The global market for oil

by

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Outline

- Review of the oil market 2014-2016
- Declaration of Cooperation (2016 & 2018)
- Projections for the oil market in 2018 and 2019
Oil supply growth outpaced oil demand growth during 2014-16.

From 2014 to 2016, world supply grew by 5.3 mb/d, while world oil demand increased by 4.5 mb/d.

Source: OPEC Secretariat.
leading to a sharp rise of OECD commercial inventories by 2016.
Excessive stock surplus strongly impacted negatively oil prices leading to a deep cut in E&P spending
Outline

➢ Review of the oil market 2014-2016

➢ Declaration of Cooperation (2016 & 2018)

➢ Projections for the oil market in 2018 and 2019
Algiers Accord

• 170th (Extraordinary) Meeting of the Conference - 28 September 2016; Algiers

Vienna Decision

• 171st Meeting of the Conference – 30 November 2016; Vienna
  • Adjustment of 1.2 mb/d from OPEC-11 countries

Joint Declaration of Cooperation

• OPEC and non-OPEC Ministerial Meeting – 10 December 2016; Vienna
  • Adjustment of 0.6 mb/d from 11 non-OPEC participating countries

Joint Declaration of Cooperation

• OPEC and non-OPEC Ministerial Meeting – 7 December 2018; Vienna
  • Adjustment of 1.2 mb/d from OPEC -11 countries and 10 non-OPEC participating countries for 6 months

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Declaration of cooperation restored market balance
…and also contributed to reduce expected price volatility

The CBOE crude oil ETF volatility index ("Oil VIX", Ticker - OVX) measures the market's expectation of 30-day volatility of crude oil prices.
..but non-fundamentals also a factor

Managed money net long positions
(Combined ICE Brent and NYMEX WTI)

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Sources: CME Group, Intercontinental Exchange, Thomson Reuters and OPEC Secretariat.
Outline

➢ Review of the oil market 2014-2016

➢ Declaration of Cooperation (2016 & 2018)

➢ Projections for the oil market in 2018 and 2019
Slowing pace of economic growth in 2019

Note: * 2019 = Forecast.
Sources: OPEC Secretariat, IMF, Markit and Haver Analytics.

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Leads to lower expected oil demand growth in 2019

y-o-y change, mb/d

Note: * 2019 = Forecast.

Source: OPEC Secretariat.
Decelerating oil supply growth in 2019 still outpacing demand, \textit{y-o-y change, mb/d}

Note: * 2019 = Forecast.

Sources: EIA and OPEC Secretariat.
Concluding remarks

Declaration of cooperation is instrumental in removing excess supply overhang and reducing volatility.

The OECD stocks overhang has been reduced by 330 mb from January 2017, and now stands 8mb above the five-year average.

In 2019, the global economy is forecast to grow at 3.2% however, uncertainties such as trade restrictions, geopolitical instabilities, etc. remain.

World oil demand is forecast to grow by 1.21 mb/d in 2019, compared to a growth of 1.41mb/d in 2018.

Non-OPEC supply is forecast to grow at 2.18 mb/d in 2019, compared to 2.90 mb/d in 2018. US oil supply is projected to increase by 1.87 mb/d in 2019, compared to 2.26 mb/d in 2018.
Thank you