

## Opec takes a rain check

If we look back 7 days, the ICE Brent futures market looked in serious trouble, trading at sub \$77 a barrel and looking likely to shift even lower. Inevitably it was rescued by rumours an OPEC+ meeting due this weekend would not only maintain the Saudi led crude oil output cuts but extend them with support from other members well into 2024. That rumour alone gave crude markets a new upward momentum, the market's boomeranged, and suddenly all ears listened to the Saudi oil minister's every word as the week ticked down. What came next didn't stick to the script.

OPEC instead of smoothly announcing their future position was suddenly trying to stifle dissenting voices amongst their ranks especially from Nigeria and Angola who understandably feel unprepared to reduce their output for next year to the benefit of others. Finally, an announcement came to say the meeting was postponed until the 30th of November, but the question remains who will buy into such fresh cuts and whether Saudi Arabia can afford to cut production again. We can be sure that prominent alliance members will assure the oil markets of their compliance when it comes to holding a new line, but the oil market knows well talking the talk is one thing, walking the walk is a different business. Statistics remain their enemy!



Markets morphed into disappointment at the news and if the writing appearing faintly on the wall wasn't enough to concern the bulls a week on week 9-million-barrel increase in American crude inventories certainly was. Added to the mix, American thanksgiving on Thursday took America away from the markets leaving everyone else stroking their chins and wondering what comes next. It is difficult to know how Saudi Arabia will rescue this one but what is certain is, they will be rummaging around in the box of buttons and bows to find something to cheer up those fellow opec members who have desperate need to fund other special projects. If they do settle for an unchanged scenario, will the markets ride the tide and settle for \$80 a barrel crude until the next meeting? Almost certainly, Saudi Arabia have already considered this and likely have a lifeboat ready if the whole opec + ship starts to wobble in the water.

One interesting story suggests the Saudi financial coffers are short of time and money but long future rebuilding projects and in this connection, Bloomberg reports Saudi Arabia have arranged an \$11 billion syndicated loan to bridge their budget deficit to enable the financing of "vision 2030", the deficit due mainly to weak oil prices and lower crude oil production. Bloomberg reports further the loan was syndicated by 18 banks over 10 years, \$5 billion of which was via Chinese banks. As the holiday season gradually creeps up on us, the danger for opec et al is apathy remains the oil market driver and 2023 whimpers away weakened and battered never quite managing three figure crude prices.

The weak oil market which promised so much whilst probably acceptable to many producers at \$80 a barrel didn't run to \$90, \$100 or even higher as some economists and funds predicted it would by the end of 2023. As we know, we are in an oil market that initially tenses in shock and awe at major global tensions but has a strange habit of living with what's happening as time goes by and managing it accordingly. If we look back in time, could we ever believe that such an apathetic and fickle market could exist during two terrible wars and all the threat and rhetoric that goes with it, but that is what we have despite numerous attempts to fire prices higher by projecting disastrous major events that haven't happened.

In summary, it would appear OPEC's noble efforts to stabilise the markets have worked.... at \$80 a barrel! After all, what's left to startle the markets into life again?.... we've seen a Global pandemic and two major wars and are still at \$80 a barrel at least according to futures markets. (physical oil markets will certainly have premiums over that but futures and physical are different worlds). Investors are saturated with the same old stories and disasters day in, day out and for the foreseeable future it's hard to imagine what will change that backdrop.

In other news....

Russian media reports India has become the European Union's 2nd largest supplier of refined petroleum products in 2023, (the largest being Saudi Arabia). According to Eurostats the EU imported 7.9 million tons of refined petroleum products from India in the first 9 months of 2023, double those of 2022 and triple the volumes of 2021. According to the report, this year's refined petroleum products volume catapulted India from sixth place in 2022 to first place in 2023, with France, the Netherlands and Italy the three largest importers, followed by Croatia, Latvia, Romania and Germany. India, Asia's second-largest oil refiner after China, imports some 40% of the crude it refines from Russia, with volumes having increased due to the heavy discounts offered on Russia crude because of Western sanctions.

The subject of hedging can be a painful one, and we ask when is a hedge not a hedge, but another trading position? It would seem the days of hedging physical oil shook off the attention of banks who demanded their financial loans are wrapped and therefore protected from market volatility when petroleum product prices soared to record highs in 2022 amid the global energy crisis following Russia's war in Ukraine. In 2023, markets have been less volatile, although the instruments used to hedge cargoes in the oil markets, swaps, futures, and options remain difficult and unpredictable tools given their volatility and movement are more headlines driven versus physical product cargoes which are driven by consumer demand not so much shock and awe headlines.

Our friends at StanChart have revealed that U.S. independent producers have hedged just 16.5% of 2024 output, with the average 2024 swap at \$70.31 per barrel (bbl.) in WTI terms while the average two-way collar has a floor of \$64.94/bbl. and a ceiling of \$86.58/bbl. It seems few believe a serious collapse in oil prices waits in the wings. OPEC awaits and will have a second bite at the cherry next Thursday, what they do then will decide oil prices for the rest of 2023.

### This week's closing guide prices

#### Ice Brent

\$80.58 (-56 cents)

#### WTI

\$75.54 (-97 cents)

#### Ice Gas Oil

\$833.75 (+27.75)

#### Euro Mogas swaps

\$756.75 (+0.75)

#### Naphtha swaps

\$624.50 (-5.50)

#### Nymex Gasoline

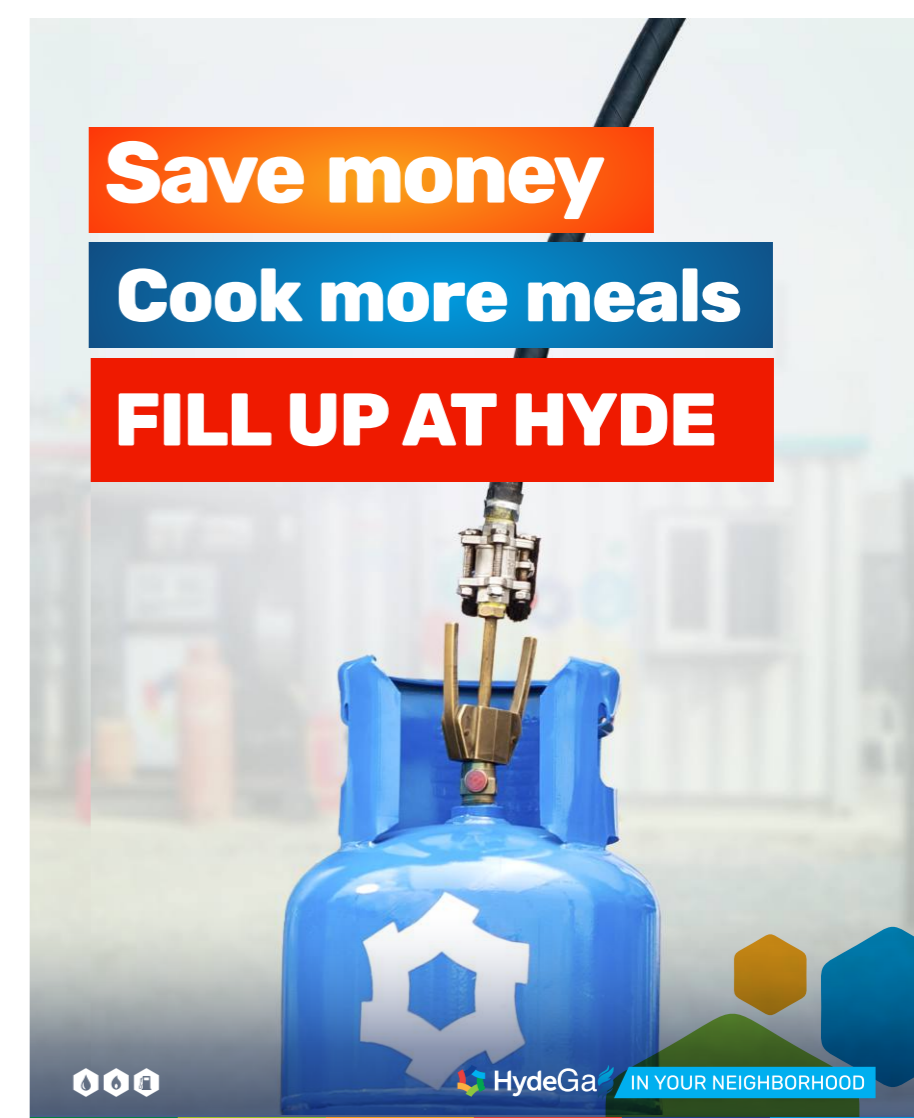
\$2.1651 (3.49 cents per gallon)

#### LPG swaps

\$487.00 (-9.00)

#### Opec Basket

\$83.78



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