



بنك الإمارات دبي الوطني
Emirates NBD

Commodities

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Oil market weekly highlights

Oil markets began the year on a positive footing, gaining three days in a row to start 2019. Brent futures rose 9.3% to end the week above USD 57/b while WTI added 5.8% over a holiday-shortened week of trading to close just shy of USD 48/b. Financial markets generally received a boost on Friday thanks to a very strong jobs report out of the US and commentary from Fed Chair Jerome Powell that suggests the central bank may temper its pace of rate hikes in light of the volatility that has shaken markets in the last month.

OPEC's new production cuts have taken effect from the start of the year and market surveys of OPEC output show that major producers got started early. Collective OPEC production fell by 630k b/d in December according to Reuters estimates with Saudi Arabia seeing a decline of 400k b/d and the UAE falling by 110k b/d. In order to achieve the targeted cut from October 2018 levels another 800k b/d of OPEC production should come out of markets in coming months, including 270k b/d from Saudi Arabia and another 70k b/d from the UAE. Even at these lower production levels, oil output in major producers is still on the cards for growth in year on year terms given how low output was in the first six months of 2018 (the UAE's oil production growth will be 5.7% if they hold to the new target).

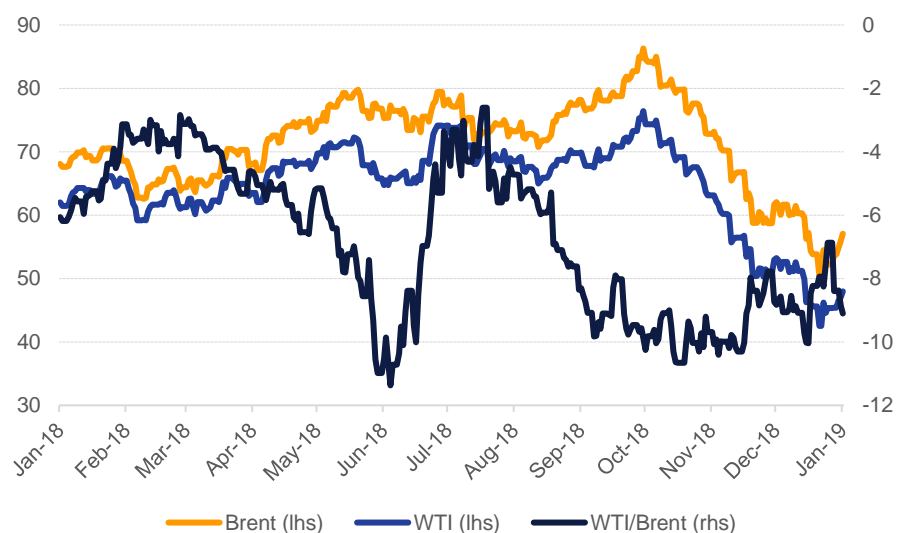
We expect oil price dynamics to be shaped more by the market's expectation for demand in the first few months of the year, more than OPEC's production levels. China's Ministry of Commerce issued its first import quotas for the year at a lower level (-26%) than 2018 levels. The lower volumes set a soft tone to the first few months of the year while Aramco has set its OSPs for Asian importers at a levels higher than the market expected.

Contango structures narrowed a little in the first week of the year, helped by the rally in front-month prices. Time spreads at the front of the Brent curve closed at a contango of USD 0.15/b while WTI levelled off at USD 0.32/b. While the OPEC cuts will have an impact in helping to stem the sharp decline witnessed in spot crude prices over the past two months with a market still on the track to be in stockbuilds over the first half of 2019 the contango structure looks likely to remain in place.

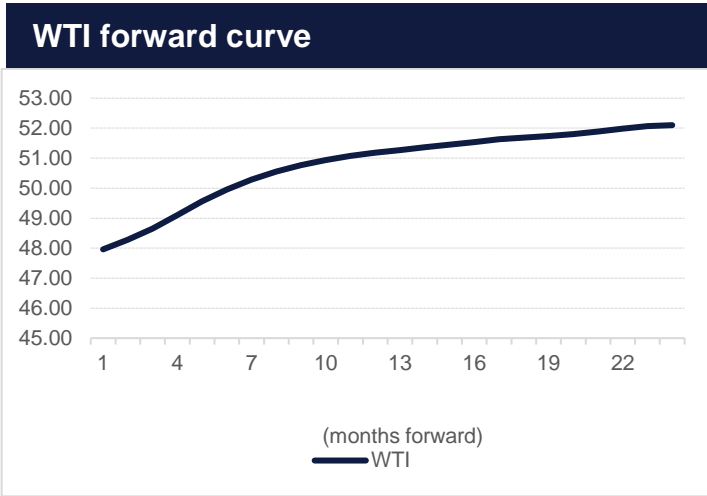
As a consequence of the US government shutdown, the CFTC will not be publishing its "Commitment of Traders" reports, leaving the market blind as to the positioning of investors and hedgers. However, looking at options vols markets are still positioned to expect some more downside ahead, although to a more muted degree than the elevated put premiums seen back in December implied. Beyond financial positions, US exploration and drilling companies cut back the number of rigs working on oil last week by eight, keeping the total at 877 rigs, roughly where it's been since May 2018.

Inventories across all major reporting regions ticked higher to start the year, pushing above or on track with their five year averages. US crude stocks barely edged higher but there were large builds in gasoline and distillates. Singapore too saw a major build in gasoline stocks as regional demand stays soft.

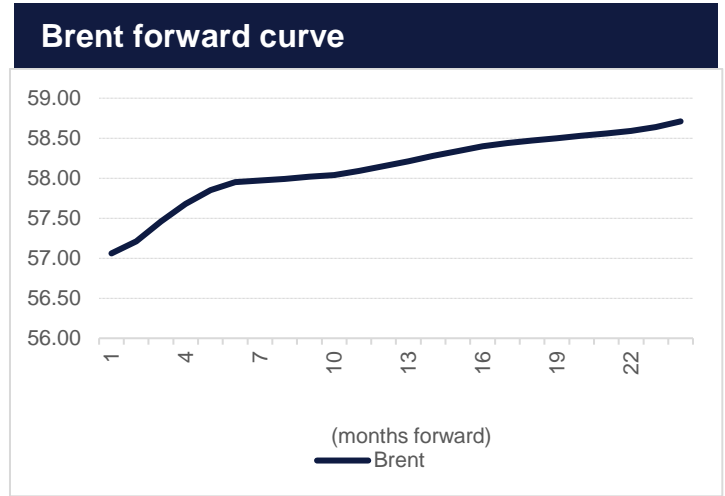
Oil prices start 2019 on a positive footing



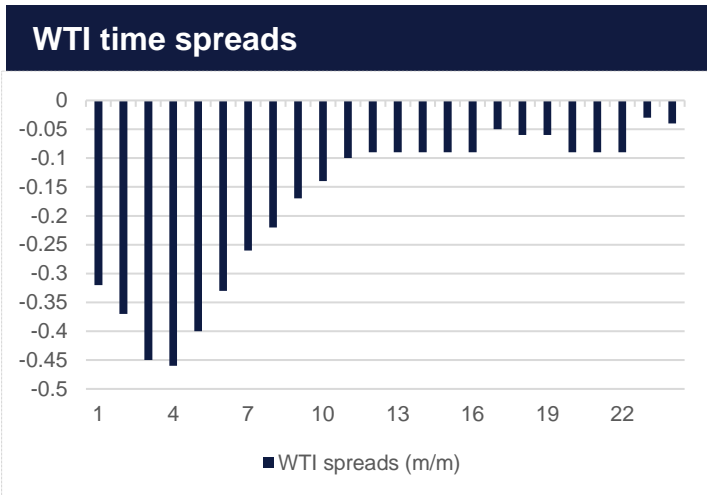
Source: EIKON, Emirates NBD Research.



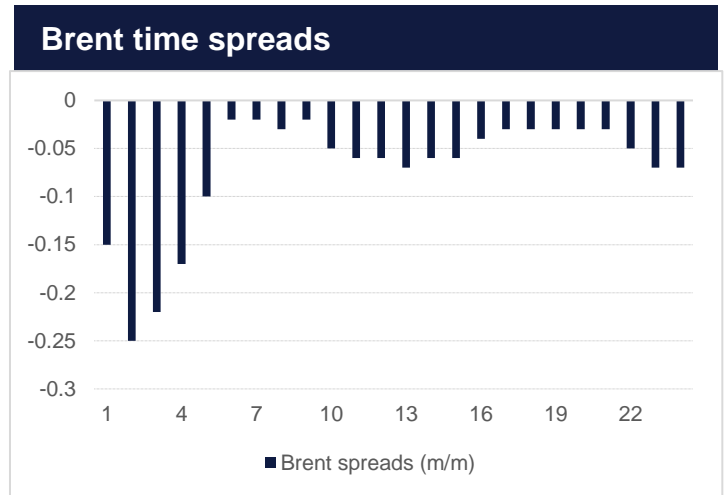
Source: EIKON, Emirates NBD Research. Note: USD/b.



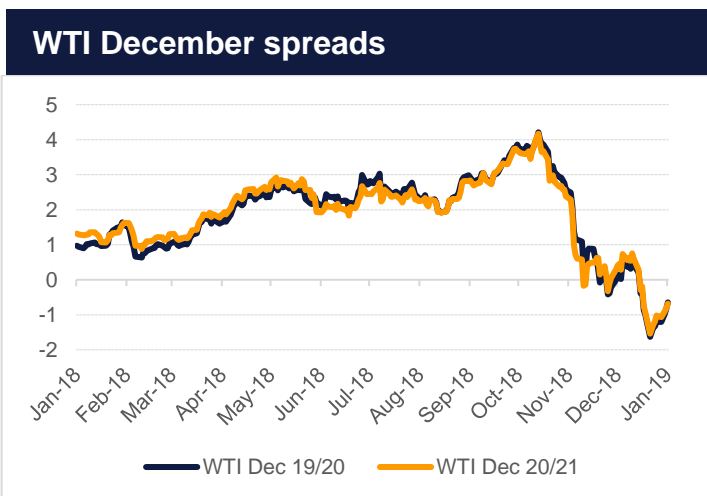
Source: EIKON, Emirates NBD Research. Note: USD/b.



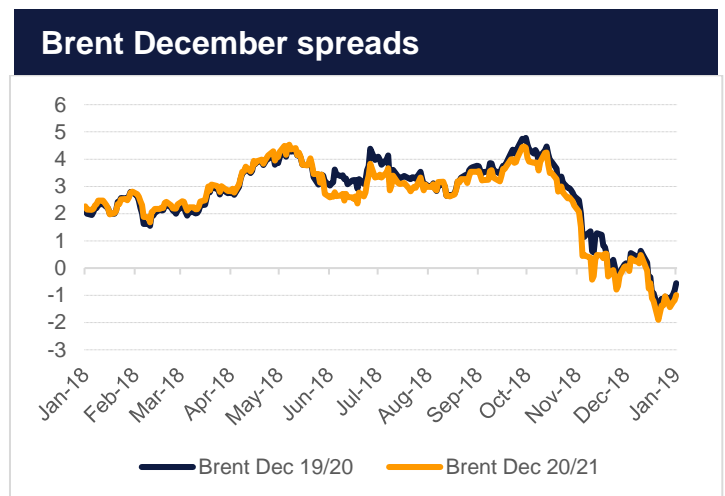
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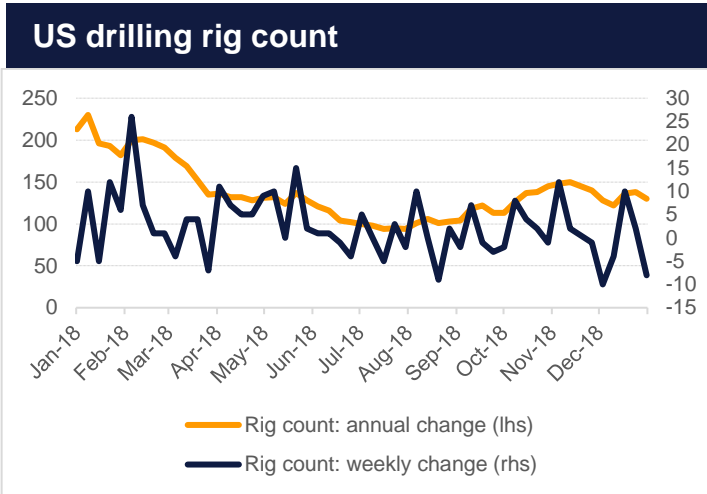
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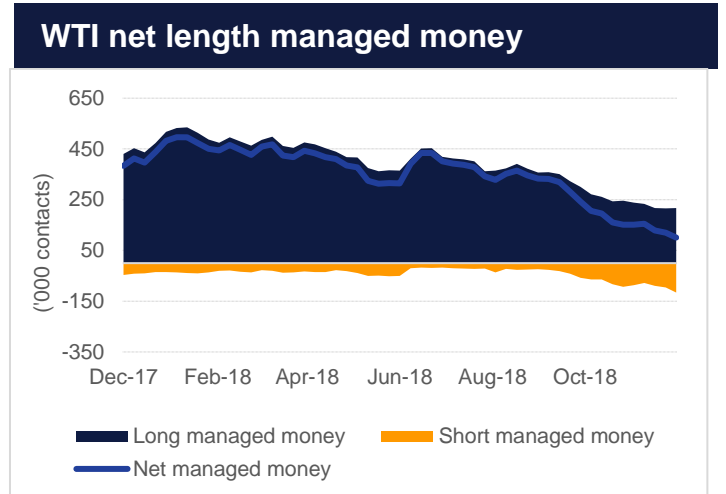
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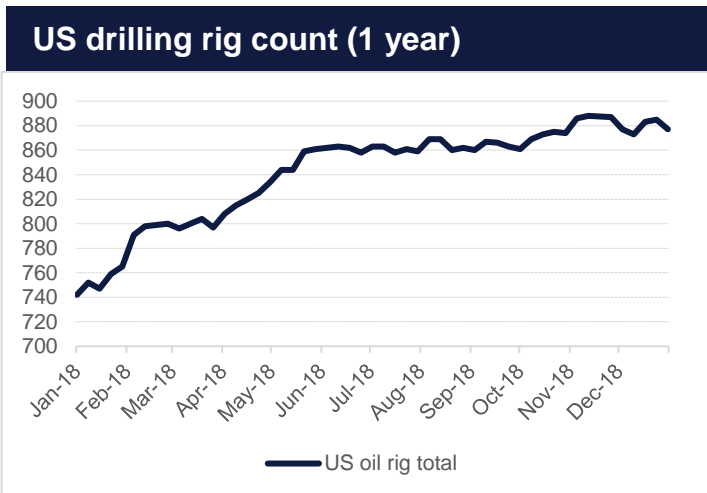
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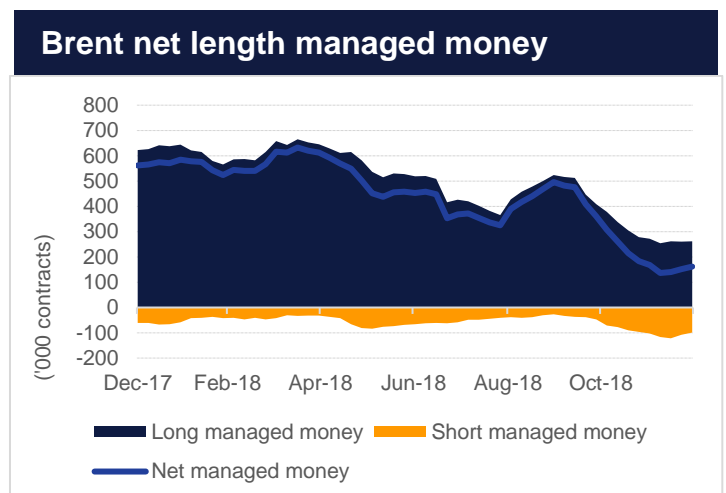
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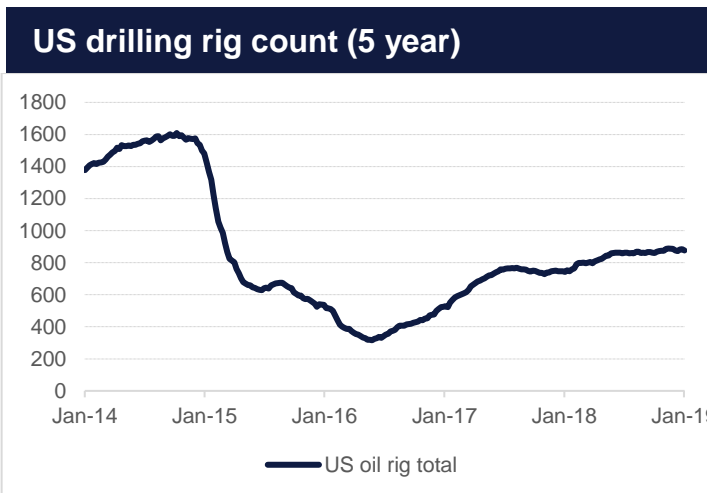
Source: EIKON, Emirates NBD Research. Note: delayed until government shutdown ends.



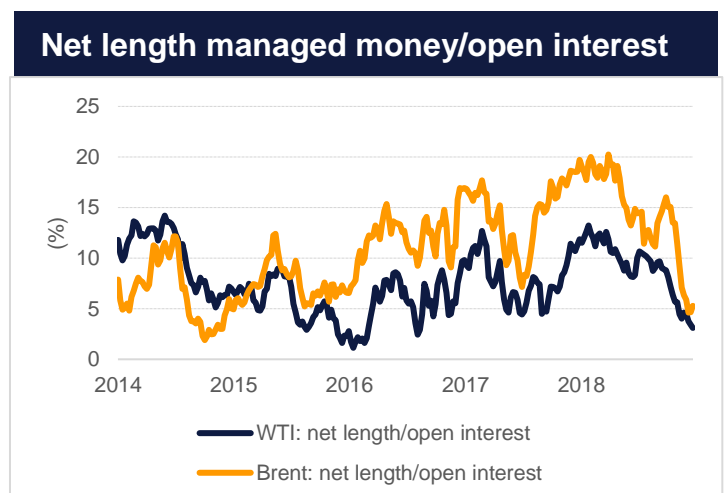
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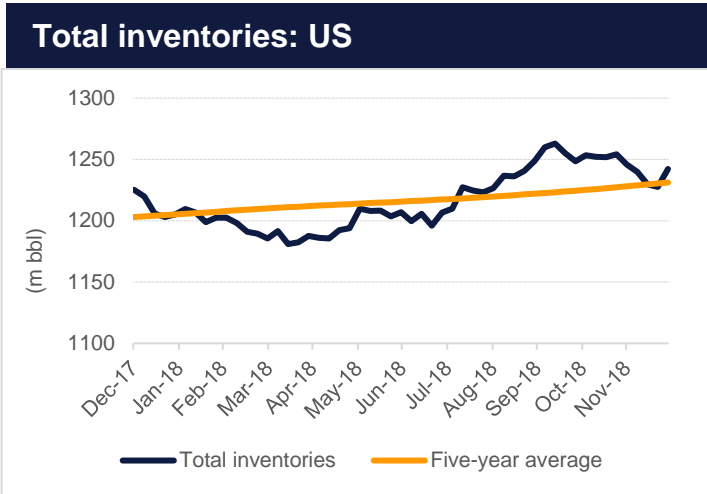
Source: EIKON, Emirates NBD Research. Note: ICE only.



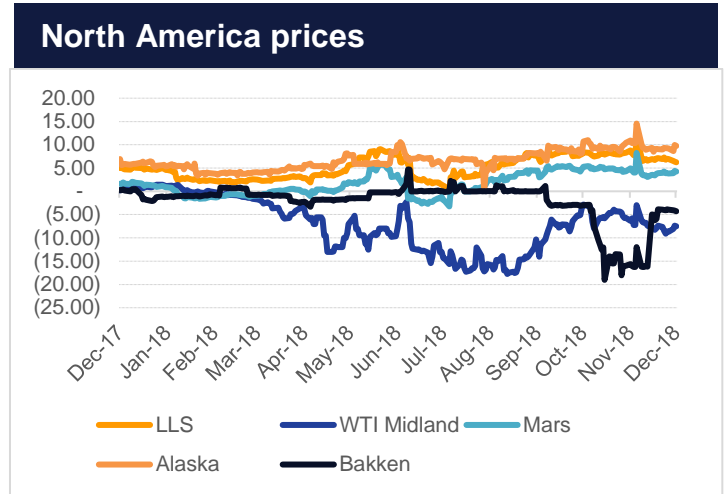
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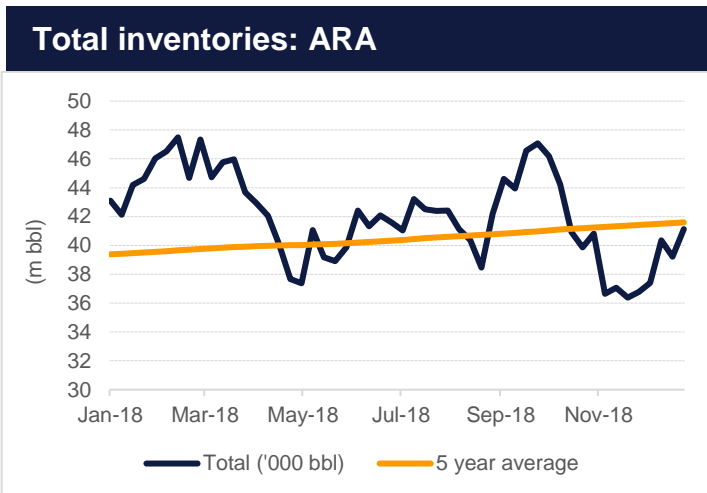
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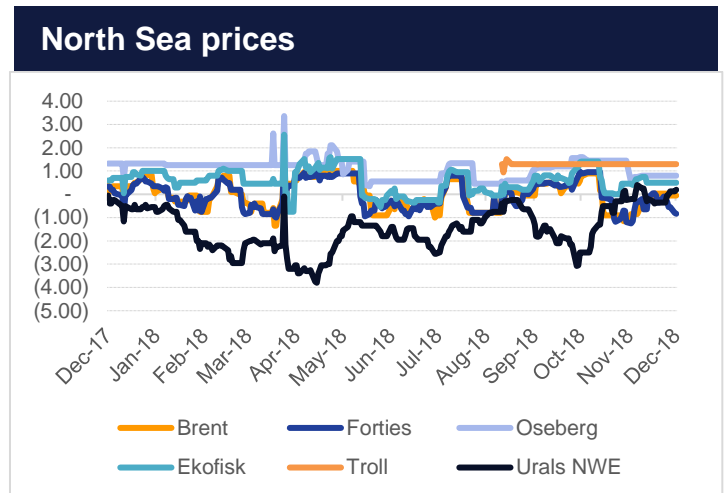
Source: EIKON, Emirates NBD Research. Note: crude and products.



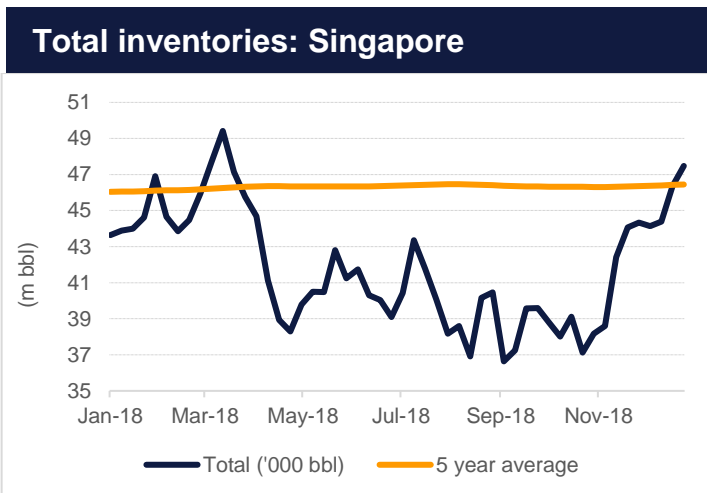
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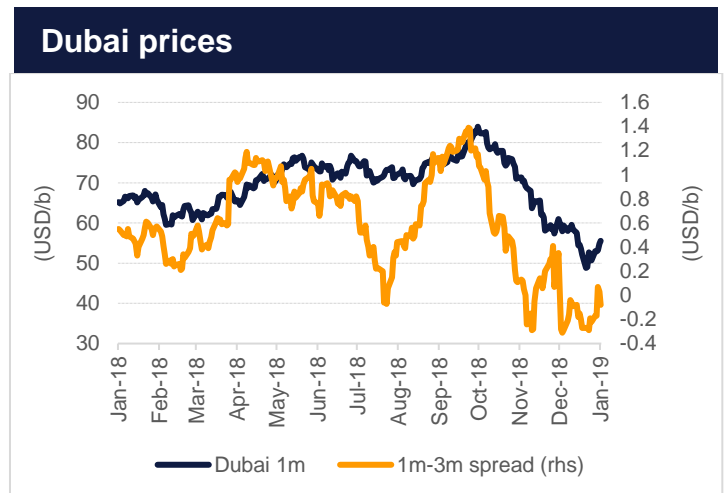
Source: EIKON, Emirates NBD Research. Note: products only.



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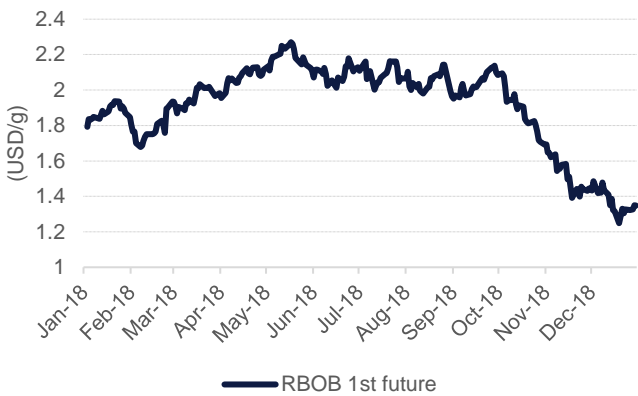


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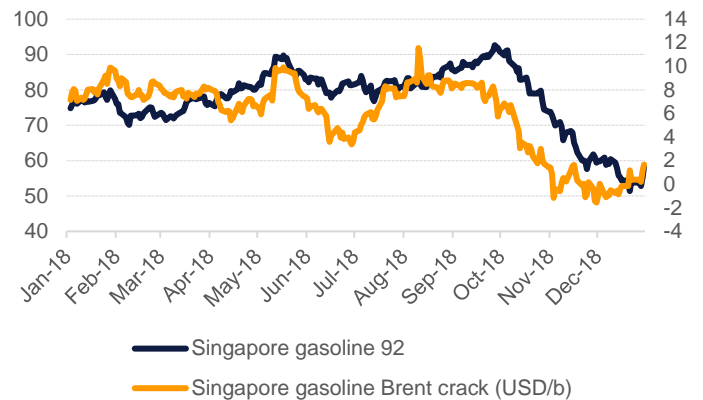
Source: EIKON, Emirates NBD Research. Note: USD/b.

RBOB futures



Source: EIKON, Emirates NBD Research

Singapore gasoline



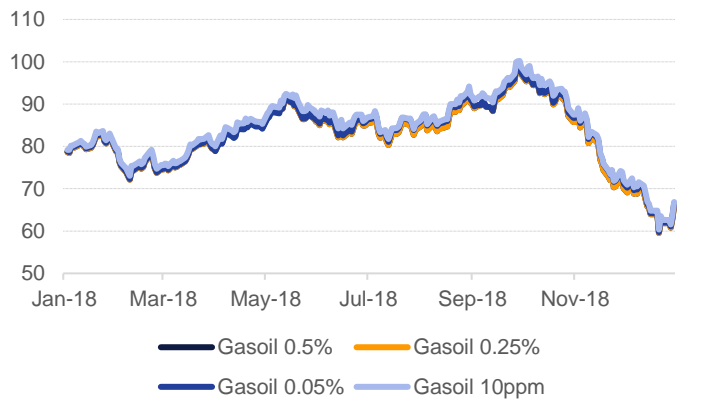
Source: EIKON, Emirates NBD Research

ULSD futures



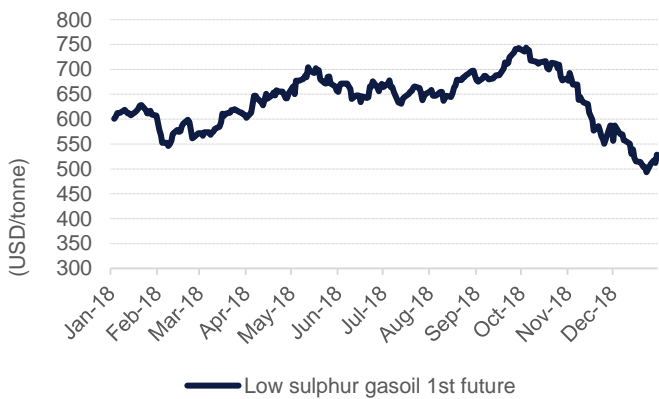
Source: EIKON, Emirates NBD Research.

Singapore gasoil



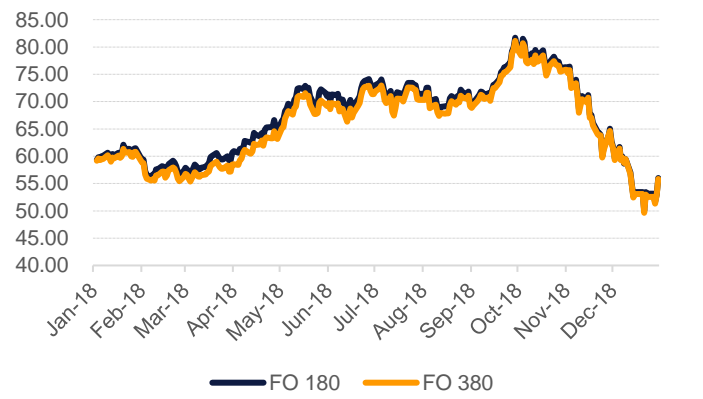
Source: EIKON, Emirates NBD Research

Low sulphur gasoil futures



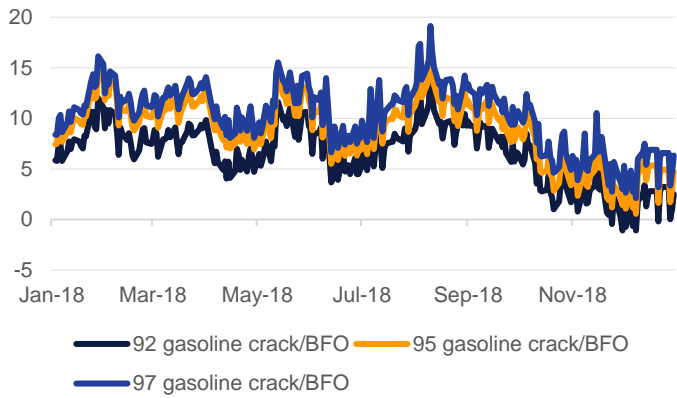
Source: EIKON, Emirates NBD Research

Singapore fuel oil



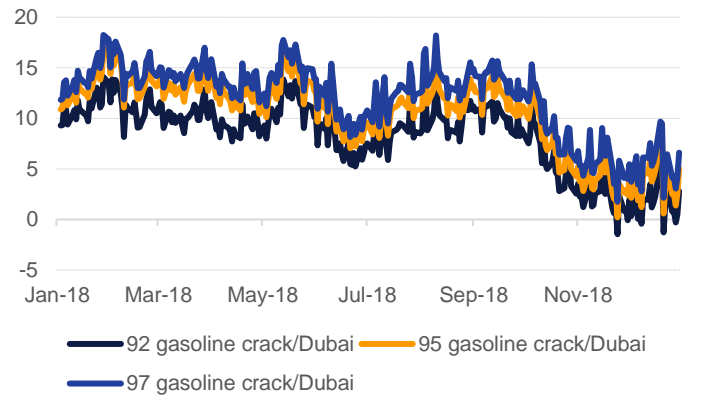
Source: EIKON, Emirates NBD Research

Singapore/BFO crack gasoline



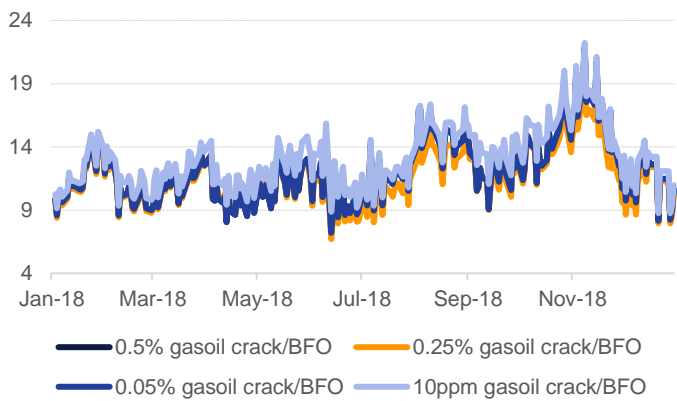
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Singapore/Dubai crack gasoline



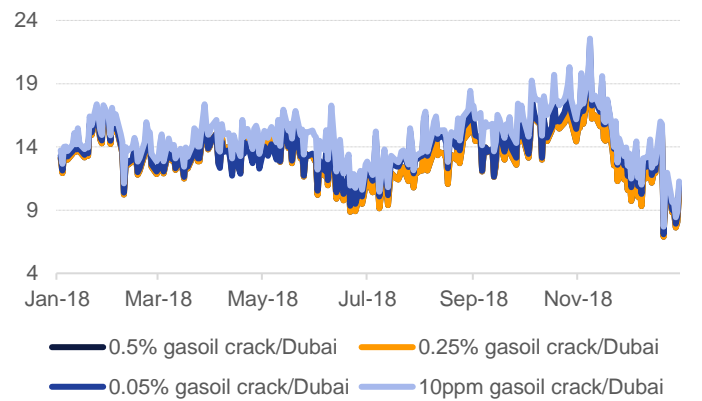
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Singapore/BFO crack gasoil



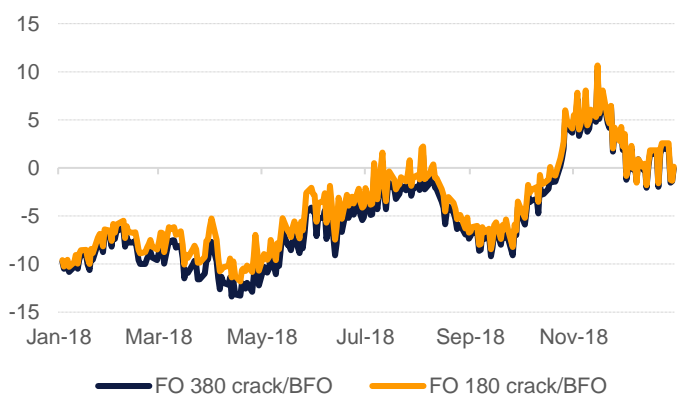
Source: EIKON, Emirates NBD Research.

Singapore/Dubai crack gasoil



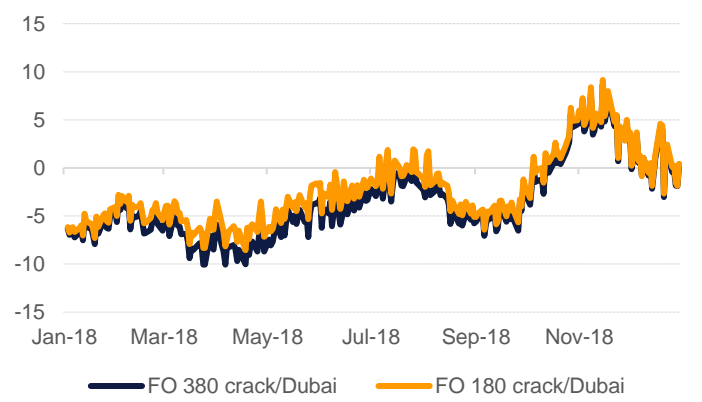
Source: EIKON, Emirates NBD Research.

Singapore/BFO crack fuel oil



Source: EIKON, Emirates NBD Research

Singapore/Dubai crack fuel oil



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