

May 25, 2016

Oil Markets Update - May 2016

Brent crude price firm at USD 49.3/bbl on the back of lower supply, higher demand

Brent crude price is trading at USD 49.3/bbl (2016 high) helped by supply disruptions in Canadian oil sands and Nigeria. US inventories fell to 8.79mn bpd in third week of May, lowest levels since beginning of 2016 (US rigs at 404). Wildfires in Canada, which led to more than 1.0mn bpd cut in oil production, based on IHS Energy estimates. Adding to that, China's output in April, contracted by 5.6% YoY to end at 16.59mn metric tons (121.6mn barrels), the lowest since Feb 2015, according to the National Bureau of Statistics. Iraq's oil supply also impacted by some issues of maintenance and power outages, the country during mid May 2016 produced 4.5mn bpd, down by c.300k bpd since January 2016.

In April, average Brent crude price was up 8.9% MoM, while down 29% YoY at USD 43.3/bbl. WTI price reached USD 42.9/bbl; increased by 4.7% MoM and declined by 30% YoY.

Demand:

The International Energy Agency stated that the global oil demand growth will remain unchanged in 2016, at 1.2mn bpd, reaching 95.9 mn bpd. For 1Q16 in particular, demand growth was revised upward to 1.4mn bpd, due to strong demand gains in India (400k bpd higher demand YoY), China and Russia, despite the warmer winter weather in the northern hemisphere. 2016 OPEC crude demand is estimated at 31.5mn bpd, higher by 1.8 mn bpd YoY, according to OPEC report.

Supply:

According to the IEA, world oil supply was up by 250k MoM in April to 96.2mn bpd, led by higher OPEC production despite lower non-OPEC supply. In April, the YoY global oil output increased only by 50k bpd compared to 3.5mn bpd gains a year earlier. 2016 non-OPEC supply is expected at 56.8mn bpd; revised downward from 0.7mn bpd to 0.8mn bpd decline.

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Price monitor

Exhibit 1: Price Monitor

Crude (USD/bbl)	Current Price	1 Month Ago	MoM%	1 Year Ago	YoY%	Average Price (YTD)		YoY%
	5/25/16					2016	2015	
WTI	47.6	41.2	16%	58.0	-18%	37.1	45.4	-18%
Brent	48.5	44.5	9%	63.7	-24%	39.0	49.5	-21%
OPEC Ref. Basket	44.1	39.4	12%	60.7	-27%	33.9	45.1	-25%
Arab Light	44.1	39.9	11%	62.4	-29%	33.8	45.9	-26%
Gas (USD/mmbtu)								
Nymex HH	2.0	2.0	-1%	2.8	-31%	1.9	2.4	-19%
NBP Gas	4.3	4.6	-6%	6.6	-35%	4.3	5.9	-27%

Source: Bloomberg, SICO Research

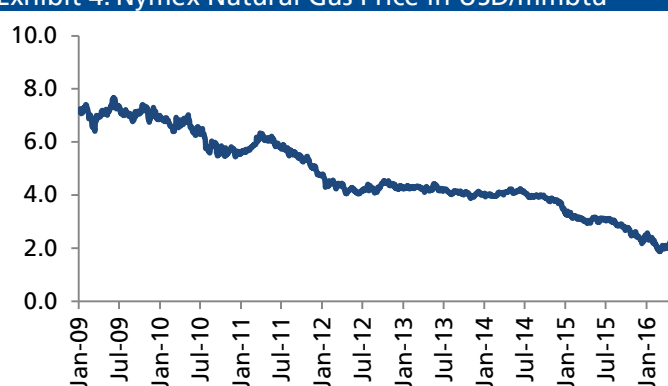
Exhibit 2: Prices: Historical

(USD/bbl unless mentioned)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2013	2014	2015
WTI	94	94	106	97	99	103	98	73	49	58	46	42	33	98	93	49
YoY (%)	-9%	-1%	12%	9%	5%	10%	-8%	-25%	-51%	-44%	-53%	-43%	-32%	2%	-5%	-48%
Brent	113	103	110	109	108	110	103	77	55	63	51	45	35	109	100	54
YoY (%)	0%	-2%	3%	1%	-4%	6%	-6%	-30%	-49%	-42%	-50%	-42%	-36%	0%	-8%	-46%
Nymex HH Gas (USD/mmbtu)	3.5	4.0	3.5	3.8	3.6	4.6	3.9	3.7	2.9	2.7	2.7	2.1	2.0	3.7	4.0	2.6
YoY (%)	-2%	20%	2%	3%	3%	14%	11%	-3%	-21%	-41%	-30%	-44%	-31%	6%	6%	-34%

Source: Bloomberg, SICO Research

Exhibit 3: Brent Oil Price in USD/bbl


Source: Bloomberg

Exhibit 4: Nymex Natural Gas Price in USD/mmbtu


Source: Bloomberg

Global Oil Demand and Supply Estimates

Exhibit 5: Global Oil Supply, Demand Comparison (mn bpd)

	2016 Demand	Growth (mn bpd)	Growth (YoY %)	Non-OPEC Supply	Growth (mn bpd)	Growth (YoY %)	2016 GDP Growth (%)
EIA	95.2	1.4	1.5%	56.9	-0.7	-1.3%	
IEA	95.9	1.2	1.3%	57.0	-0.7	-1.2%	3.2%
OPEC	94.2	1.2	1.3%	56.4	-0.7	-1.2%	3.1%
Average	95.1	1.3	1.4%	56.8	-0.7	-1.2%	3.2%

Source: IEA, EIA, OPEC

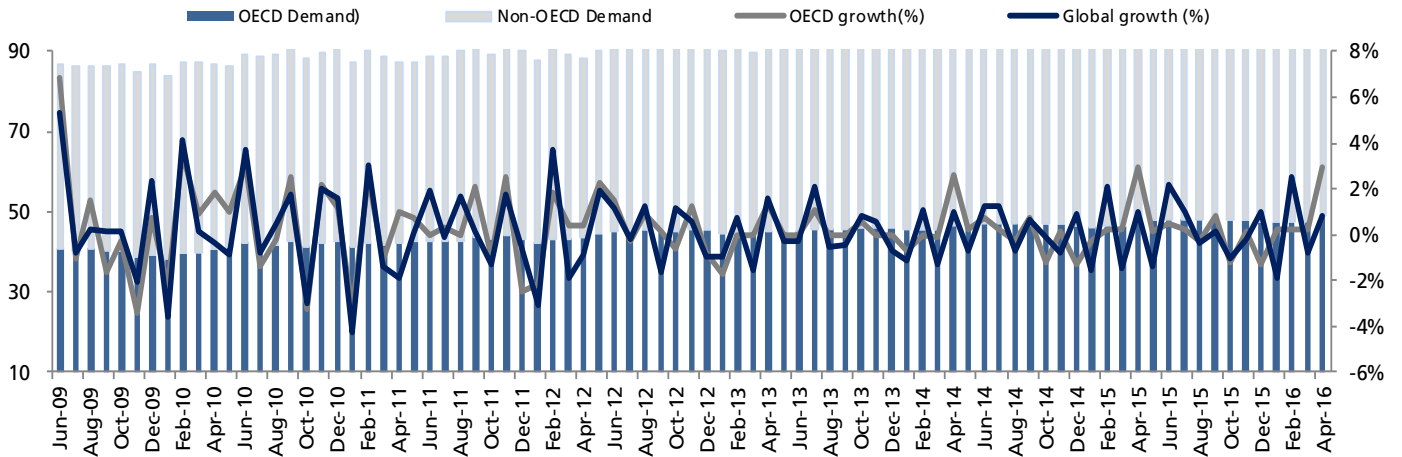
Exhibit 6: Global Oil Supply & Demand Balance (mn bpd)

Demand	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2013	2014	2015
OECD	45.2	45.7	45.9	45.6	46.9	47.3	46.8	46.4	47.9	48.3	47.7	47.5	46.0	45.8	46.2
YoY	1.9%	0.8%	1.1%	-1.7%	2.7%	2.9%	2.6%	0.0%	2.2%	2.9%	0.9%	2.5%	0.2%	-0.5%	1.0%
Non-OECD	45.5	46.3	46.5	45.8	44.9	46.0	46.4	46.5	45.4	46.7	46.4	46.6	45.2	46.4	47.2
YoY	0.3%	0.9%	0.5%	18.6%	-1.4%	-0.6%	-0.2%	1.5%	1.1%	1.6%	-0.1%	0.3%	3.0%	2.7%	1.8%
Total Oil demand	90.7	91.9	92.4	91.4	91.8	93.3	93.1	92.9	93.3	95.0	94.1	94.2	91.4	92.4	93.8
YoY	1.1%	0.9%	0.8%	7.5%	1.2%	1.5%	0.8%	1.6%	1.7%	1.8%	1.0%	1.4%	1.0%	1.2%	1.5%
Supply															
Non-OPEC	53.1	54.0	54.9	54.7	55.7	56.3	57.5	57.2	57.3	57.9	58.1	57.2	53.6	56.1	57.6
YoY	2.9%	4.4%	3.5%	9.6%	4.8%	4.2%	4.8%	4.6%	2.9%	2.8%	1.1%	-0.1%	-7.3%	4.5%	2.8%
OPEC Crude	31.3	31.0	30.2	30.7	30.4	31.0	31.0	30.8	31.5	32.0	31.8	31.6	30.9	30.8	31.6
YoY	-2.6%	-3.1%	-3.3%	2.1%	-2.9%	-0.2%	2.6%	0.4%	3.7%	3.3%	2.6%	2.4%	-3.2%	-0.3%	2.5%
OPEC other liquids	6.48	6.46	6.49	6.45	6.44	6.45	6.53	6.55	6.58	6.59	6.60	6.74	6.49	6.47	6.58
YoY	-0.8%	-1.5%	-0.6%	13.4%	-0.6%	-0.2%	0.6%	1.5%	2.2%	2.2%	1.0%	2.8%	-0.5%	-0.3%	1.7%
Total Oil Supply	90.9	91.5	91.6	91.9	92.5	93.7	95.1	94.6	95.4	96.5	96.5	95.5	91.0	93.3	95.8
YoY	0.7%	1.3%	0.9%	7.2%	1.8%	2.4%	3.8%	3.0%	3.1%	2.9%	1.6%	0.9%	0.6%	2.6%	2.6%
OCED commercial inventories	2644	2683	2550	2557	2583	2649	2686	2715	2818	2905	2947	2964	2573	2721	2997
Demand Cover (Days)	58.5	58.7	55.5	56.1	55.1	56.0	57.4	58.6	58.8	60.2	61.8	62.4	55.9	59.4	64.8
WTI Price (USD/bbl)	94.1	105.8	97.3	98.7	103.3	97.8	73.2	48.5	57.8	46.4	42.0	33.2	98.0	93.2	48.7

Source: EIA, SICO Research

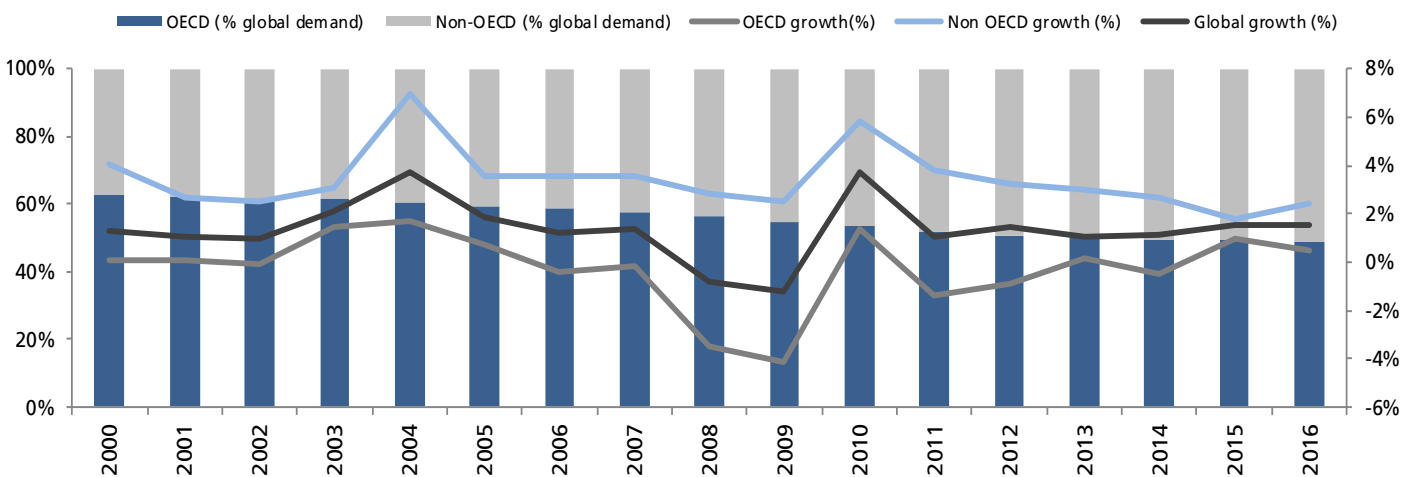
Oil Demand Trends

Exhibit 7: Oil Demand- OECD vs Non- OECD (mn bpd)



Source: EIA, SICO Research

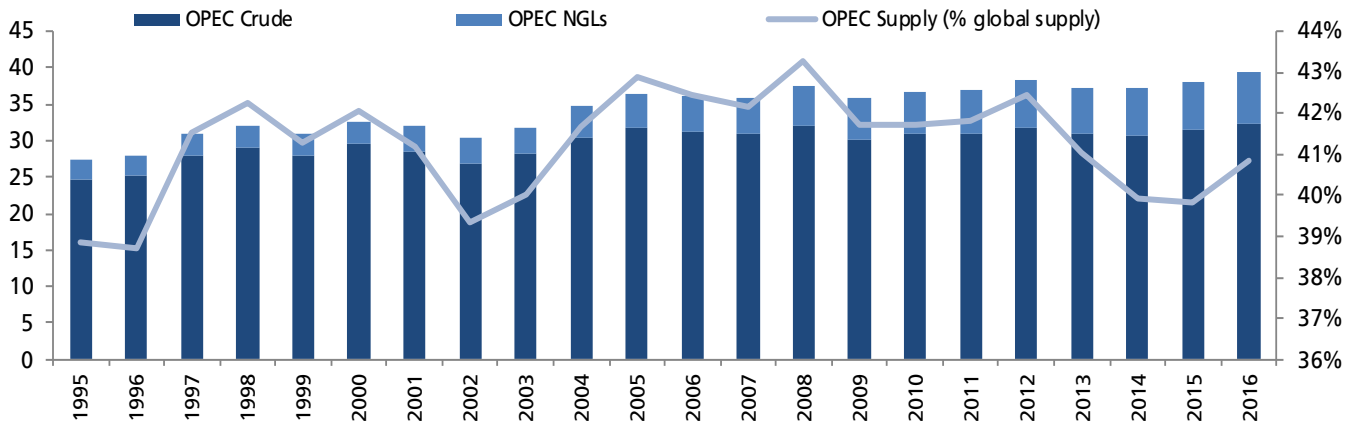
Exhibit 8: Oil Demand- OECD vs Non- OECD



Source: EIA, SICO Research

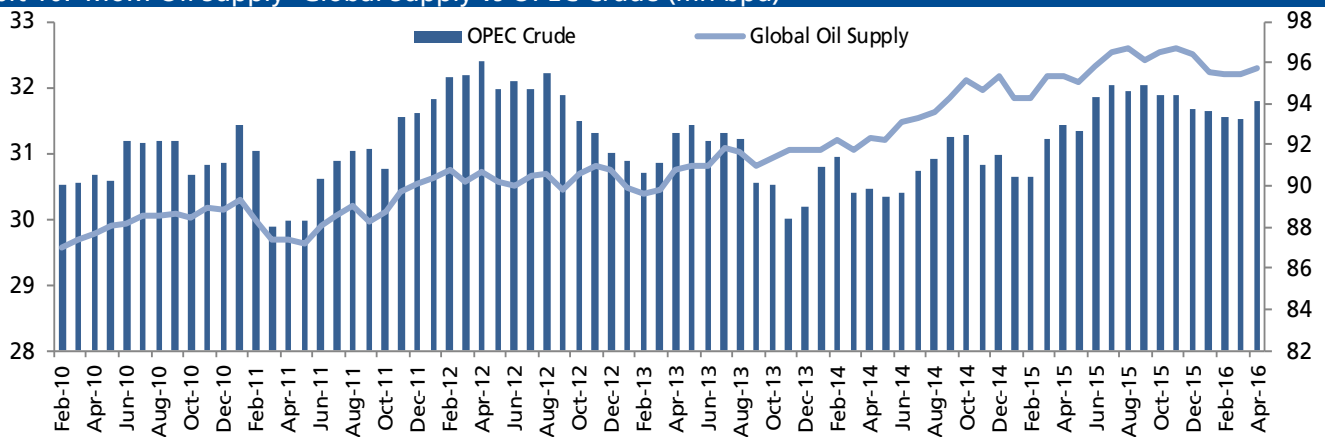
Oil Supply Trends

Exhibit 9: YoY Oil Supply- OPEC: crude and NGLs (mn bpd)



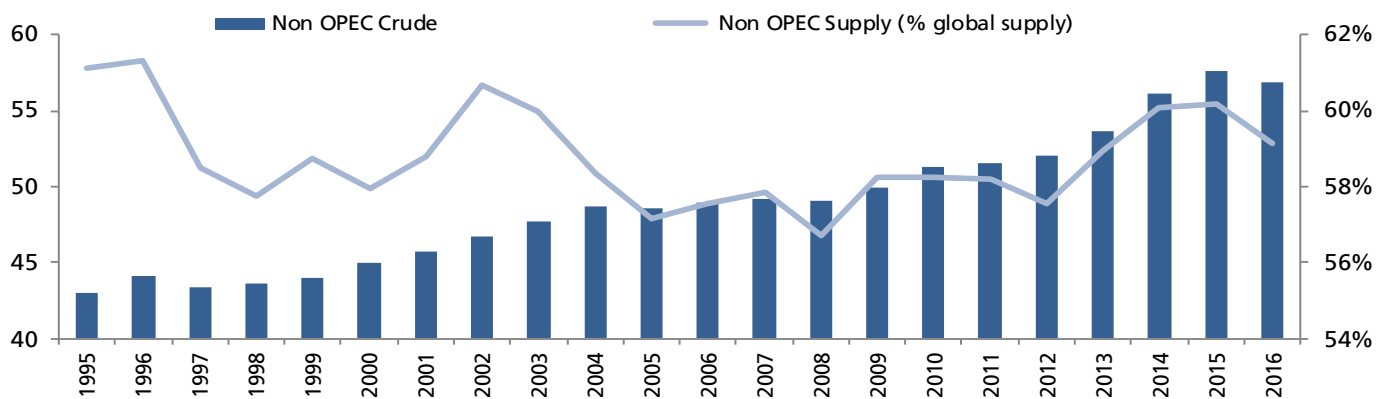
Source: EIA, SICO Research

Exhibit 10: MoM Oil Supply- Global Supply vs OPEC Crude (mn bpd)



Source: EIA, SICO Research

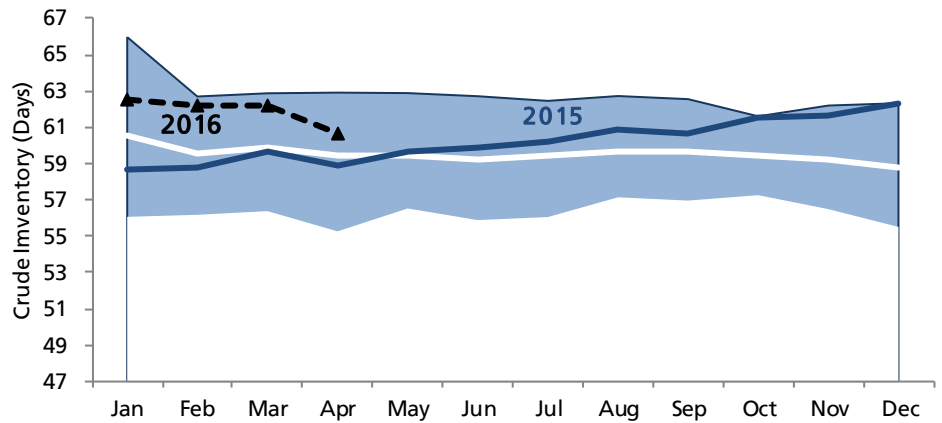
Exhibit 11: YoY Oil Supply- Non OPEC Crude (mn bpd)



Source: EIA, SICO Research

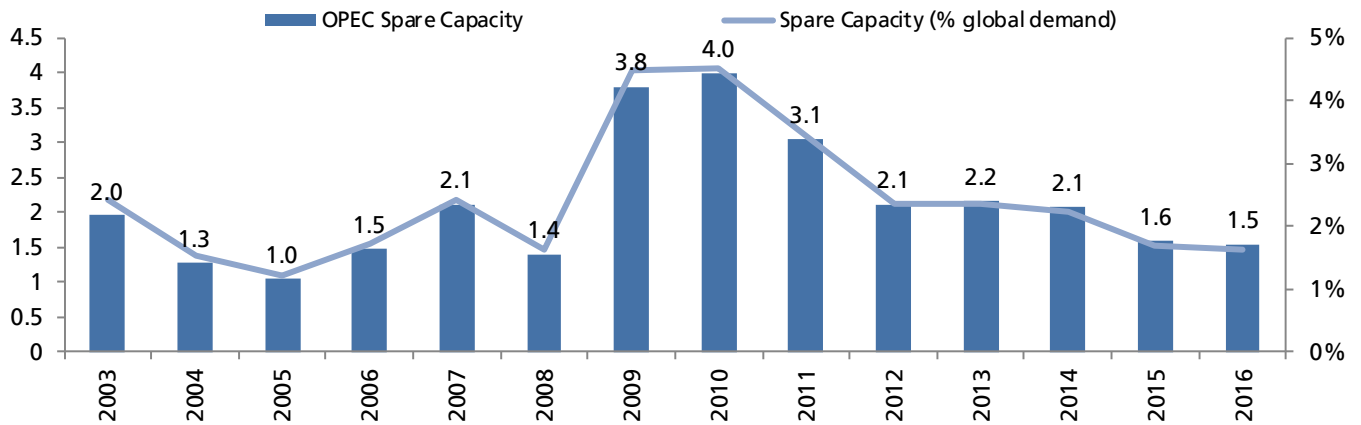
OPEC Spare Capacity and OECD Commercial Inventory

Exhibit 12: OECD commercial inventories – demand cover (days)



Source: EIA, SICO Research

Exhibit 13: Spare Capacity- Long Term Trend (mn bpd)



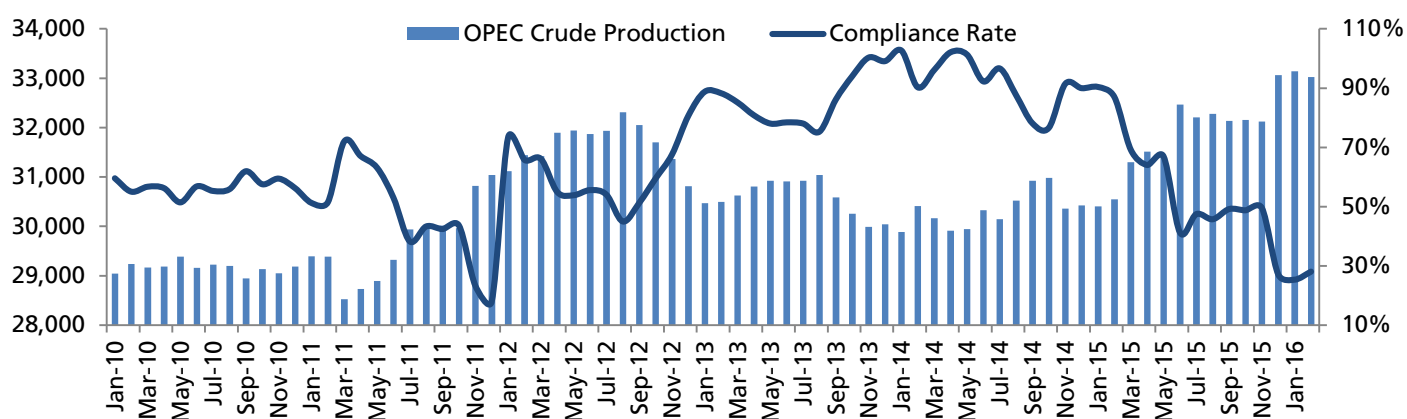
Source: EIA, SICO Research

OPEC Production

Exhibit 14: in Kbpd

	Crude Production		Change (MoM)	Spare Capacity	Capacity
	Apr-16	Mar-16			
Saudi Arabia	10,270	10,200	70	11,500	1,230
UAE	2,950	2,980	(30)	3,150	200
Kuwait	2,900	3,000	(100)	3,000	-
Qatar	670	650	20	780	110
Iran	3,500	3,100	400	4,000	500
Iraq	4,310	4,200	110	4,450	140
Algeria	1,100	1,110	(10)	1,150	50
Angola	1,800	1,801	(1)	1,870	70
Libya	310	370	(60)	780	470
Ecuador	555	551	4	555	-
Nigeria	1,690	1,889	(199)	2,200	510
Venezuela	2,440	2,451	(11)	2,500	60
Total OPEC Crude	33,217	33,026	191	36,657	
Total OPEC ex Iraq	28,907	28,826	81	32,207	
Oman	980	980	-		
Bahrain	180	180	-		
Total GCC Crude	17,950	17,990	(40)		

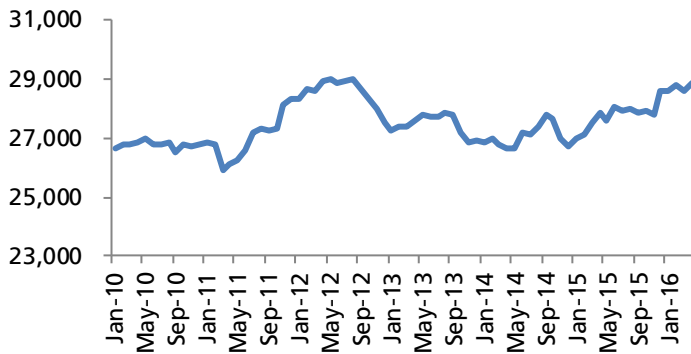
Source: Bloomberg, SICO Research

Exhibit 15: OPEC Production and Quota Compliance


Source: Bloomberg, SICO Research

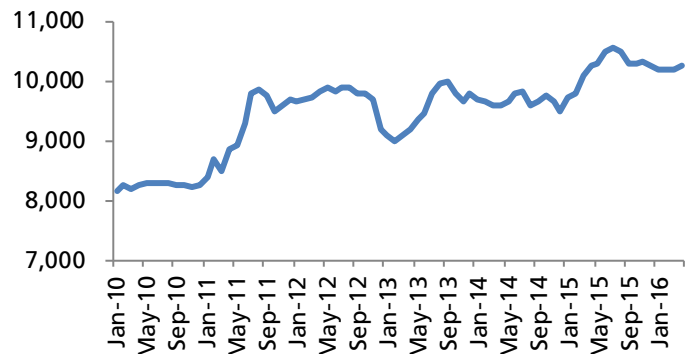
Country wise Production Trend

Exhibit 16: OPEC ex Iraq (in Kbpd)



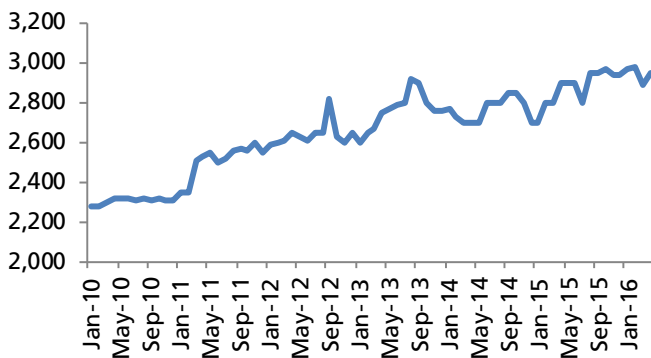
Source: : Bloomberg, SICO Research

Exhibit 17: Saudi Arabia (in Kbpd)



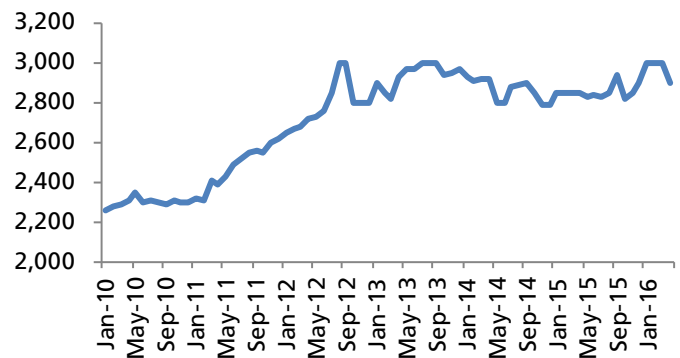
Source: : Bloomberg, SICO Research

Exhibit 18: UAE (in Kbpd)



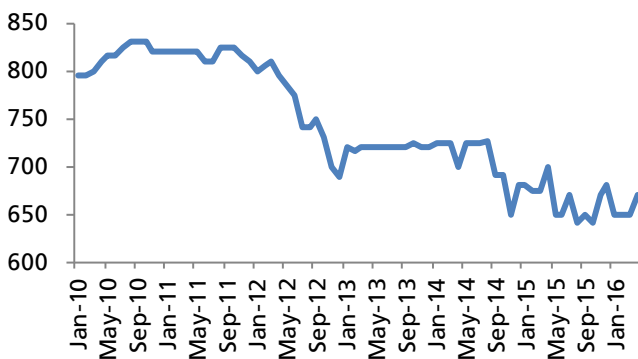
Source: : Bloomberg, SICO Research

Exhibit 19: Kuwait (in Kbpd)



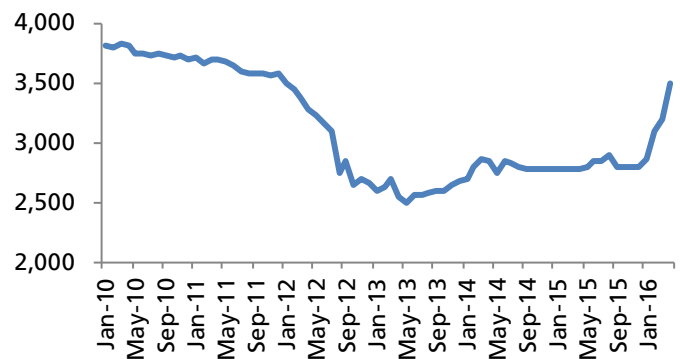
Source: : Bloomberg, SICO Research

Exhibit 20: Qatar (in Kbpd)



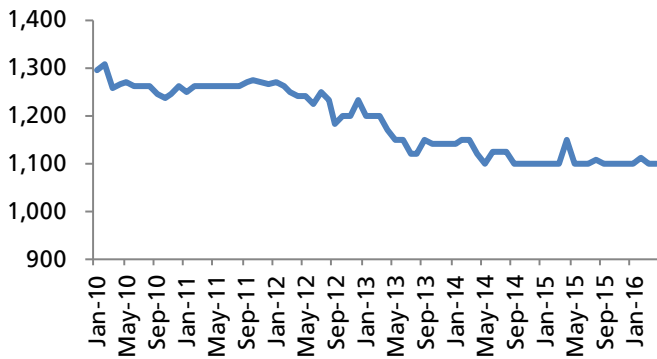
Source: : Bloomberg, SICO Research

Exhibit 21: Iran (in Kbpd)



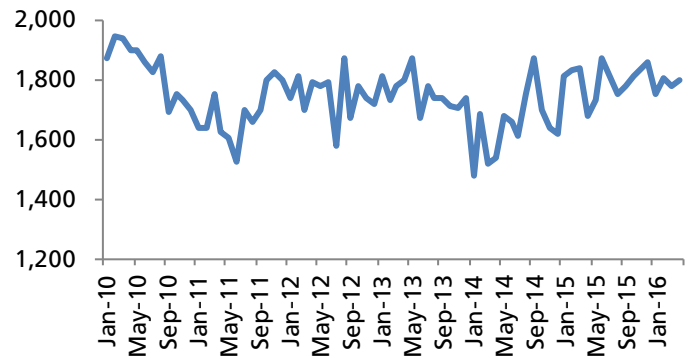
Source: : Bloomberg, SICO Research

Exhibit 22: Algeria (in Kbpd)



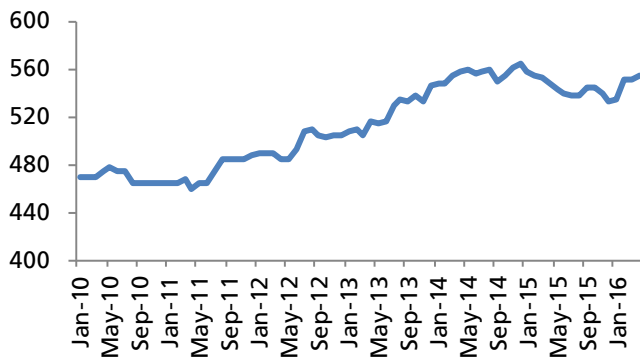
Source: : Bloomberg, SICO Research

Exhibit 23: Angola (in Kbps)



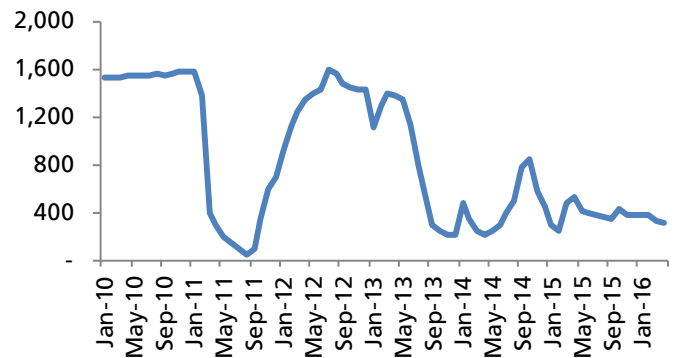
Source: : Bloomberg, SICO Research

Exhibit 24: Ecuador (in Kbps)



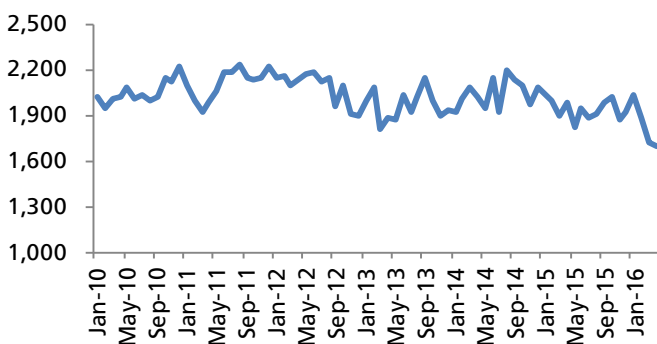
Source: : Bloomberg, SICO Research

Exhibit 25: Libya (in Kbps)



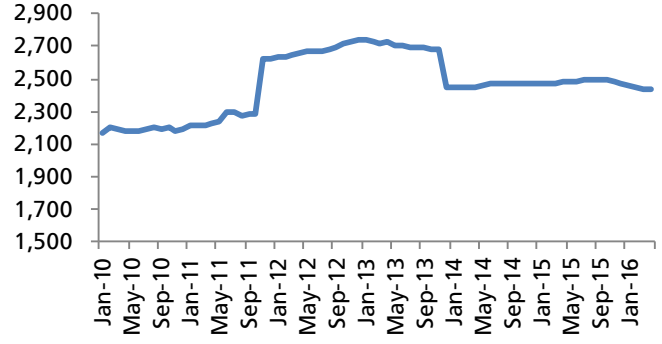
Source: : Bloomberg, SICO Research

Exhibit 26: Nigeria (in Kbps)



Source: : Bloomberg, SICO Research

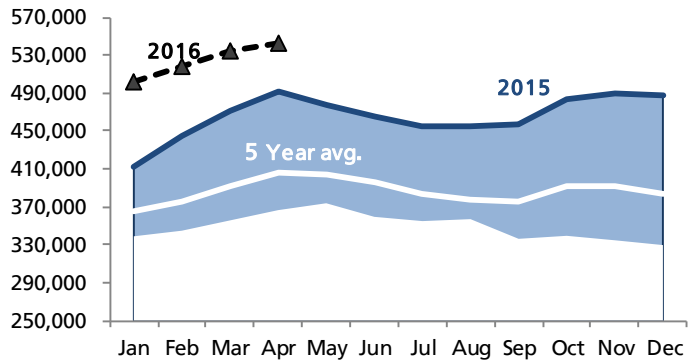
Exhibit 27: Venezuela (in Kbps)



Source: : Bloomberg, SICO Research

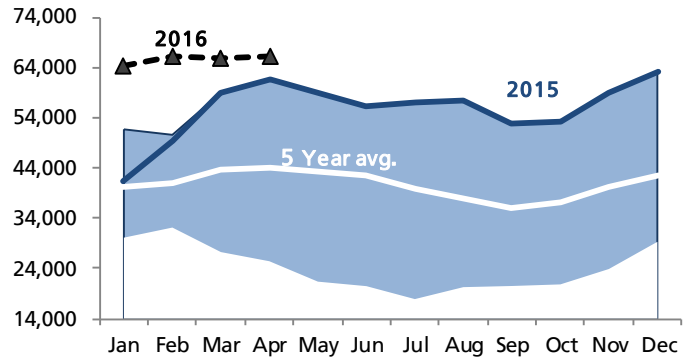
US Product Inventory

Exhibit 28: US Oklahoma crude inventory ('000 bbls)



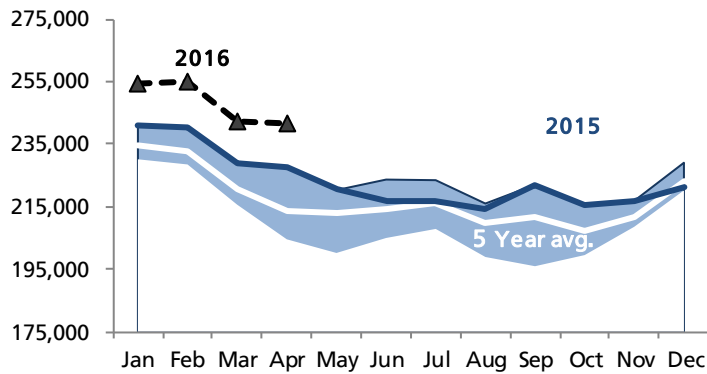
Source: EIA, SICO Research

Exhibit 29: US total crude inventory ('000 bbls)



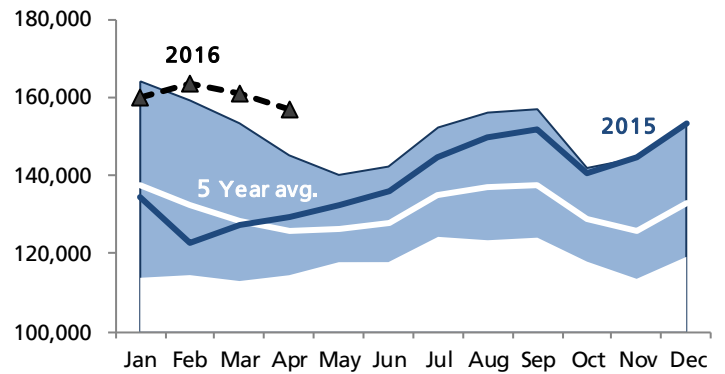
Source: EIA, SICO Research

Exhibit 30: US total gasoline inventory ('000 bbls)



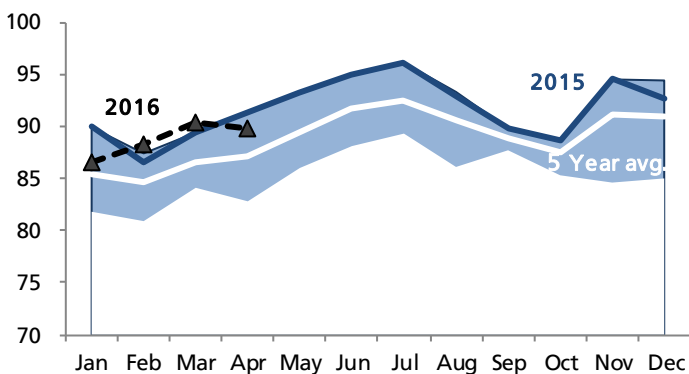
Source: EIA, SICO Research

Exhibit 31: US total distillate inventory ('000 bbls)



Source: EIA, SICO Research

Exhibit 32: US refinery utilisation (%)



Source: EIA, SICO Research

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NOTES

- *EIA: Energy Information Administration; IEA: International Energy Agency; OPEC: Organisation of the Petroleum Exporting Countries*
- *CFTC non-commercial contracts include future positions only.*
- *OPEC quota compliance based on Bloomberg estimates; may differ from actual production.*
- *Bahrain monthly production figures not available; based on historical production data and SICO estimates.*

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