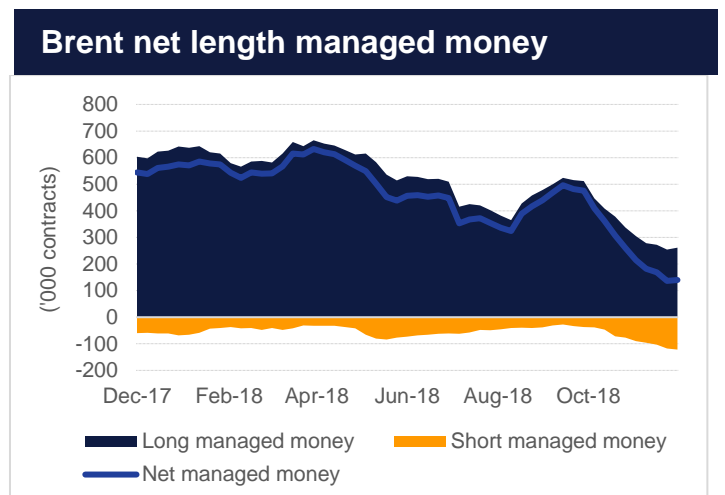
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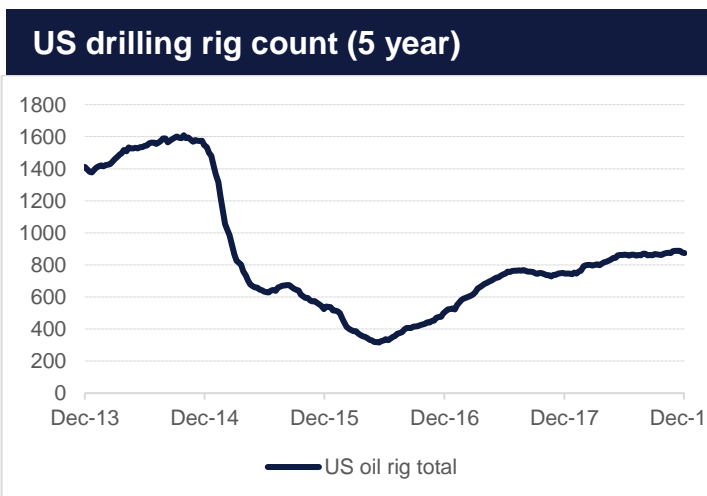
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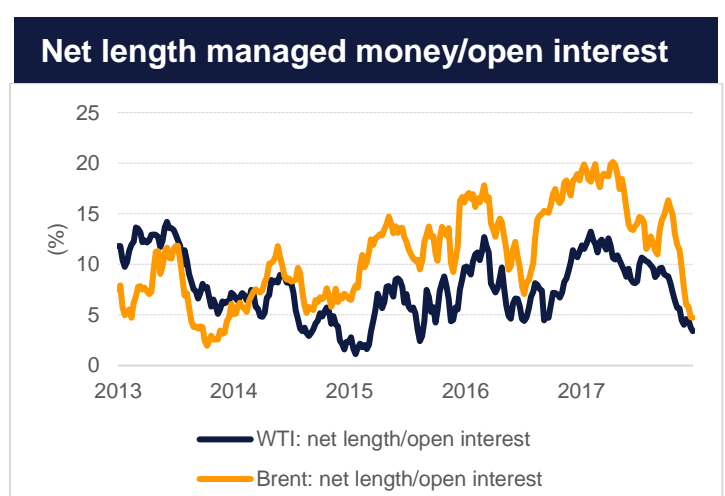
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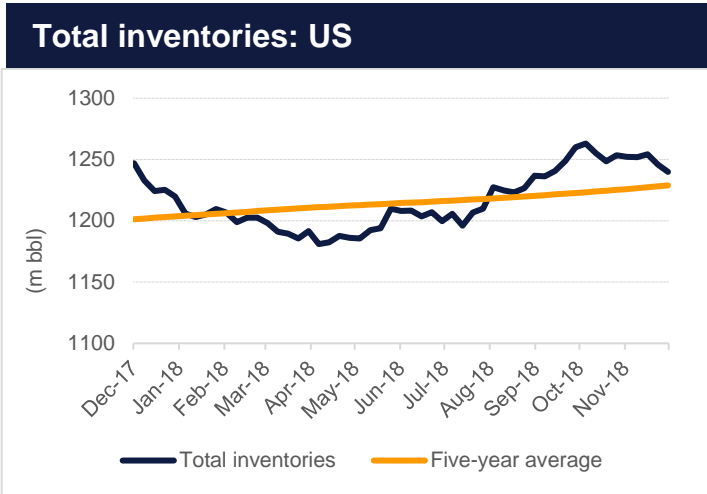
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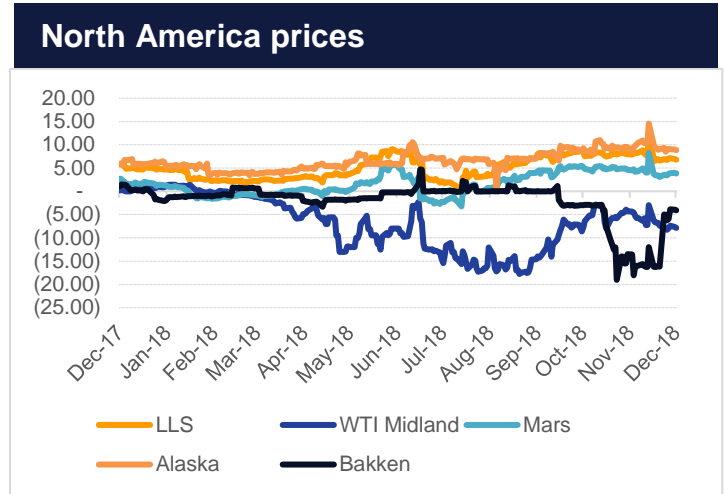
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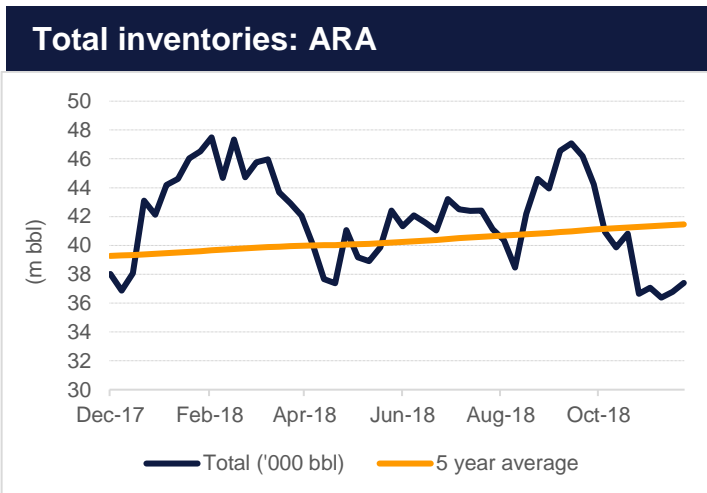
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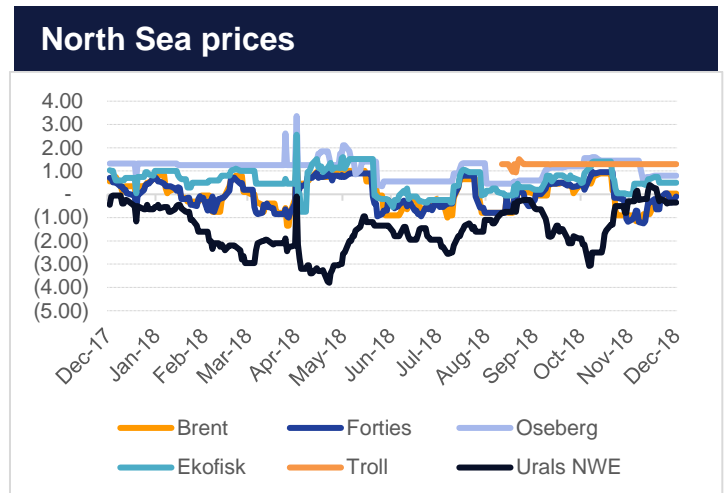
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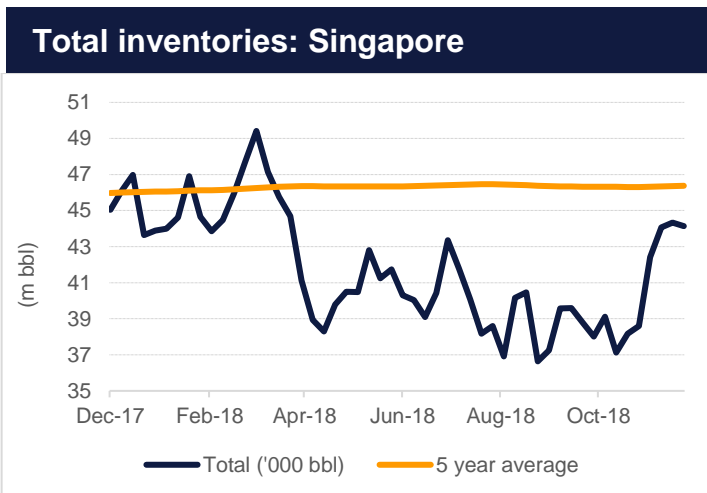
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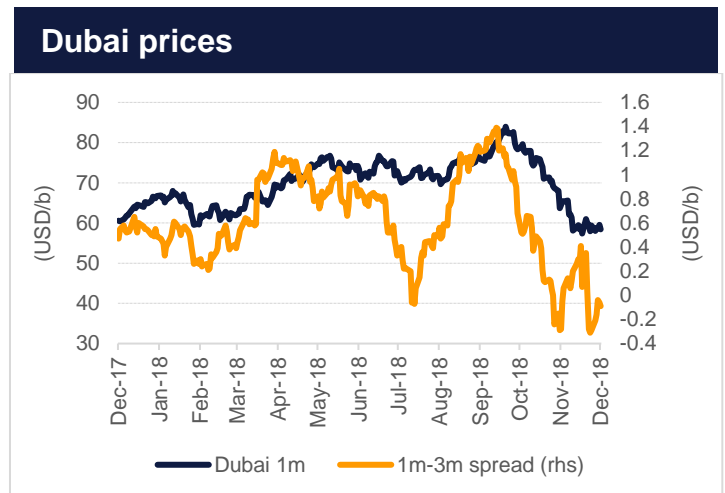
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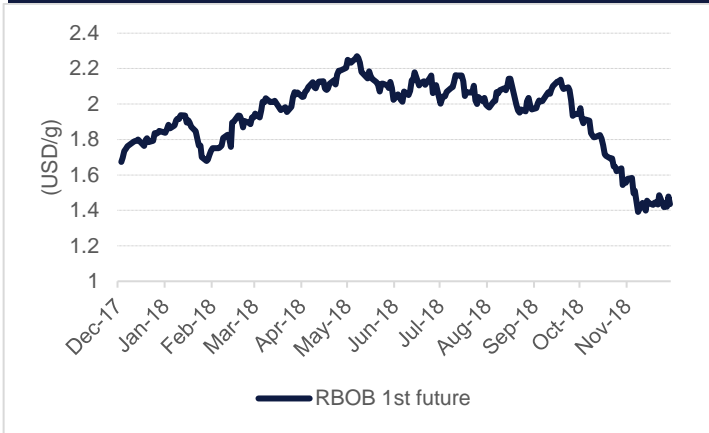


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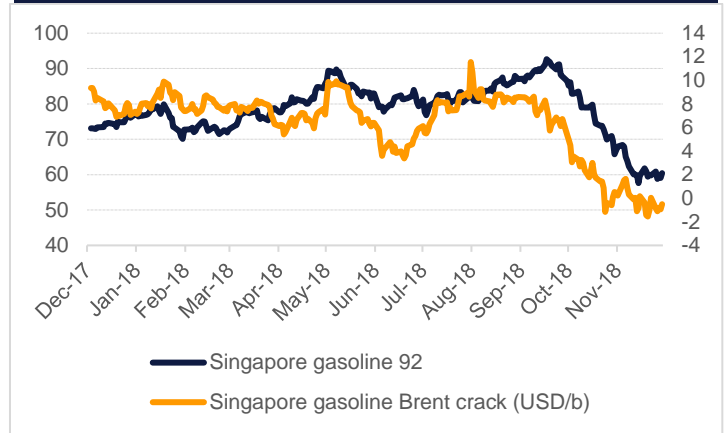
Source: EIKON, Emirates NBD Research. Note: USD/b.

RBOB futures



Source: EIKON, Emirates NBD Research

Singapore gasoline



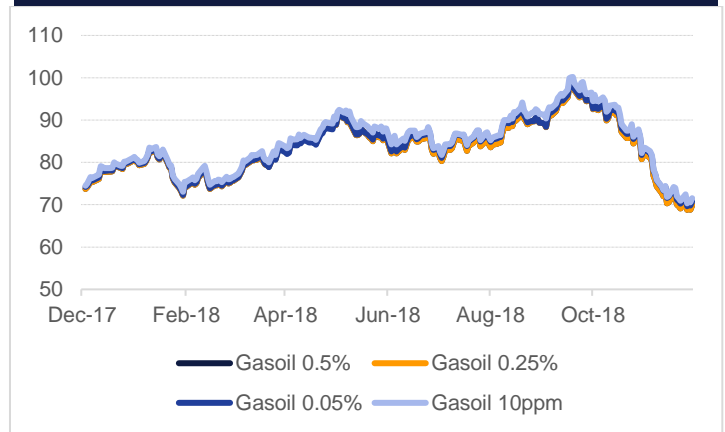
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ULSD futures



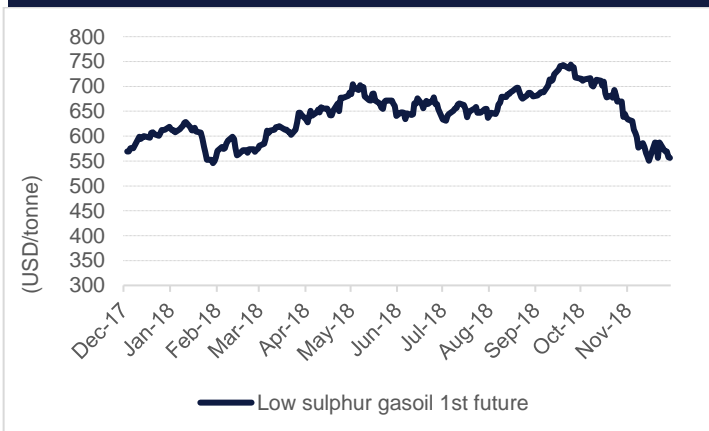
Source: EIKON, Emirates NBD Research.

Singapore gasoil



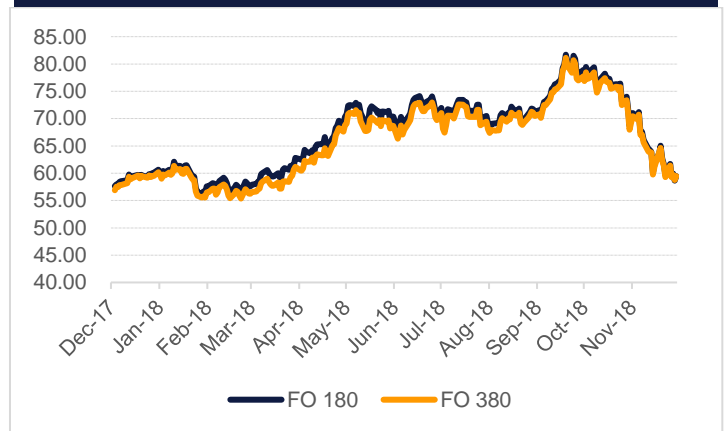
Source: EIKON, Emirates NBD Research

Low sulphur gasoil futures



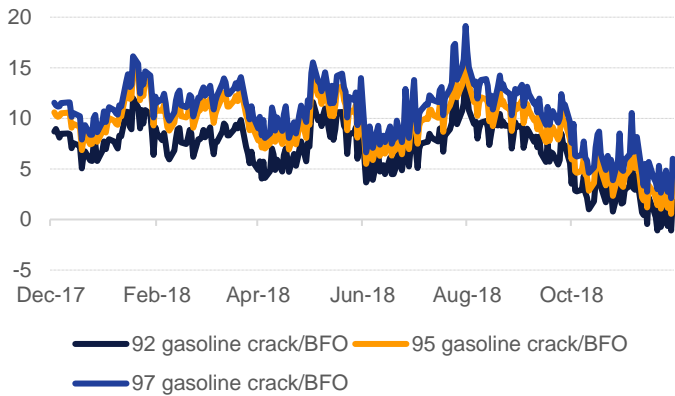
Source: EIKON, Emirates NBD Research

Singapore fuel oil



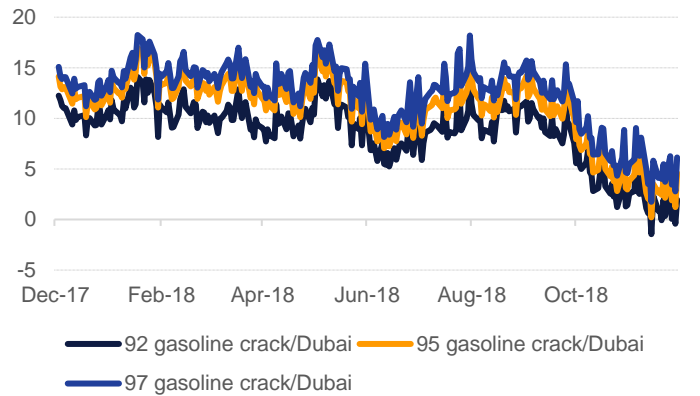
Source: EIKON, Emirates NBD Research

Singapore/BFO crack gasoline



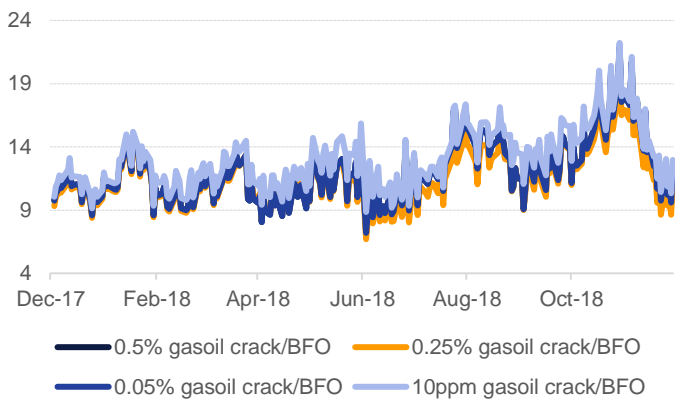
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Singapore/Dubai crack gasoline



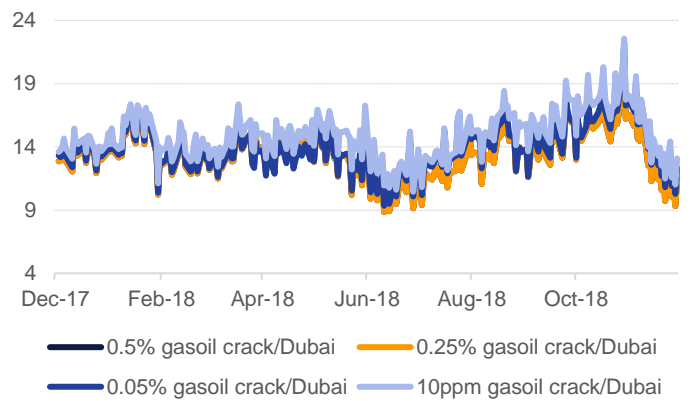
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Singapore/BFO crack gasoil



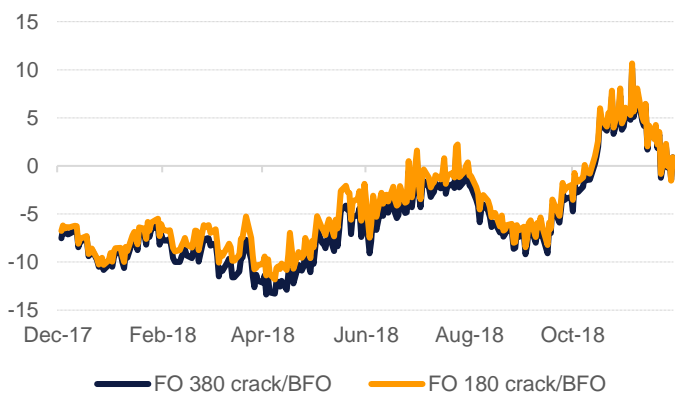
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Singapore/Dubai crack gasoil



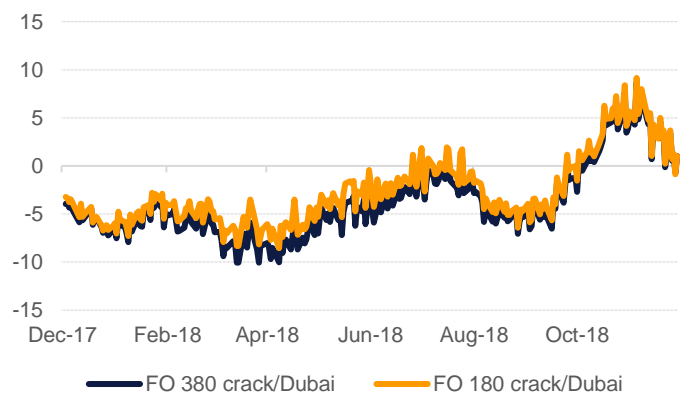
Source: EIKON, Emirates NBD Research.

Singapore/BFO crack fuel oil



Source: EIKON, Emirates NBD Research

Singapore/Dubai crack fuel oil



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