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Nota d'actualitat
18/05/2020

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The Five reasons behind the recent recovery in oil price.

1. **(Price Positive) – The fiercest enemy of North American producers is inside their own home**. If the plans go ahead, a large part of these companies will collapse, and more than 4 million barrels per day could stop being produced. Why? Congressional Democrats are pushing Fed to bar oil firms from lending program, and as a result of this pressure, the White House not planning further relief measures for oil industry. This could put the sector and its companies under the path of an upcoming bus. A group of Democratic lawmakers have called on Fed Chair Jay Powell to cut oil and gas firms out the bank's Main Street lending program. The lawmakers argued that those companies created systemic-level risks to the US financial system. The letter came after Energy Secretary Dan Brouillette said this week that the White House asked the Fed to ensure there is access for those energy companies. Energy Secretary Dan Brouillette said that he is not anticipating any steps beyond what has already been done for the oil industry, and that he is not planning for a specific second or third step. However, Brouillette was positive on the idea of the government buying more oil to fill the SPR, and said he sees growing support in Congress to fund purchases to add to the emergency stockpile.

2. **(Price Positive) – Storage stress eases**: DOE showed a crude draw of 750K bpd in oil storage in the week ended 8-May, which broke a streak of 15 consecutive inventory builds. Data included the rig count, which last week fell by 29 to 285.

3. **Price Positive) – Oil demand rising in countries emerging from coronavirus lockdowns:** WSJ reported that oil consumption is rising in parts of the world emerging from coronavirus lockdowns, which has taken the pressure off global storage and helped move to rebalance the market. The article noted that this week, IEA executive director Birol highlighted a gradual, but still fragile, global rebalancing, while Saudi Energy Minister Prince Abdulaziz and Russia's Alexander Novak said that they are pleased with the recent signs of improvements, especially the growth in oil demand and the easing of concerns about storage limits. The better outlook has supported prices, with Brent rising 23% and WTI jumping 46% month-to-date.

4. **(Price Positive) – OPEC sees global demand picking up in second half of the year:** Platts reported that global demand for its crude was coming in at 16.77M bpd this quarter. However, it sees demand picking up in the second half of the year, rising to 27.89M in Q3 and 31.18M in Q4. To put this in perspective, just recall that OPEC was producing 30.41M bpd in April, with Saudi Arabia producing 12.01M bpd in April, up 2.27M bpd from March. The report said that OECD commercial inventories in March were 88.6M barrels above the five-year average,

up from 57.7M bpd the prior month. The article noted that the glut could take months or even years to draw down, even with the higher demand expectations

5. **(Price Positive) – Saudi Arabia to further trim exports:** Saudi Arabia will trim oil shipments to Asia in June, and will be more aggressive about cuts to Europe and the Us. The kingdom is seeking to shore up the recent recovery in crude markets, and comes as it also voluntarily reduced supply beyond its OPEC+ quota to the lowest level in 18 years. Eight of the 12 refiners in Asia that saw supply cuts had curtailments of 20-30%. Buyers in the US and Europe will see shipments cut in half, with some purchases slashed by as much as 70%. The move also comes as President Trump has threatened to impose tariffs on Saudi crude imports, who last week spoke to Saudi King Salman before it announced its voluntary additional 1M bpd cut.