



VERNY CAPITAL



# Global Oil Market Updates

# Global oil prices fell 13% after the US announced the largest ever release of oil from its strategic oil reserves

Brent Price 1-Year Trend, USD pb, as at 1 April 2022



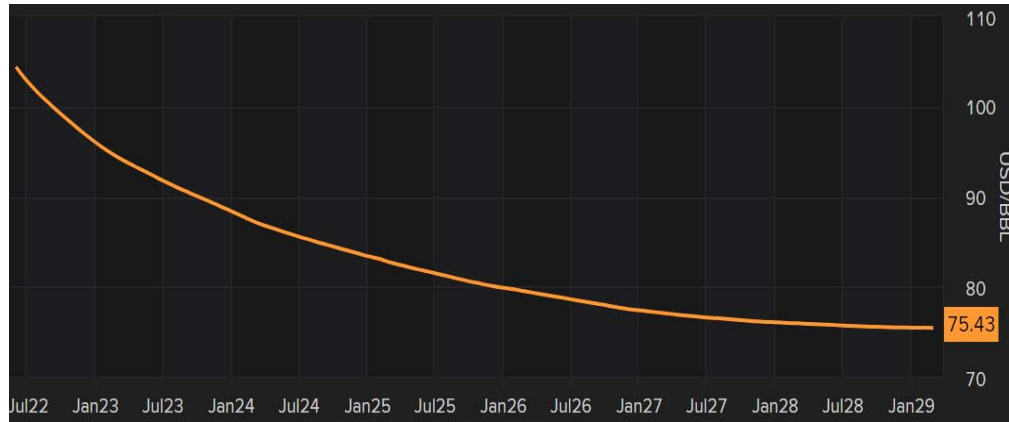
WTI Price 1-Year Trend, USD pb, as at 1 April 2022



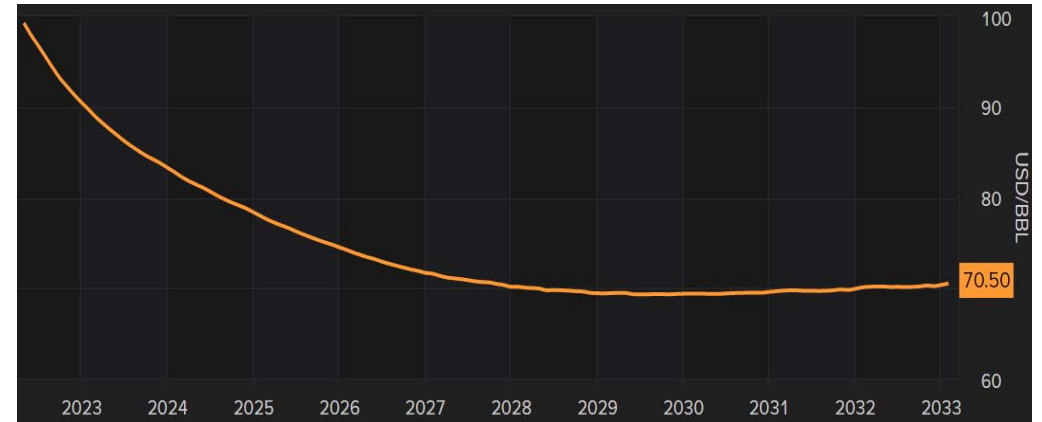
- ✓ Global oil prices fell 13% in the final week of March, after the US announced that it will release 1mln bpd of oil for six months from its strategic oil reserves starting May. This is in addition to the 30mln to 50mln barrels of oil which could be released by other IEA members.
- ✓ Concurrently, OPEC+ agreed at a meeting on 31<sup>st</sup> March to raise its May oil production target by 432,000 bpd. Prices also declined due to concerns of lower oil demand from China as Shanghai is set to expand a Covid-19 lockdown.
- ✓ On 4<sup>th</sup> April, Brent crude was down further by 0.6% to USD103.72pb, while WTI crude fell 0.6% to USD98.70pb. Both Brent and WTI benchmarks have gained 38% and 34% respectively in 1Q22, the highest quarterly percentage gains since 2Q20.
- ✓ The US oil reserves release is expected to ease but not alleviate a potential global oil supply deficit. Expect continued volatility in global oil prices.

# Benchmark oil futures forward curves steepened significantly in March, reflecting concerns on geopolitics and global oil supply disruptions

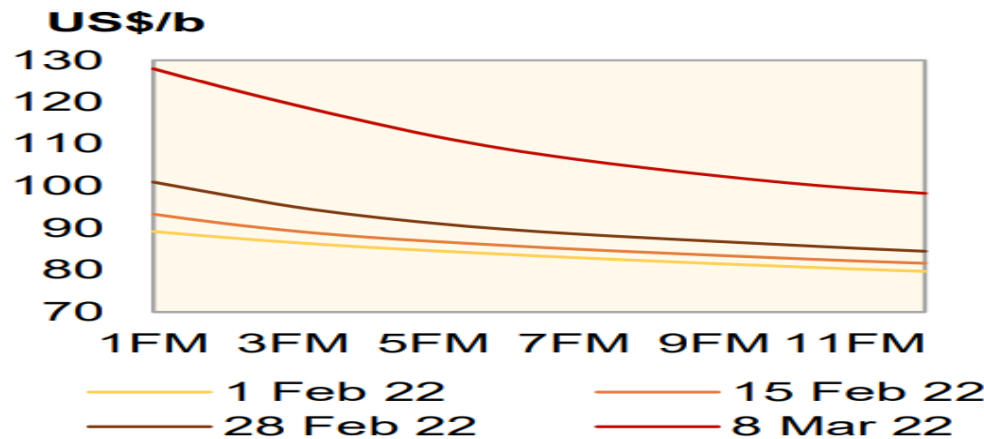
Brent Forward Curve, as at 1 April 2022



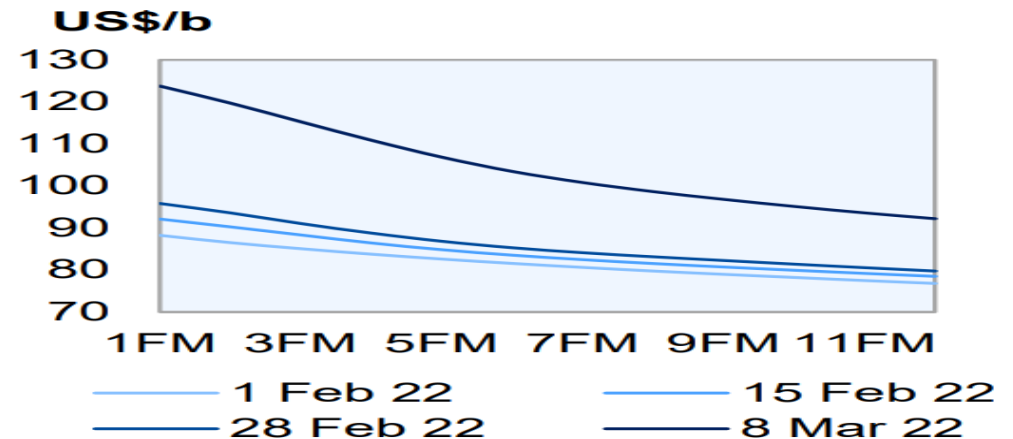
WTI Forward Curve, as at 1 April 2022



Brent Forward Curve Trends



WTI Forward Curve Trends



✓ The forward curve for benchmark oil futures steepened significantly in February and March compared to previous months, supporting front-month prices vs. forward month prices, reflecting strong global oil demand recovery, reduced oil inventories in OECD countries, as well as concerns on geopolitics and global oil supply disruptions.

✓ Forward curves show expectations of Brent price around USD96pb 10 months down the road, while WTI at USD90pb.

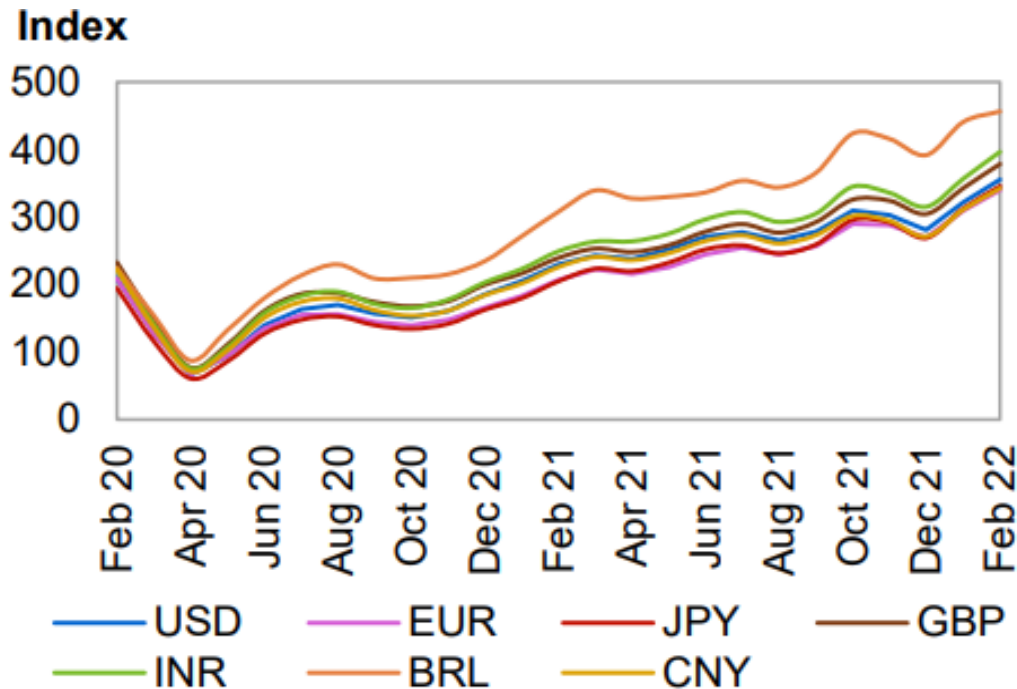


# Global oil price forecasts and sources

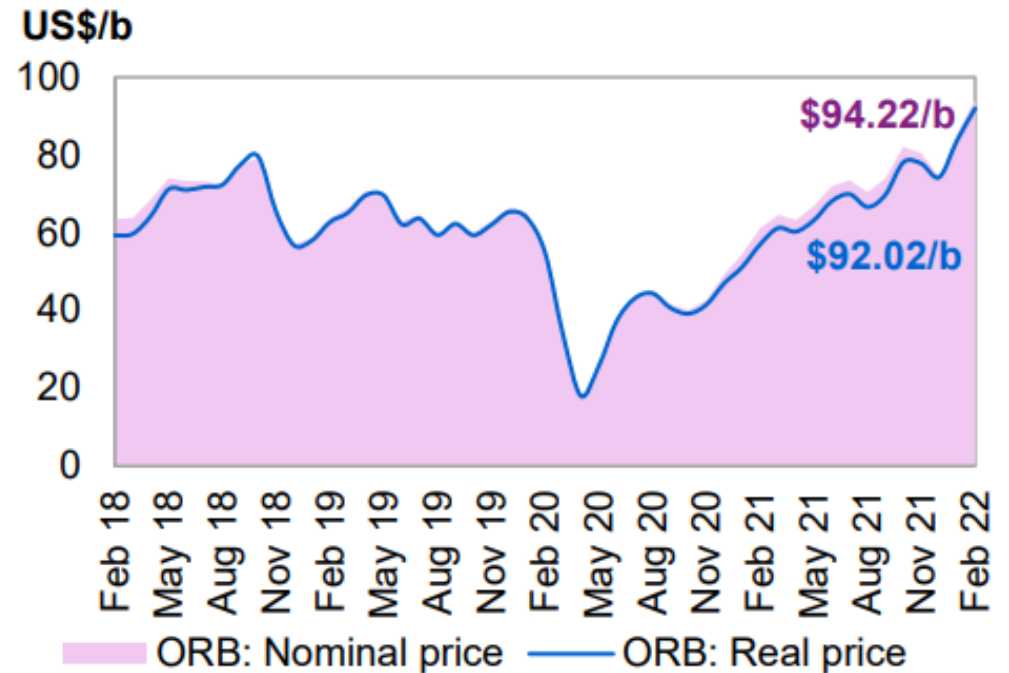
Brent Price Forecasts, USD per barrel							
Source	Date of forecast	1Q22	2Q22	3Q22	4Q22	2022	2023
ANZ Bank	4 <sup>th</sup> March	125.00	105.00	98.00	90.00	103.30	87.50
Banco Santander	4 <sup>th</sup> March	89.00	85.00	81.00	77.00	83.00	71.00
Bank of America	4 <sup>th</sup> March	85.00	95.00	85.00	75.00	85.00	75.00
Bank of China	4 <sup>th</sup> March	90.93	90.67	90.17	87.17	89.73	-
Barclays	4 <sup>th</sup> March	88.00	92.00	94.00	92.00	92.00	-
Capital Economics	18 <sup>th</sup> March	130.00	120.00	110.00	100.00	-	-
Deutsche Bank	4 <sup>th</sup> March	95.00	95.00	90.00	85.00	-	-
EIU	4 <sup>th</sup> March	97.20	104.00	94.00	85.00	95.10	80.00
JP Morgan	4 <sup>th</sup> March	93.00	110.00	100.00	90.00	98.00	82.00
Oxford Economics	4 <sup>th</sup> March	94.39	105.17	100.06	95.27	98.72	83.27
Raiffeisen	4 <sup>th</sup> March	100.00	120.00	115.00	105.00	110.00	100.00
Rabobank	4 <sup>th</sup> March	99.00	108.33	118	116.25	111.43	110.13
UBS	4 <sup>th</sup> March	-	125.00	115.00	105.00	-	-
Goldman Sachs	8 <sup>th</sup> March	-	-	-	-	135.00	115.00
Reuters poll (mean)	4 <sup>th</sup> March	94.66	97.07	91.21	87.08	-	-

# Impact of inflation and USD fluctuations on OPEC reference basket oil price: nominal vs. real price

OPEC Reference Basket Oil Price Index Compared with Different Currencies (base January 2016=100)



OPEC Reference Basket Spot Oil Price: Nominal vs. Real (base June 2017=100)

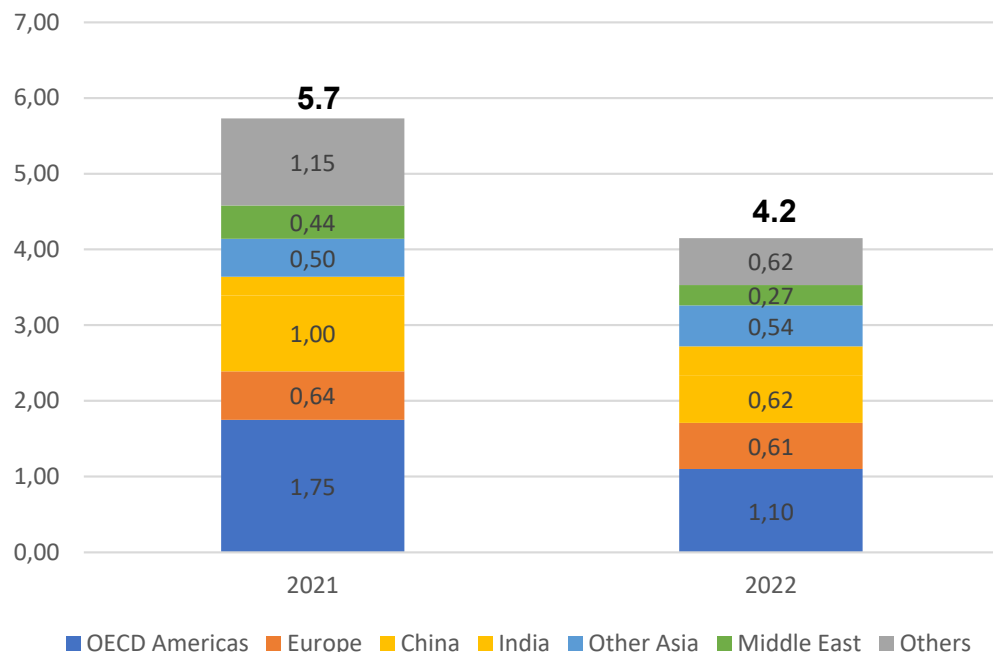


- ✓ After a 2% decline in January, the USD recovered by 0.1% MoM against the Pound Sterling in February, 0.3% against the Japanese Yen and 0.8% against the Indian Rupee. The USD strength was partially offset by declines against the Euro (0.3%), the Chinese Yuan (0.2%) and Brazilian Real (6.1%).
- ✓ **Reflecting inflationary pressures**, in nominal terms (including inflation), **the OPEC basket reference (ORB) oil price went up to USD94.22pb in February** (January USD85.41pb), an increase of 10.3% MoM.
- ✓ **In real terms (excluding inflation), the ORB oil price rose to USD92.02pb in February** (January: USD83.83pb), an increase of 9.8% MoM.



# Global oil demand growth projected at 4.2mIn bpd in 2022, with OECD demand growth expected at 1.9mIn bpd and non-OECD at 2.3mIn bpd

Global Oil Demand Growth by Region 2021-2022, mln bpd



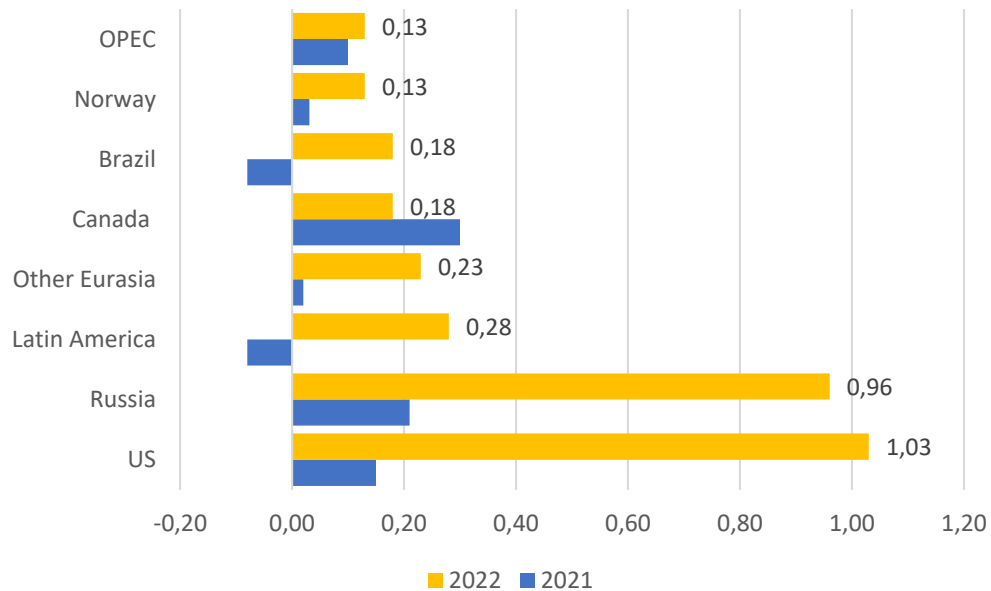
Global Oil Demand Growth Projection, 2022, mbpd

Country/region	2021	2022	Growth mbpd	% YoY
Americas	24.19	25.30	1.10	4.56
Europe	13.07	13.69	0.61	4.50
Asia Pacific	7.40	7.58	0.18	2.42
China	14.5	15.19	0.62	4.29
India	4.76	5.15	0.39	8.20
Other Asia	8.63	9/16	0.54	6.24
Latin America	6.30	6/47	0.17	2.73
Middle East	7.98	8/25	0.27	3.35
Africa	4.26	4/39	0.14	3.22
Russia	3.61	3.68	0.07	1.81
Other Eurasia	1.21	1.26	0.05	3.72
Other Europe	0.75	0.77	0.02	2.18
<b>Total World</b>	<b>96.74</b>	<b>100.90</b>	<b>4.15</b>	<b>4.29</b>

- ✓ **Global oil demand growth is projected at 4.2mIn bpd (or +4.3% YoY) to 100.90mIn bpd in 2022**, with OECD demand growth forecast at 1.9mIn bpd and non-OECD at 2.3mIn bpd.
- ✓ This compared to global oil demand growth of 5.7mIn bpd (or+ 6.3% YoY) to 96.74mIn bpd registered in 2021 (OECD: +2.7mIn bpd at 44.67mIn bpd, non-OECD: +3.1mIn bpd at 52.07mIn bpd).
- ✓ **2022 oil demand growth drivers:** (i) robust oil usage in the transportation, industrial & trade-related sectors in OECD Americas, Europe and Asia Pacific, (ii) petrochemical industry demand in Americas, South Korea and Japan, (iii) competition in gas markets support fuel switching in some in Europe and Asia Pacific markets.

# Global oil supply growth projected at 8.1mln bpd in 2022, led by OPEC supply growth of 5.3mln bpd and non-OPEC of 3mln bpd

Global Oil Supply Growth by Region 2021-2022, mln bpd



Non-OPEC Oil Supply Growth Projection, 2022, mbpd

Country/region	2021	2022	Growth	% YoY
Americas	25.16	26.39	1.24	4.91
Europe	3.78	3.87	0.09	2.43
Asia Pacific	0.50	0/53	0.03	6.04
China	4.30	4.36	0.06	1.34
India	0.75	0.77	0.02	2.21
Other Asia	2.42	2.41	-0.01	-0.53
Latin America	5.96	6.24	0.28	4.77
Middle East	3.24	3.34	0.10	3.22
Africa	1.34	1.26	-0.08	-6.10
Russia	10.80	11.76	0.96	8.93
Other Eurasia	2.93	3.16	0.23	7.81
Other Europe	0.11	0.10	-0.01	-6.90
<b>Total non-OPEC</b>	<b>63.57</b>	<b>66,59</b>	<b>3.02</b>	<b>4.75</b>

- ✓ **Global oil supply growth is anticipated at 8.1mln bpd in 2022**, with OPEC supply growth forecast at 5.27mln bpd and non-OPEC at 3.02mln bpd (to average 66.59mln bpd). This compared to global oil supply growth of 5.7mln bpd in 2021 (OPEC: +5.1mln bpd, non-OPEC +0.6mln bpd to average 63.6mln bpd).
- ✓ In February, OPEC crude oil production increased by 0.44mln bpd MoM to average at 28.47mln bpd (January: +0.06mln bpd MoM increase to 27.98mln bpd). Meanwhile, non-OPEC oil production was estimated to grow by 0.52mln bpd MoM to 71.03mln bpd. As such, preliminary data indicates that global oil supply rose by 0.96mln bpd MoM to average 99.56mln bpd in February.
- ✓ The main drivers of non-OPEC oil supply in 2022 are expected to be the US, Russia, Canada, Brazil, Guyana and Norway.



# Share of OPEC output in global oil production stood at 28.6% in February

OPEC Oil Supply, 2020-February 2022, '000 bpd

OPEC	2020	2021	Dec 2021	Jan 2022	Feb 2022	Change Feb/Jan
Algeria	897	908	964	973	974	2
Angola	1,248	1,118	1,164	1,151	1,175	23
Congo	288	263	266	257	271	15
Equatorial Guinea	115	100	100	94	84	-9
Gabon	195	186	205	183	197	14
Iran	1,988	2,405	2,482	2,502	2,546	44
Iraq	4,409	4,024	4,273	4,231	4,268	36
Kuwait	2,430	2,415	2,551	2,578	2,610	32
Libya	367	1,148	1,053	1,002	1,107	105
Nigeria	1,579	1,373	1,279	1,427	1,417	-10
Saudi Arabia	9,182	9,091	9,949	10,053	10,193	141
UAE	2,802	2,718	2,879	2,925	2,951	26
Venezuela	500	558	718	658	680	21
<b>Total OPEC</b>	<b>25,640</b>	<b>26,309</b>	<b>27,883</b>	<b>28,033</b>	<b>28,473</b>	<b>440</b>

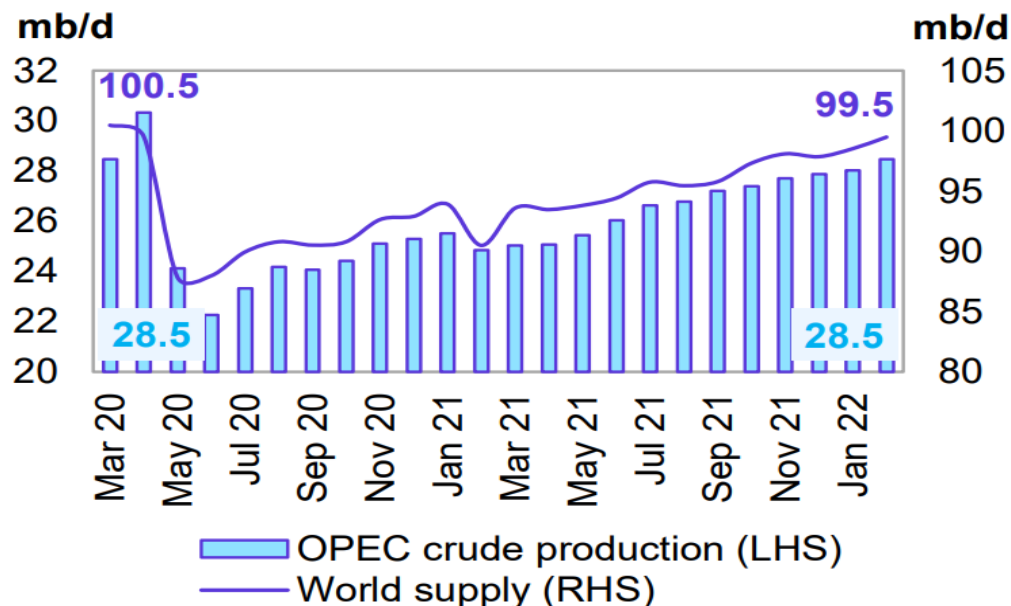
- ✓ OPEC crude oil production increased by 0.44mln bpd MoM to average at 28.47mln bpd in February (January: +0.06mln bpd MoM increase to 27.98mln bpd), driven mainly by Saudi Arabia and Libya, while oil production in Nigeria and Equatorial Guinea declined.
- ✓ The **share of OPEC output in global oil production** increased by 0.2% to **28.6% in February**.
- ✓ **For 2022, OPEC crude oil production is projected to grow by 0.13mln bpd to average 5.27mln bpd.**



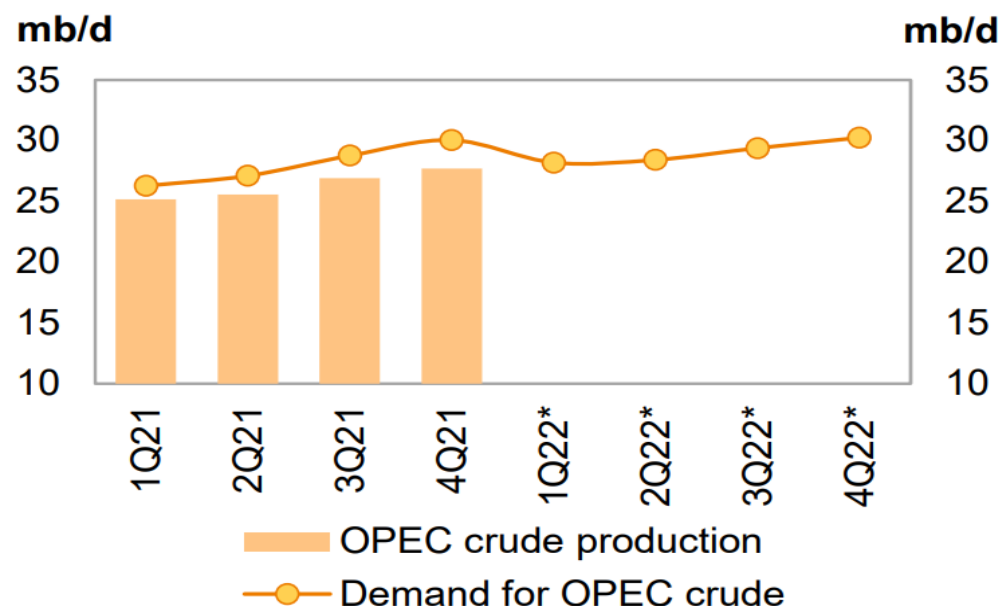


# Global Oil Supply & Demand Balance Projections for 2022

## OPEC's Share of Global Oil Output



## Global Oil Supply & Demand Balance, 2021-2022



### Global Oil Supply & Demand Balance Projection for 2022, mbpd

	2021	1Q22	2Q22	3Q22	4Q22	2022	Chg 2022/21
World oil demand	96.74	99.14	99.78	101.36	103.24	100.90	4.15
Non-OPEC supply	68.72	70.98	71.40	72.02	73.04	71.87	3.15
Difference i.e. demand for OPEC supply	28.02	28.16	28.38	29.35	30.20	29.03	1.00

- ✓ The demand for OPEC oil supply is projected at **29.03mIn bpd in 2022** in order to achieve global oil demand-supply balance, 1mIn bpd higher than in 2021.
- ✓ Demand for OPEC oil supply in 1Q22, 2Q22, 3Q22 and 4Q22 is forecast to be higher by 1.9mIn bpd, 1.3mIn bpd, 0.6mIn bpd and 0.2mIn bpd respectively.
- ✓ Global oil balance recorded a deficit of 1.72mIn bpd in 2021 (global oil demand was 96.74mIn bpd, while non-OPEC and OPEC produced 68.72mbpd and 26.31mbpd respectively).



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