



بنك الإمارات دبي الوطني  
Emirates NBD

## Commodities

17 March 2019

### Oil market weekly highlights

Oil futures extended their year-to-date gains last week as fundamentals gave bullish signals to the market. Brent futures closed up 2.2% at USD 67.16/b and are now up 22.3% ytd while WTI gained 4.4% to end the week at USD 58.52/b, up almost 29% ytd. Risk assets rose over the course of the week, including major industrial metals and equities, despite the enormous uncertainty hitting financial markets from Brexit. The Fed meets in the middle of this coming week with all eyes on whether it will cut its interest rate projections for the year with a softer dollar potentially adding more tailwinds to commodities.

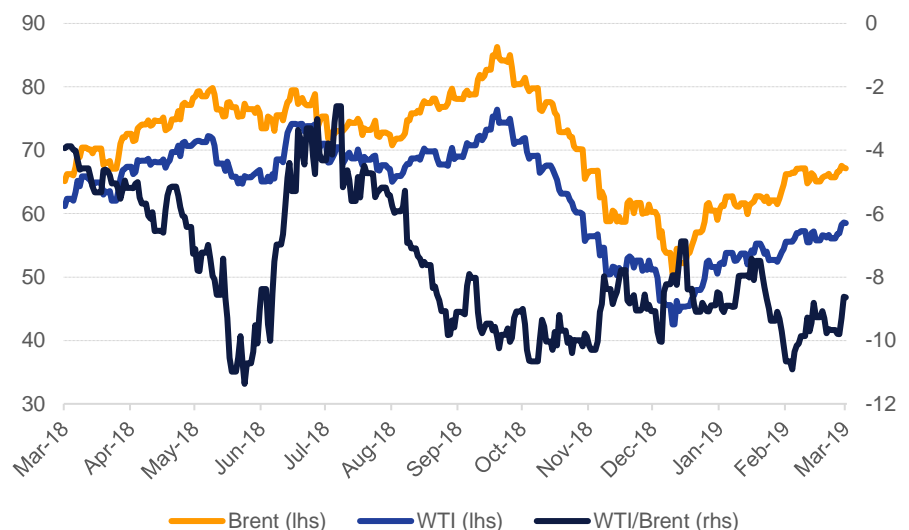
OPEC+ holds a meeting in Azerbaijan this weekend with a commitment to the current production cuts and an official extension into the second half of the year the most likely outcome. Messaging from oil ministers from major OPEC members has indicated as much: however, as the IEA noted in their latest assessment of near-term crude balances, the rapid decline in Venezuela's production gives countries like Saudi Arabia or the UAE room to increase output but not breach the aggregate production cut target. In order to keep oil prices well supported over-compliance or more unanticipated outages will be necessary to deliver on the IEA's forecast of a deficit emerging in Q2 2019 and being maintained in the second half of the year. Our expectation is that some replacement of involuntary outages in places like Venezuela and Iran will occur (similar to 2018) with a risk of over-production weighing on prices in the final months of the year.

Time spreads reflected the anticipated tightening in crude balances as backwardation in Brent markets widened (Dec 19/20 gained 18.6% last week) while the contango in near-term WTI spreads shrank: 1-12 month spreads in WTI ended the week at USD 0.86/b in contango compared with USD 2/b a week earlier. The tighter picture implied by curve structures is helping attract longs back to the market as net length in both WTI and Brent gained last week, rising a total of 13.3k contracts. With the Fed giving the market more dovish signals about the cost of borrowing roll yields will start to become more attractive as the backwardation in Brent markets widens further.

The US drilling rig count continues to drift lower, having declined four weeks in a row. While the rig count fell only by 1 last week, it is just 33 rigs higher than it was one year earlier. The Dallas Fed will release its energy market survey on March 26th which should provide a good indicator of exploration and production companies' ambitions for the rest of 2019. The dip in rig count we see now may be erased in coming months as there appears to be a lag in the response of drilling activity to movements in WTI spot prices.

Inventories point to a delicately balanced market as stocks in Europe continue to be drawn lower while the US and Singapore stabilize. US product stocks are firmly in a seasonal draw with gasoline down sharply from January highs.

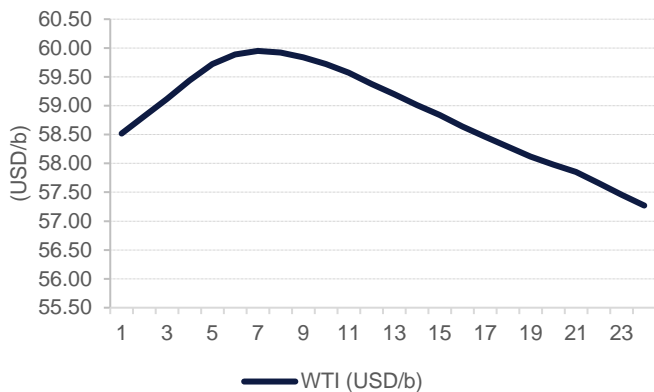
#### Oil prices extend their year-to-date gains



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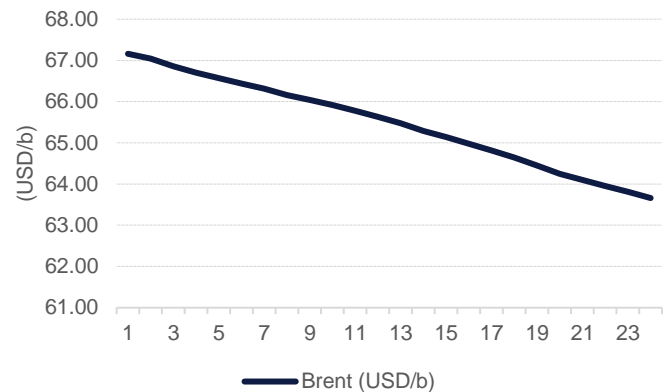
Source: EIKON, Emirates NBD Research.

### WTI forward curve



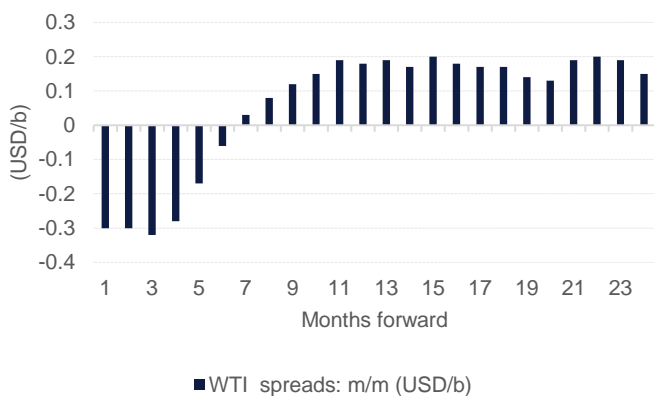
Source: EIKON, Emirates NBD Research. Note: USD/b.

### Brent forward curve



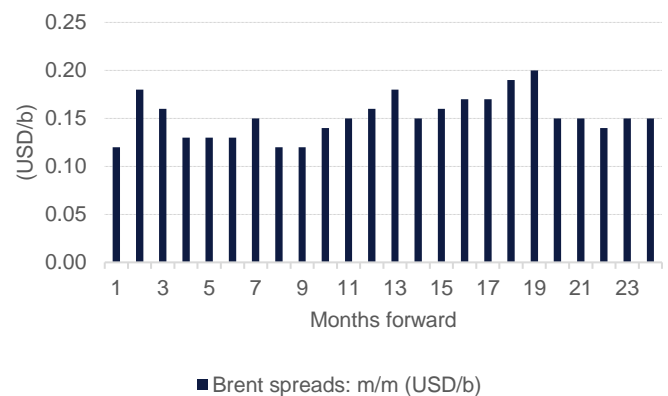
Source: EIKON, Emirates NBD Research. Note: USD/b.

### WTI time spreads



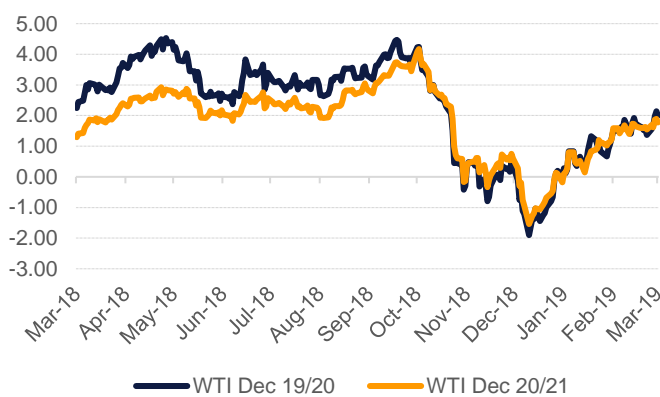
Source: EIKON, Emirates NBD Research. Note: USD/b.

### Brent time spreads



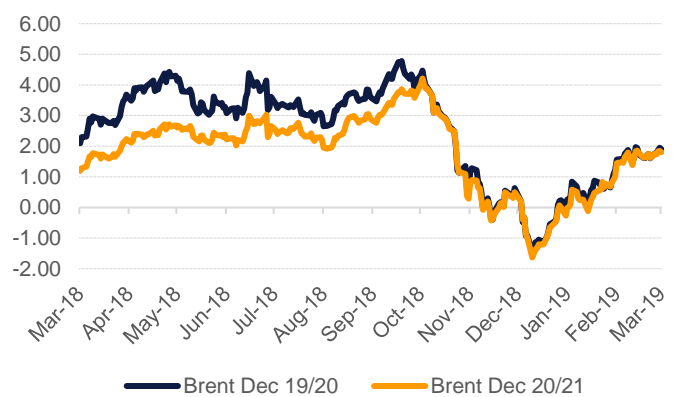
Source: EIKON, Emirates NBD Research. Note: USD/b.

### WTI December spreads



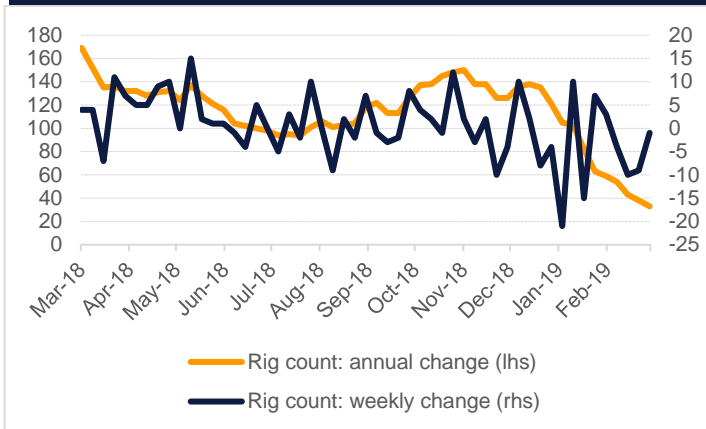
Source: EIKON, Emirates NBD Research. Note: USD/b.

### Brent December spreads



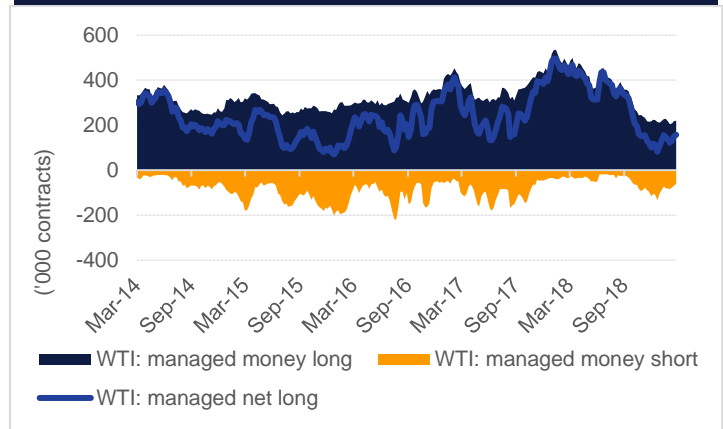
Source: EIKON, Emirates NBD Research. Note: USD/b.

### US drilling rig count



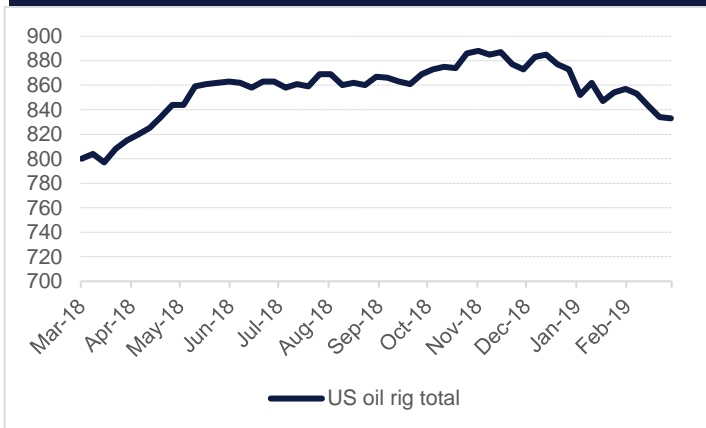
Source: EIKON, Emirates NBD Research.

### WTI net length managed money



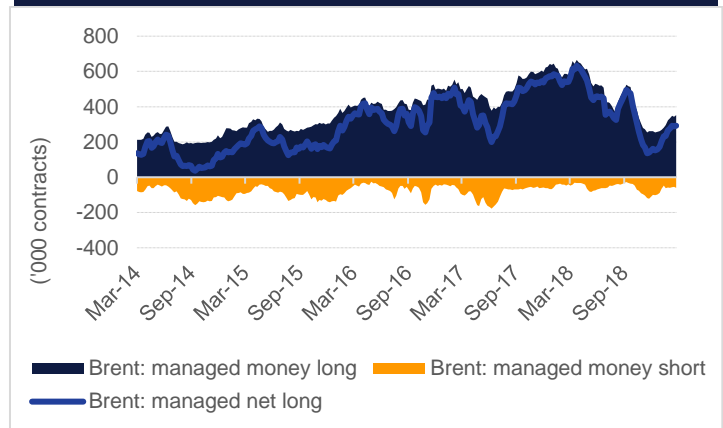
Source: EIKON, Emirates NBD Research. Note: NYMEX futures and options only.

### US drilling rig count (1 year)



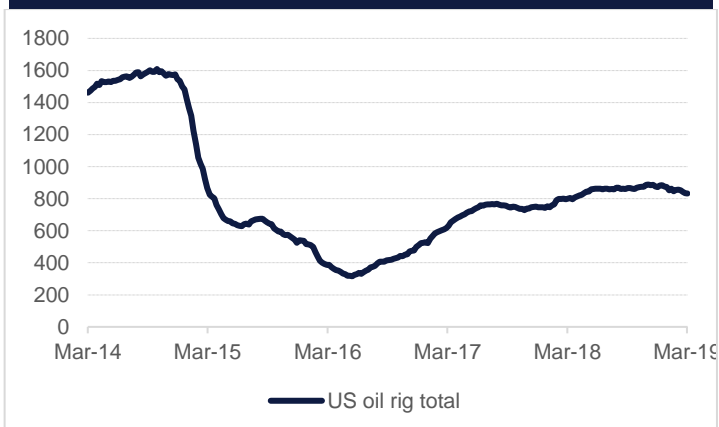
Source: EIKON, Emirates NBD Research.

### Brent net length managed money



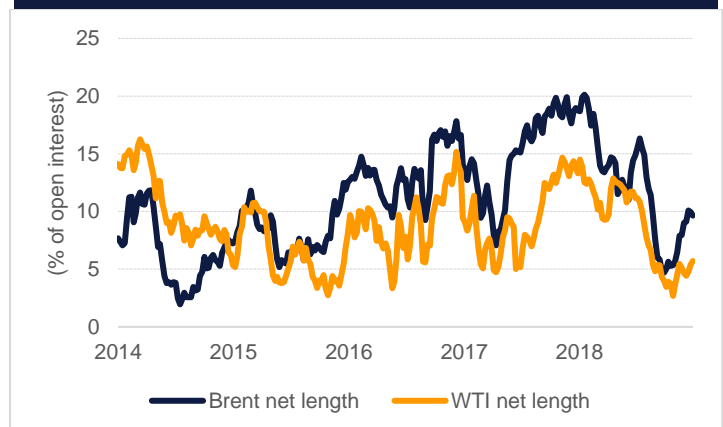
Source: EIKON, Emirates NBD Research. Note: ICE only.

### US drilling rig count (5 year)



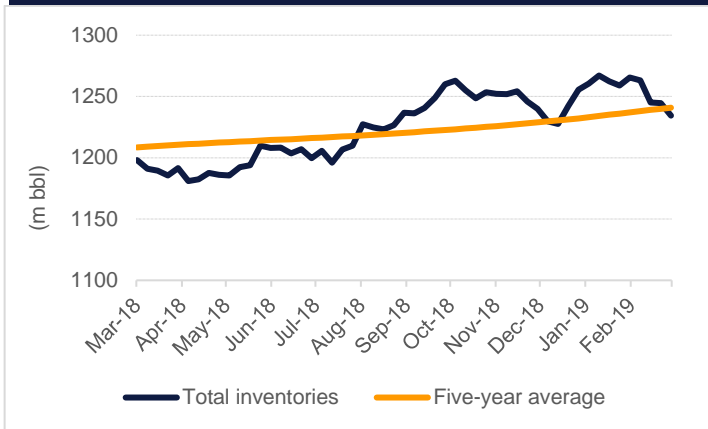
Source: EIKON, Emirates NBD Research.

### Net length managed money/open interest



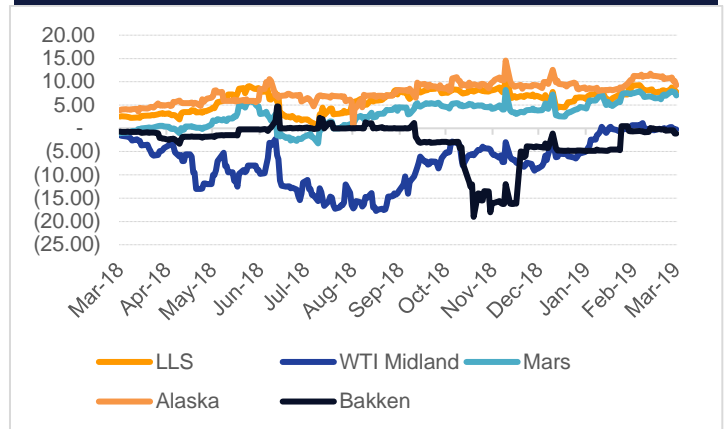
Source: EIKON, Emirates NBD Research. Note: NYMEX and ICE.

### Total inventories: US



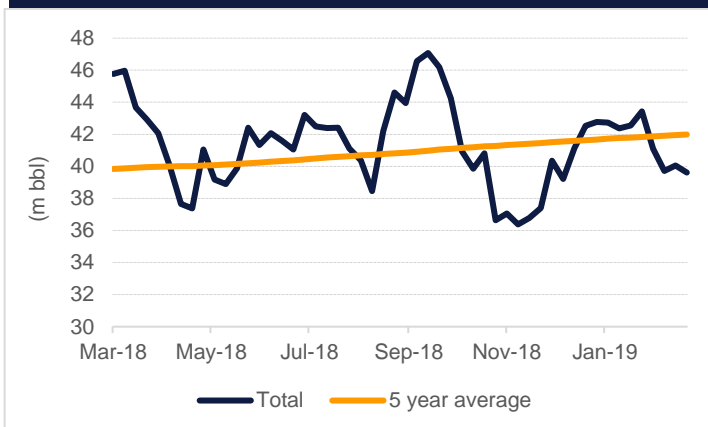
Source: EIKON, Emirates NBD Research. Note: crude and products.

### North America prices



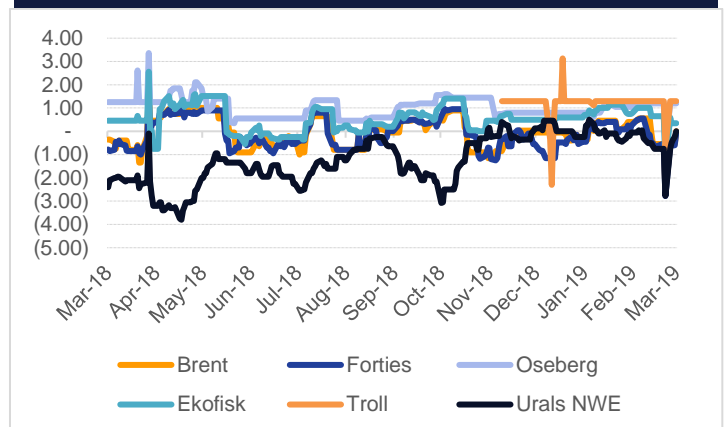
Source: EIKON, Emirates NBD Research. Note: USD/b

### Total inventories: ARA



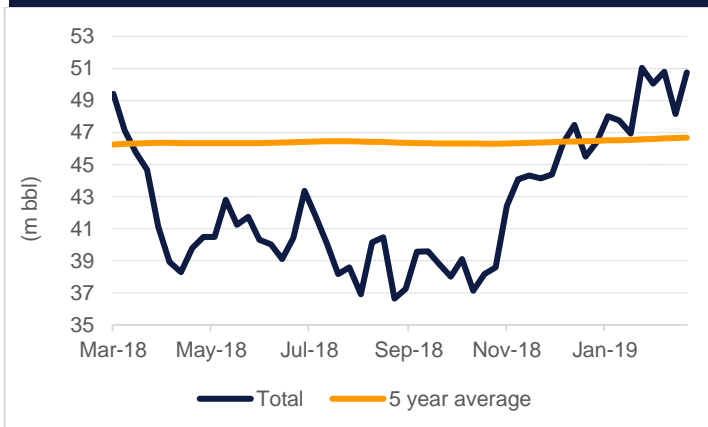
Source: EIKON, Emirates NBD Research. Note: products only.

### North Sea prices



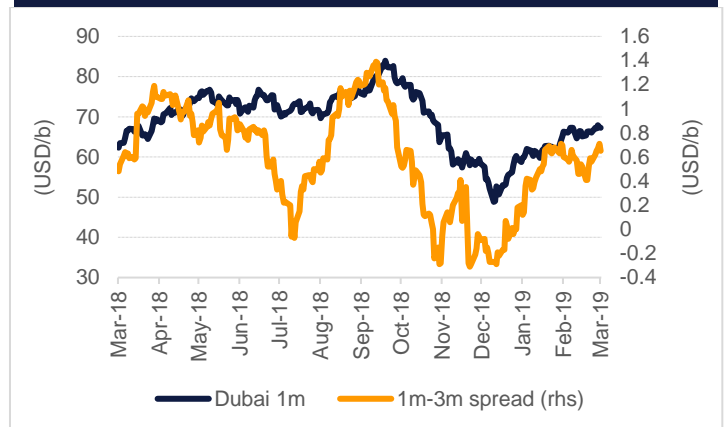
Source: EIKON, Emirates NBD Research. Note: USD/b.

### Total inventories: Singapore



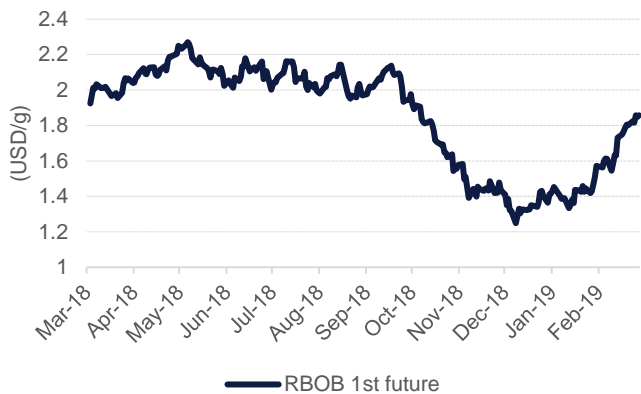
Source: EIKON, Emirates NBD Research. Note: products only.

### Dubai prices



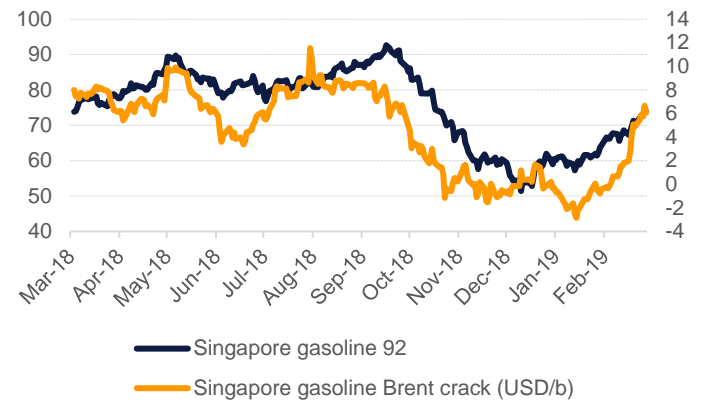
Source: EIKON, Emirates NBD Research. Note: USD/b.

### RBOB futures



Source: EIKON, Emirates NBD Research

### Singapore gasoline



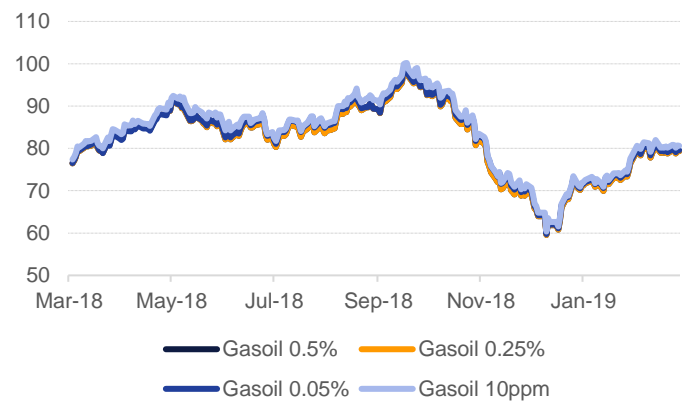
Source: EIKON, Emirates NBD Research

### ULSD futures



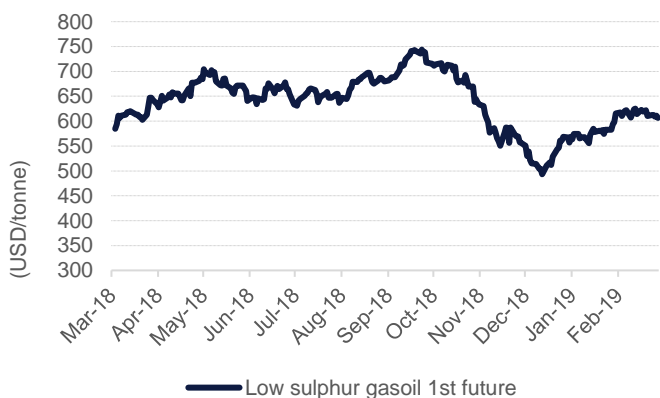
Source: EIKON, Emirates NBD Research.

### Singapore gasoil



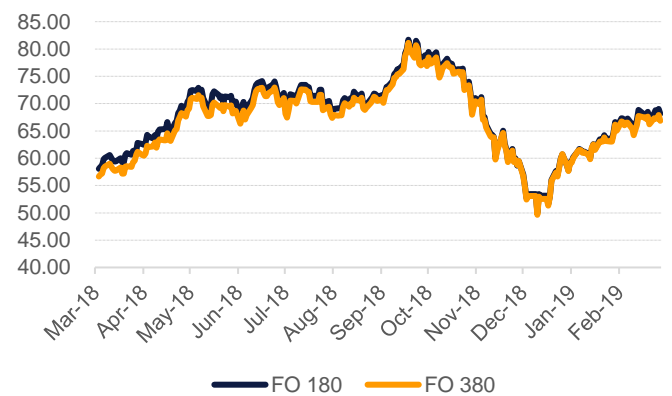
Source: EIKON, Emirates NBD Research

### Low sulphur gasoil futures



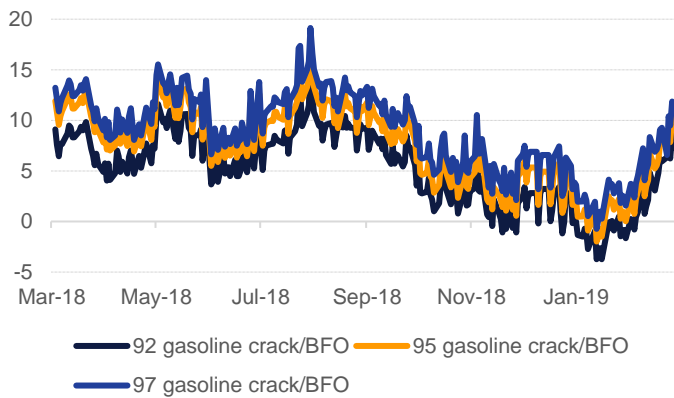
Source: EIKON, Emirates NBD Research

### Singapore fuel oil



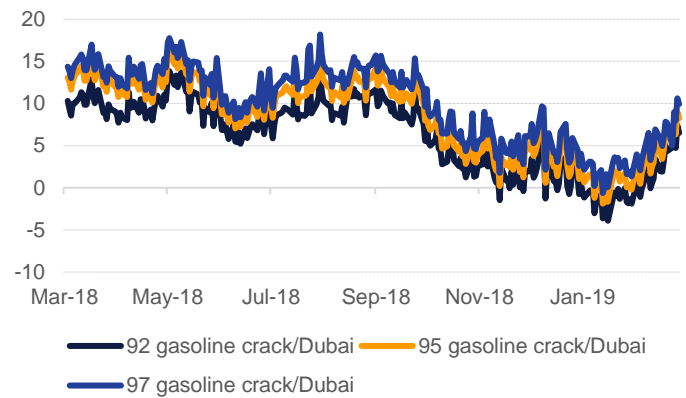
Source: EIKON, Emirates NBD Research

### Singapore/BFO crack gasoline



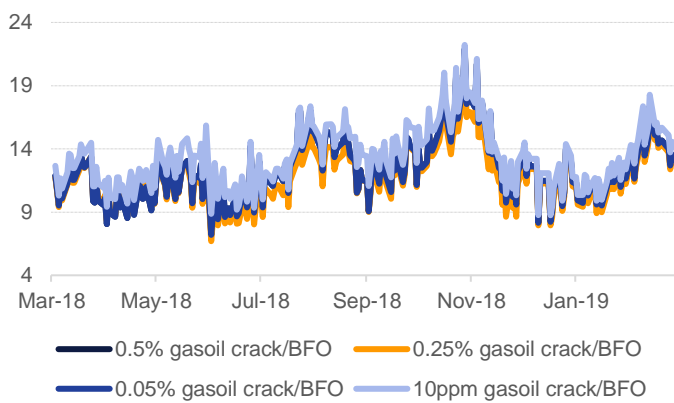
Source: EIKON, Emirates NBD Research

### Singapore/Dubai crack gasoline



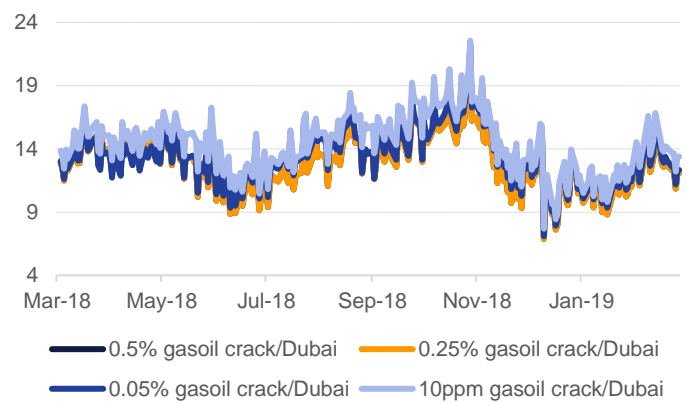
Source: EIKON, Emirates NBD Research.

### Singapore/BFO crack gasoil



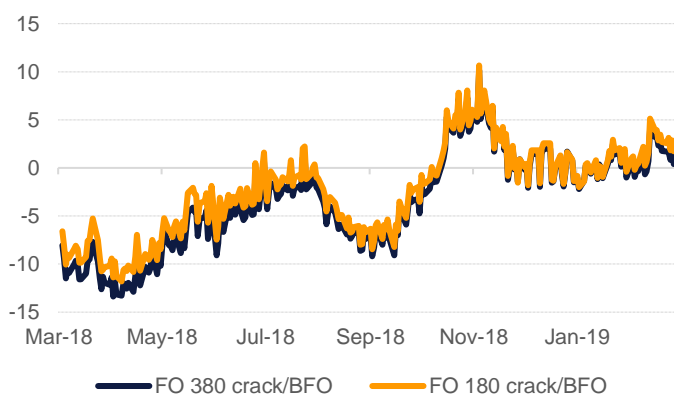
Source: EIKON, Emirates NBD Research.

### Singapore/Dubai crack gasoil



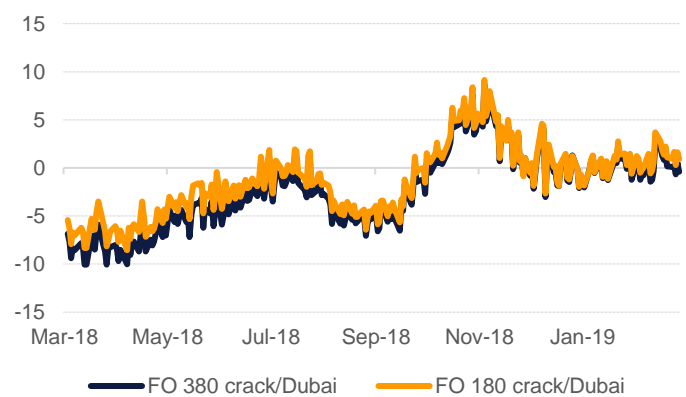
Source: EIKON, Emirates NBD Research.

### Singapore/BFO crack fuel oil



Source: EIKON, Emirates NBD Research

### Singapore/Dubai crack fuel oil



Source: EIKON, Emirates NBD Research.

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