

## Flash Note 16/04/2018

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### Oil rally. A one-off event?

Looking at recent events, and having discussed the situation with some industry sources, we see 2 reasons to think that the crude rally should not have continuity:

1. Oil is pulling back somewhat after last week's ~8.6% gain (the best weekly performance since July 2017). The primary focus is on the situation with Syria following the weekend attack by a joint US-UK-France force. While there had been some concerns about the fallout from possible escalation in the region, there is a growing sense that the strike may be a one-off event rather than signaling more extensive military involvement in the region.
2. It has gone unnoticed, but one of the reasons for the rally in the oil price had to do with the imports of crude oil by China (China imports of crude hit 9.22M bpd in March, the second highest level on record). Why?
  - a. Generous government quotas for independent refineries fueled imports, growing 30% in the first quarter, ahead of maintenance season, when three state-run refiners will undergo major maintenance for 40-60 days.
  - b. New tax regulations aimed at small refiners and blenders, as well as the planned overhauls, could cap imports over the next two months.

Best