

OIL MARKET DEVELOPMENTS & BREXIT

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Oil Markets: Where Next?

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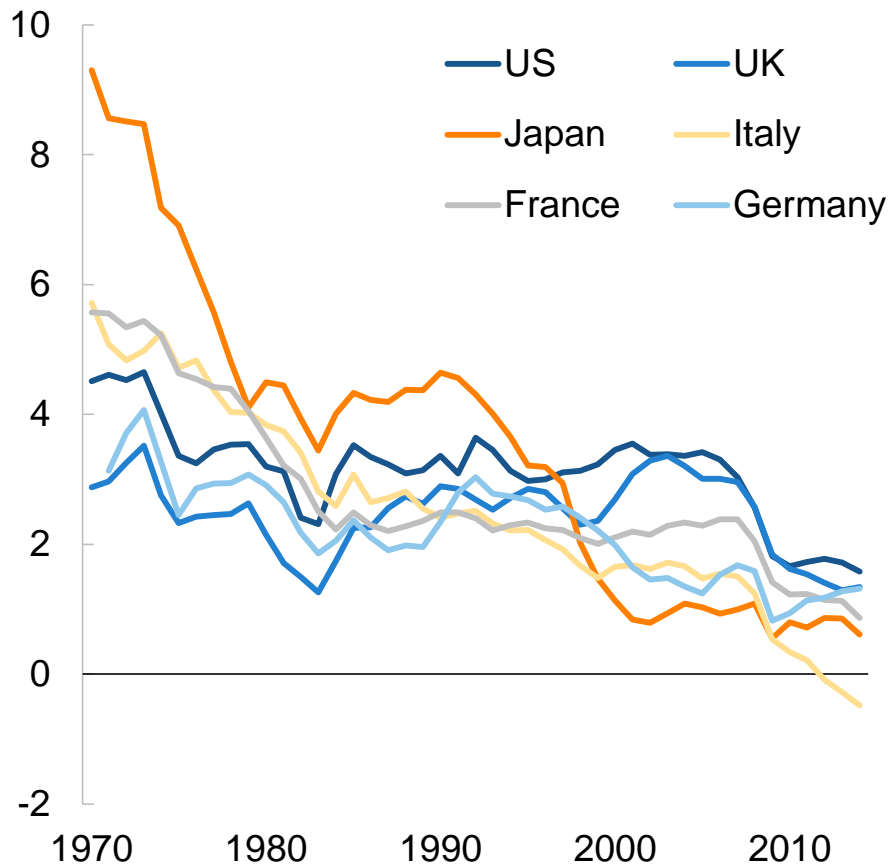


- Oil and the economy: Recap
- Why did lower oil prices not support economic growth?
- What does it mean for oil markets?

“Secular Stagnation“ ?

Real GDP growth

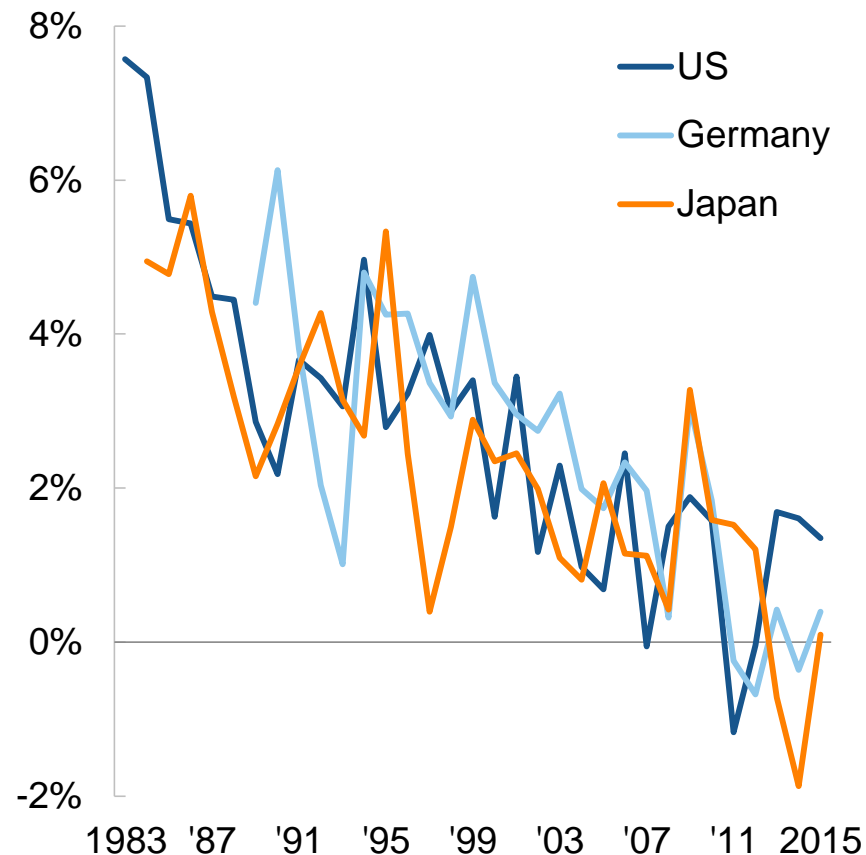
10-year moving average in percent



Source: The World Bank

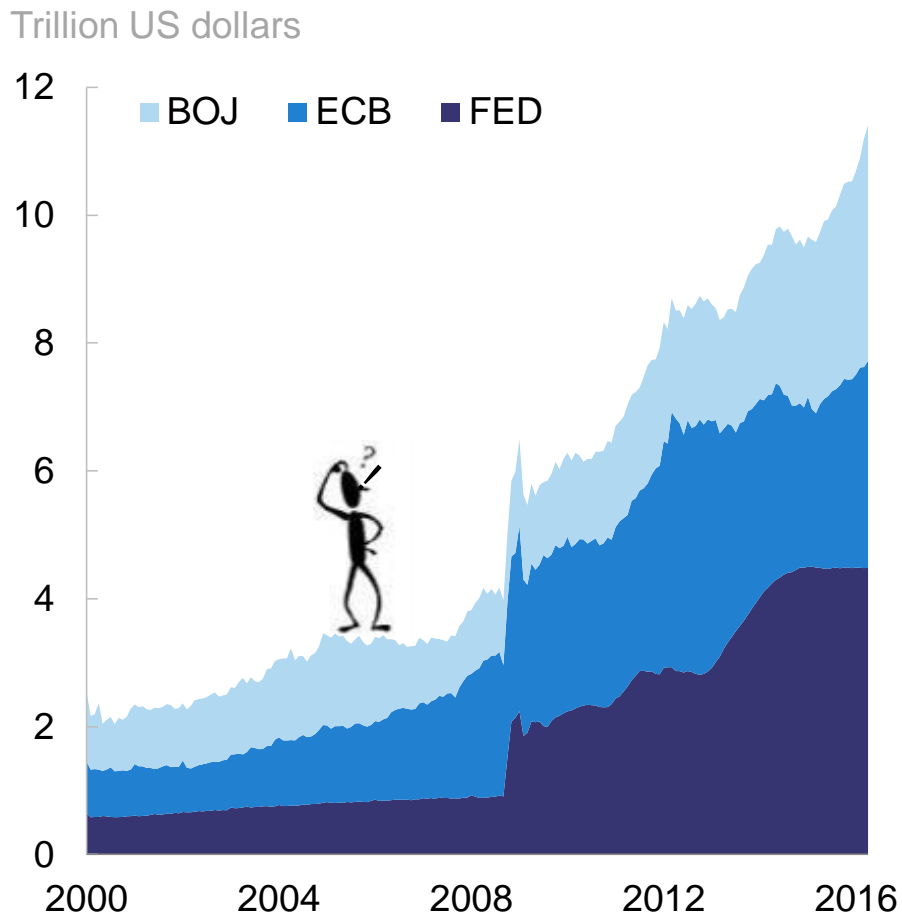
Real return on 10-year Government bonds

Yield



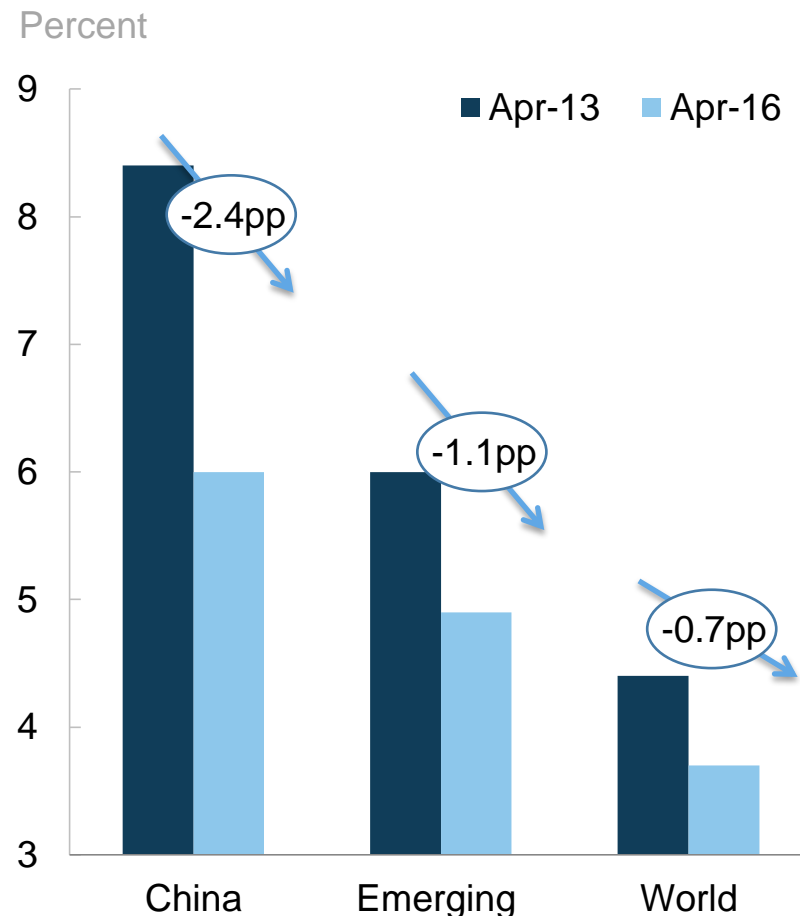
Source: Datastream

Central bank assets



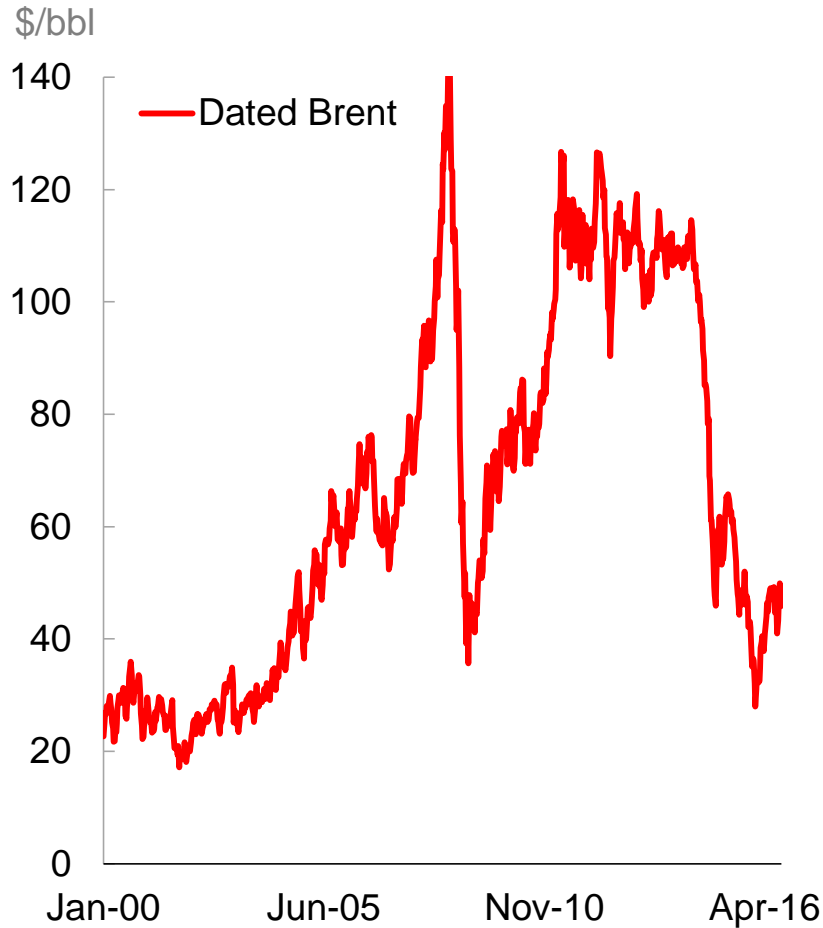
Source: Bloomberg

Revisions to 5-year GDP growth forecast



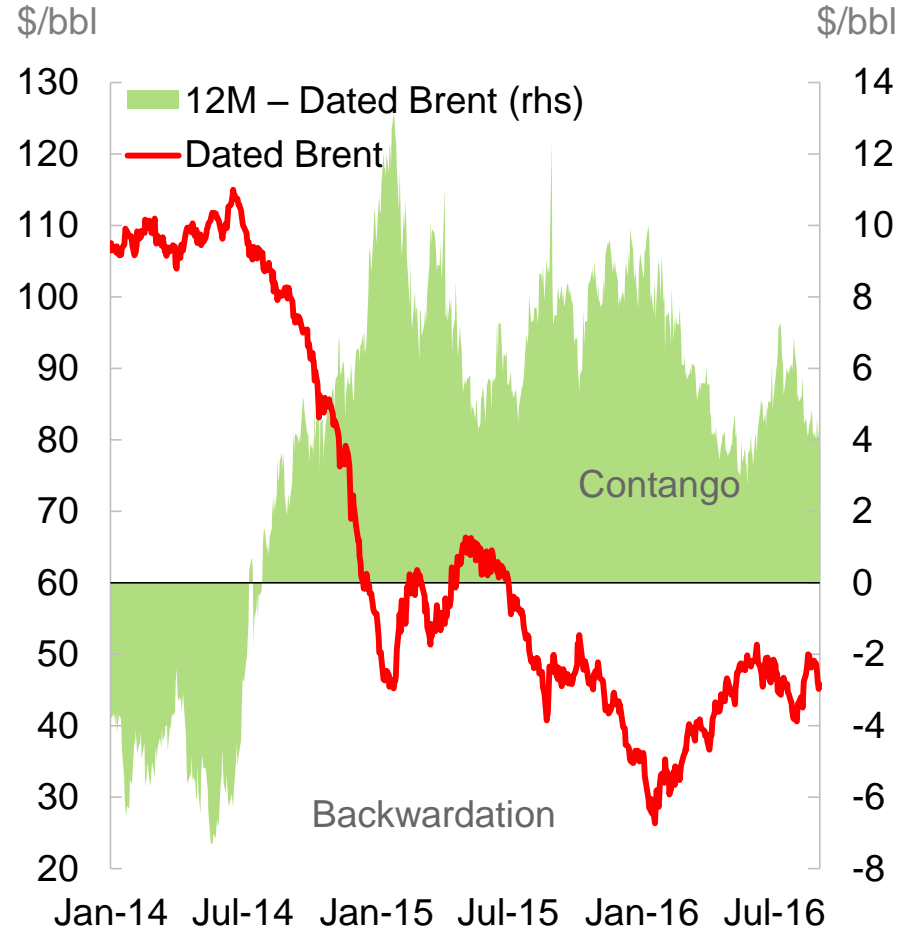
Source: IMF WEO

Weekly oil price



Source: Bloomberg

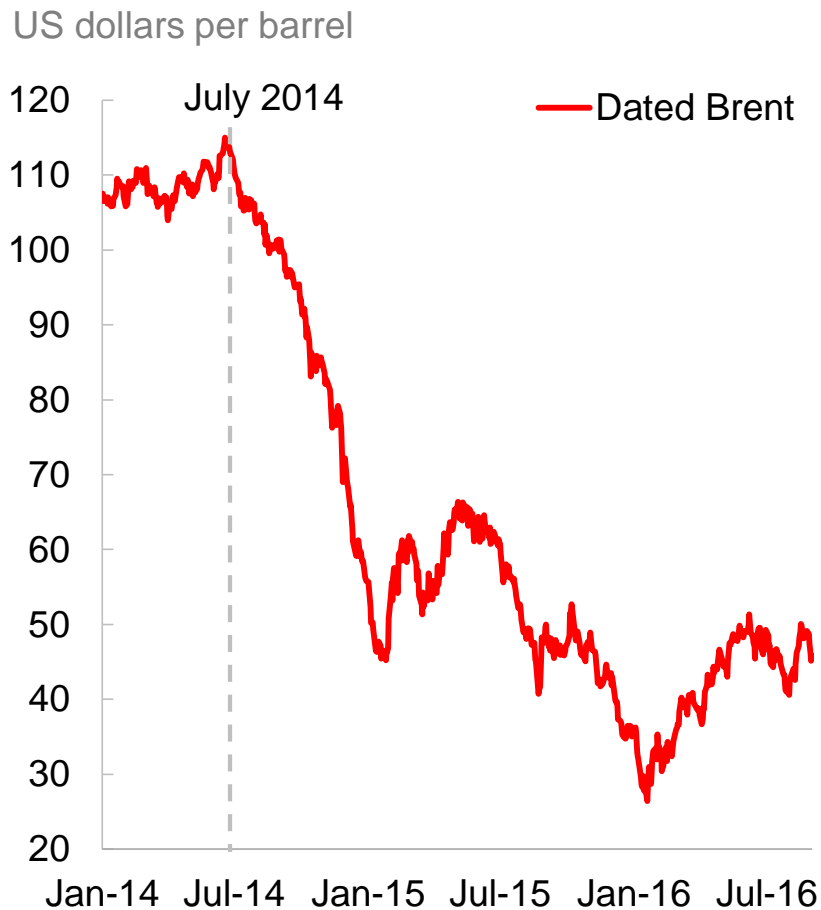
Daily oil price and term structure



Source: Bloomberg

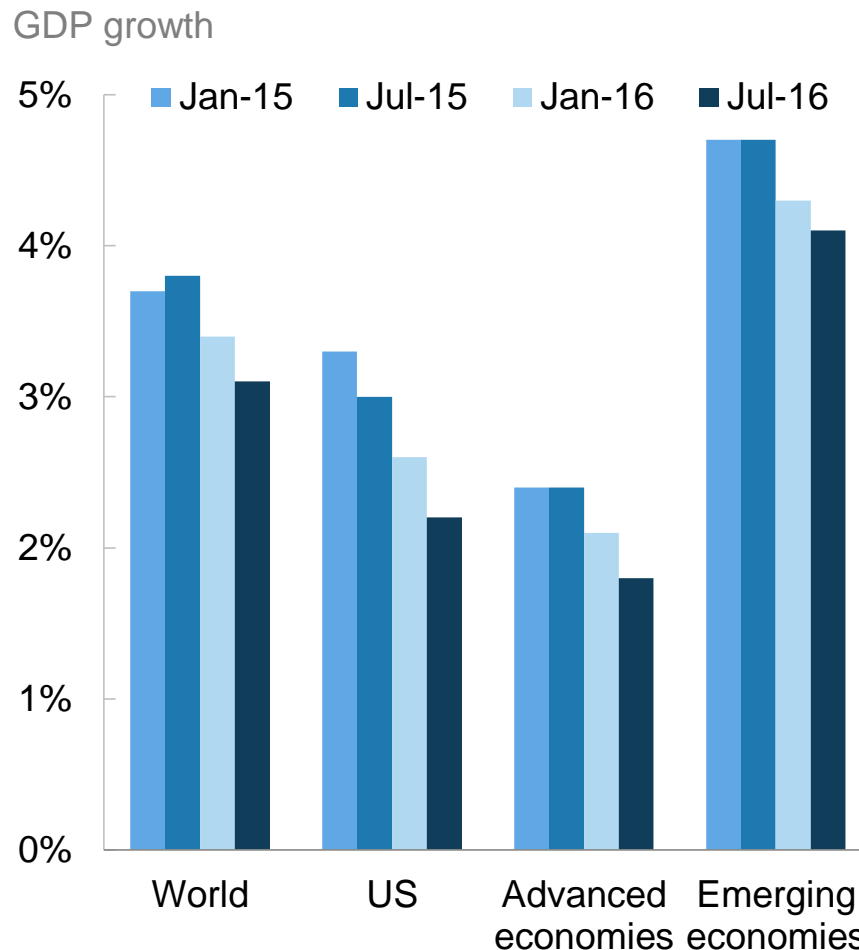
Where is the “shot in the arm”?

Oil price decline



Source: Bloomberg

Revisions to 2016 GDP growth projections



Source: IMF

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(1) US Dollar is appreciating

Real trade weighted US Dollar index...

... rises for good reasons

Index, Jan 1990 = 100



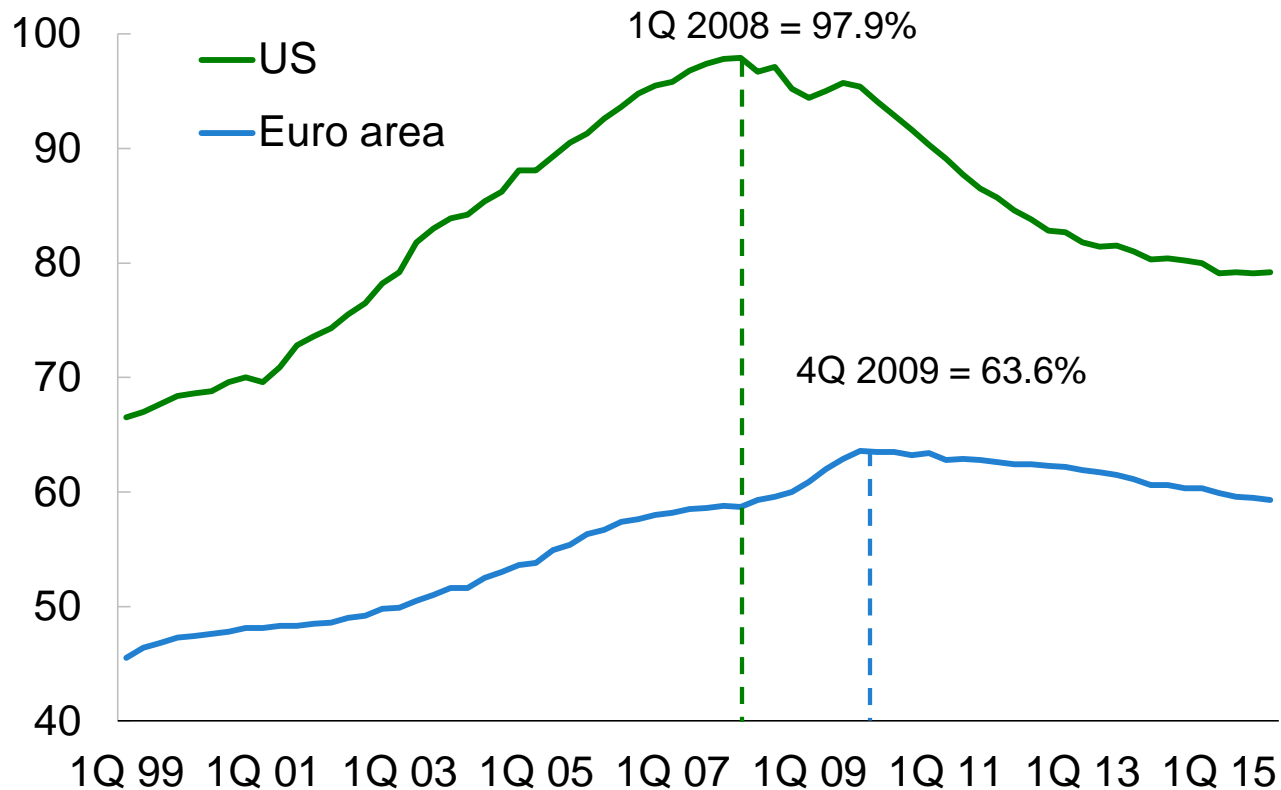
15% real appreciation since July 2014 (20% since July 2011):

- Relatively strong US growth and productivity gains
- The end of QE in the US

Source: Bloomberg

(2) Households are deleveraging

Household debt as a share of GDP



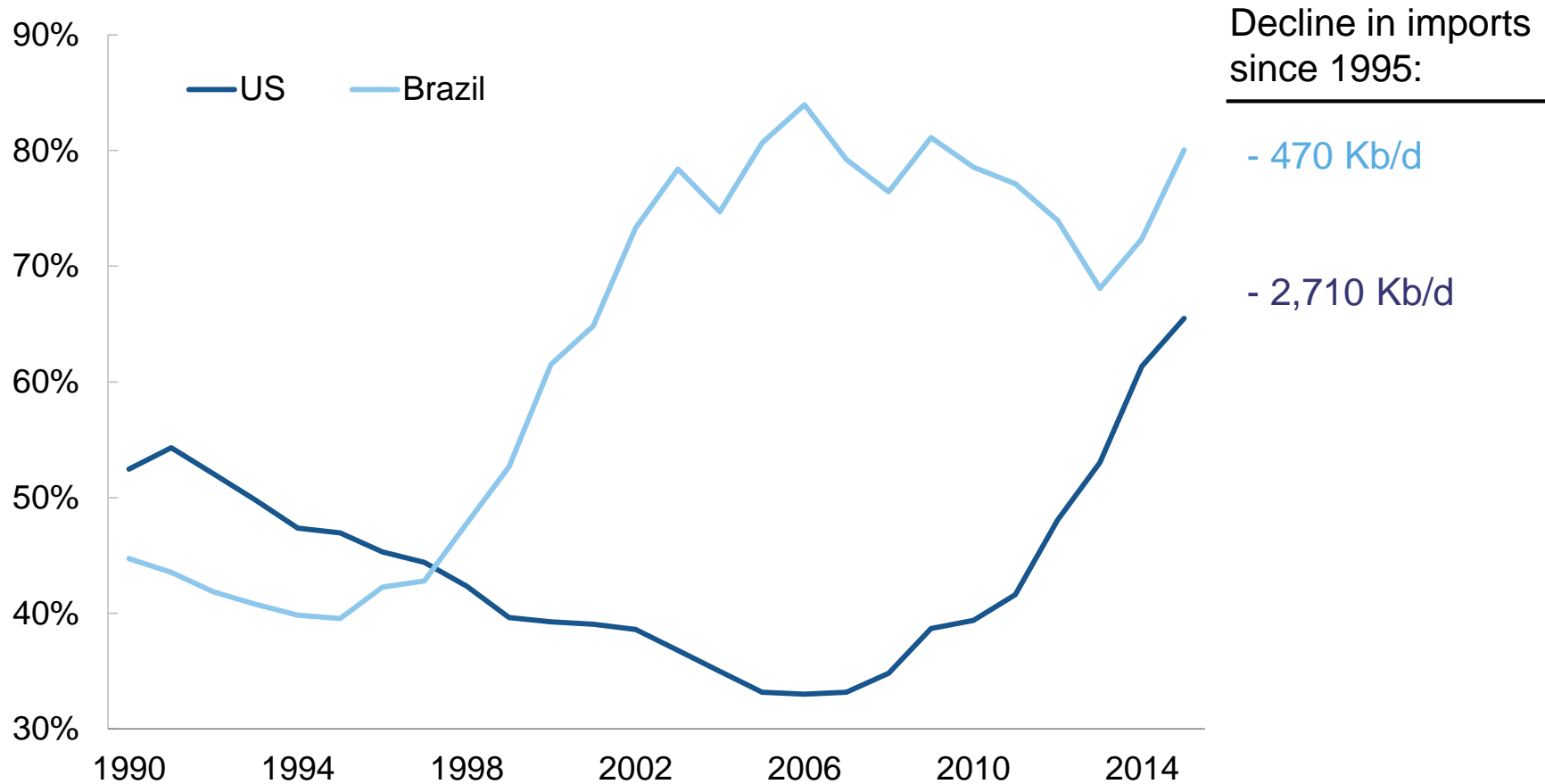
Change in household debt since peak:

- 19 percentage points

- 7 percentage points

(3) Structural change: Importers are becoming producers Δ DIA

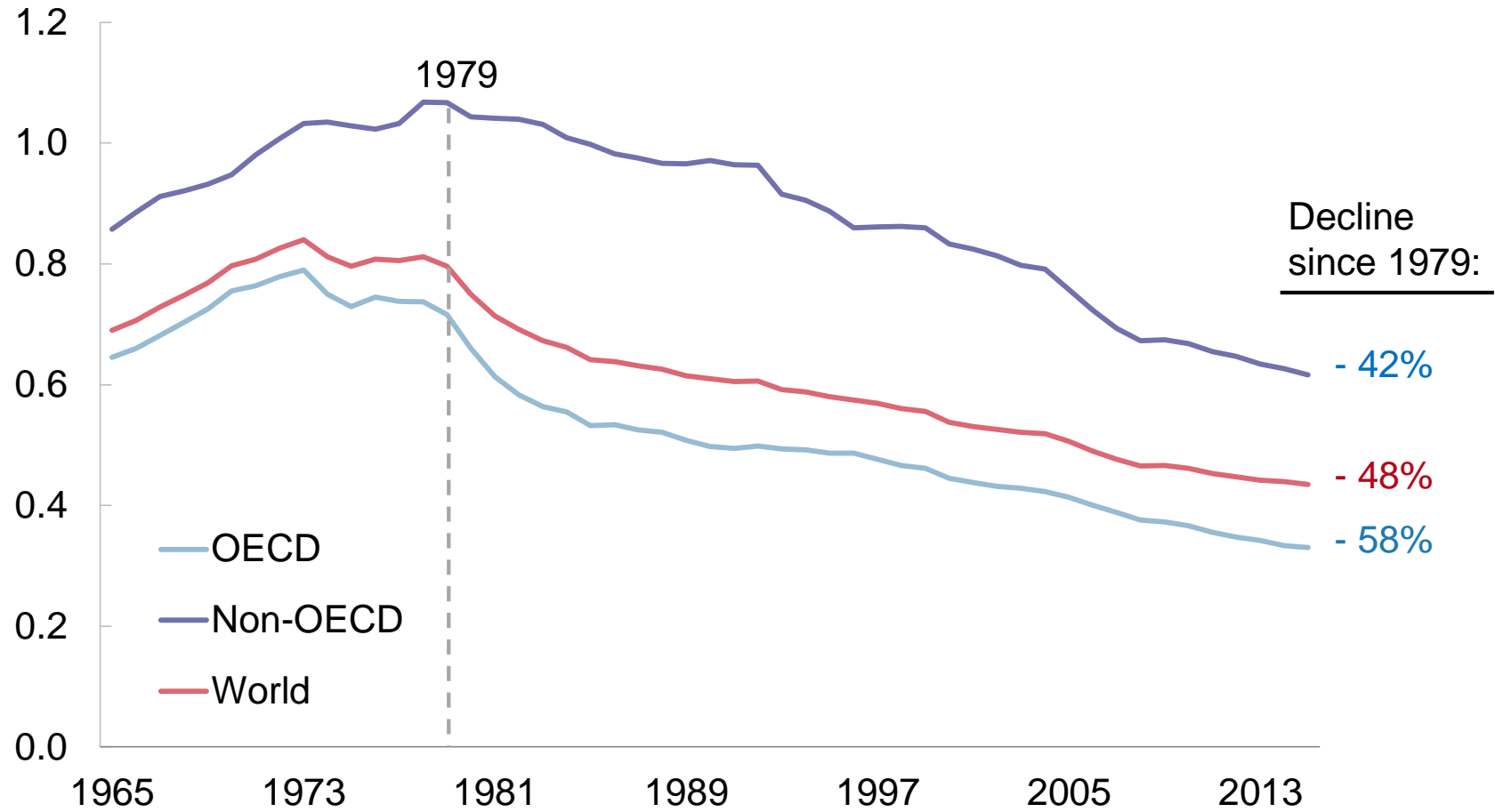
Share of local consumption produced 'at home'



Source: BP Statistical Review of World Energy

(4) The long decline of oil intensity

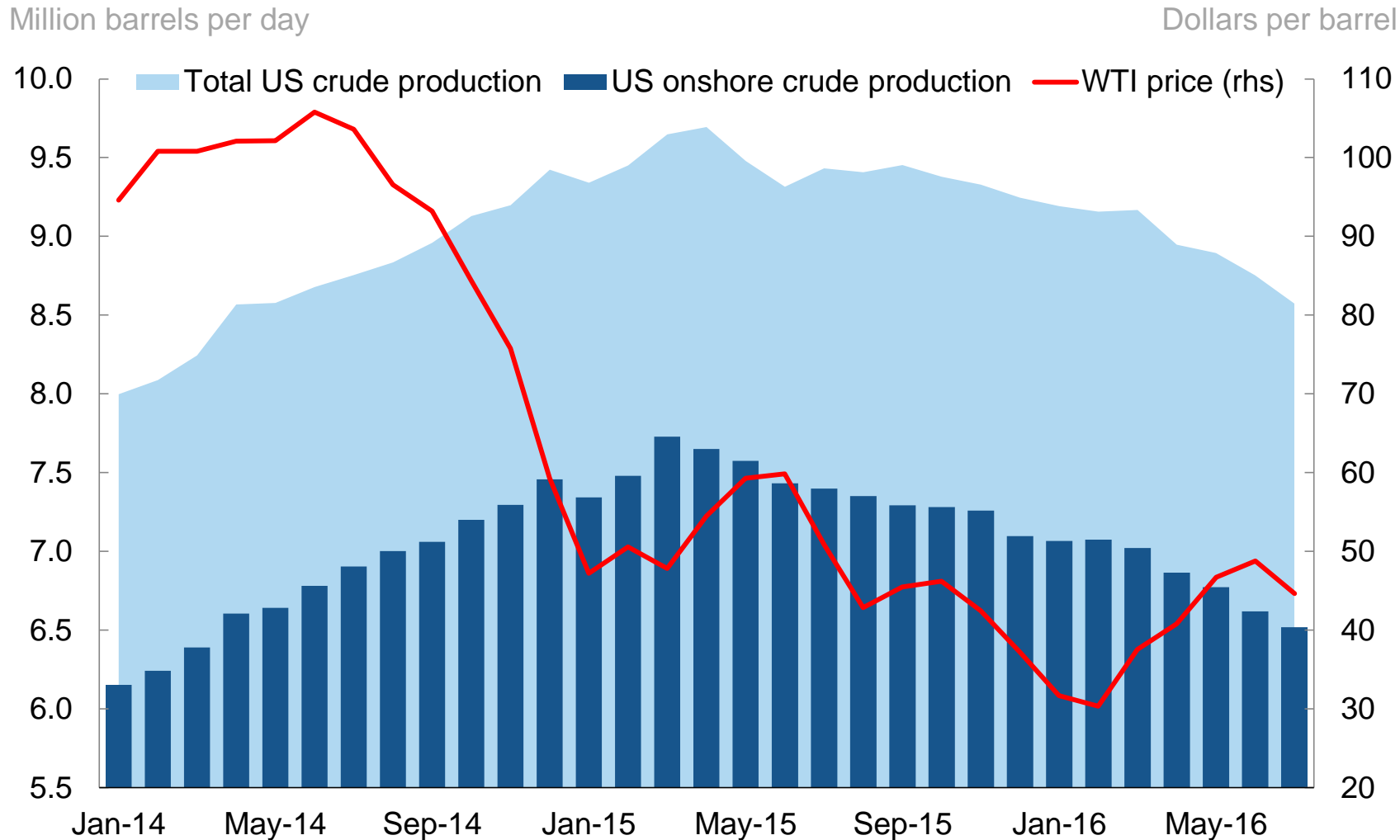
Barrels of oil per \$1,000 of GDP



Source: BP Statistical Review of World Energy

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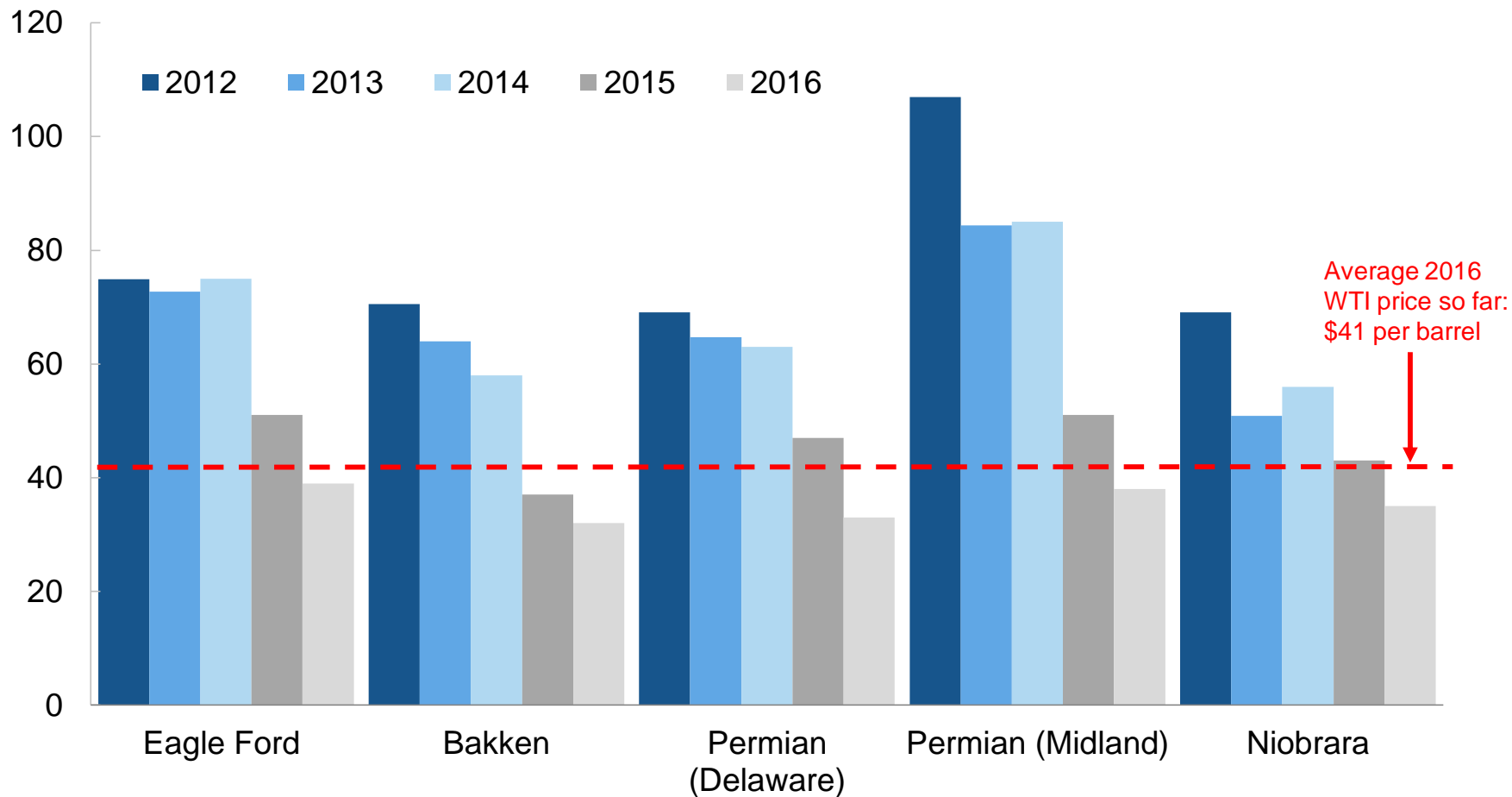
(1) US shale production is resilient



Source: EIA

US shale break-even crude prices

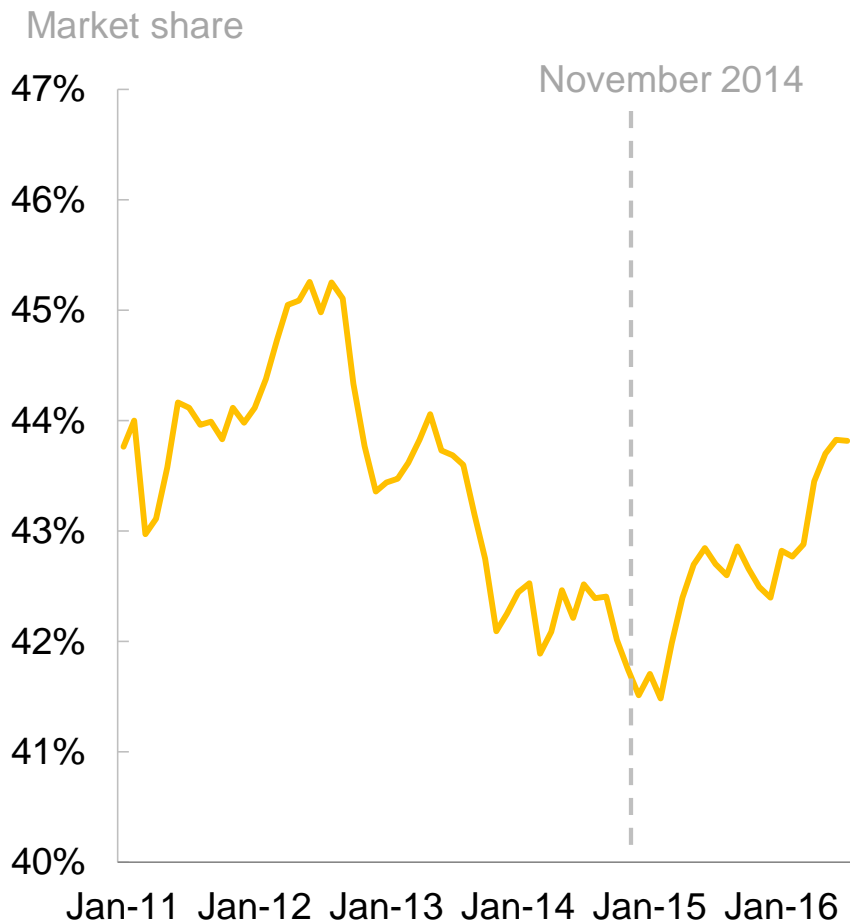
US dollars per barrel



Source: Rystad Energy

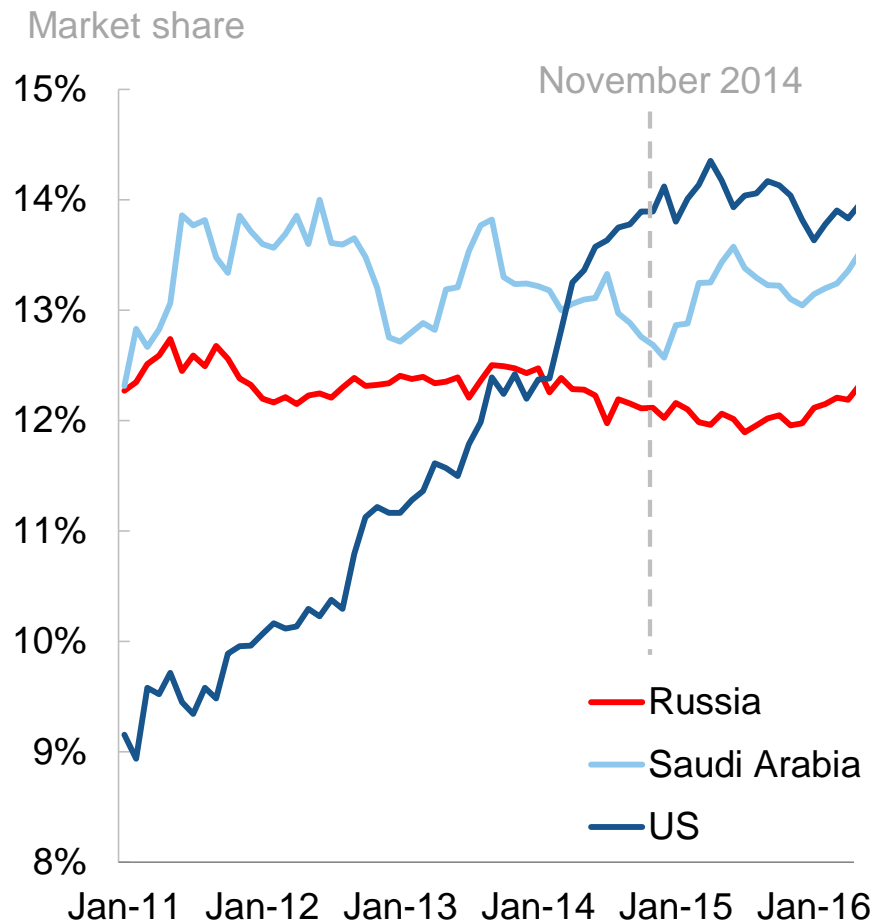
(2) Global market shares not settled

OPEC (crude & NGLs)



Source: IEA

Selected countries (crude and NGLs)

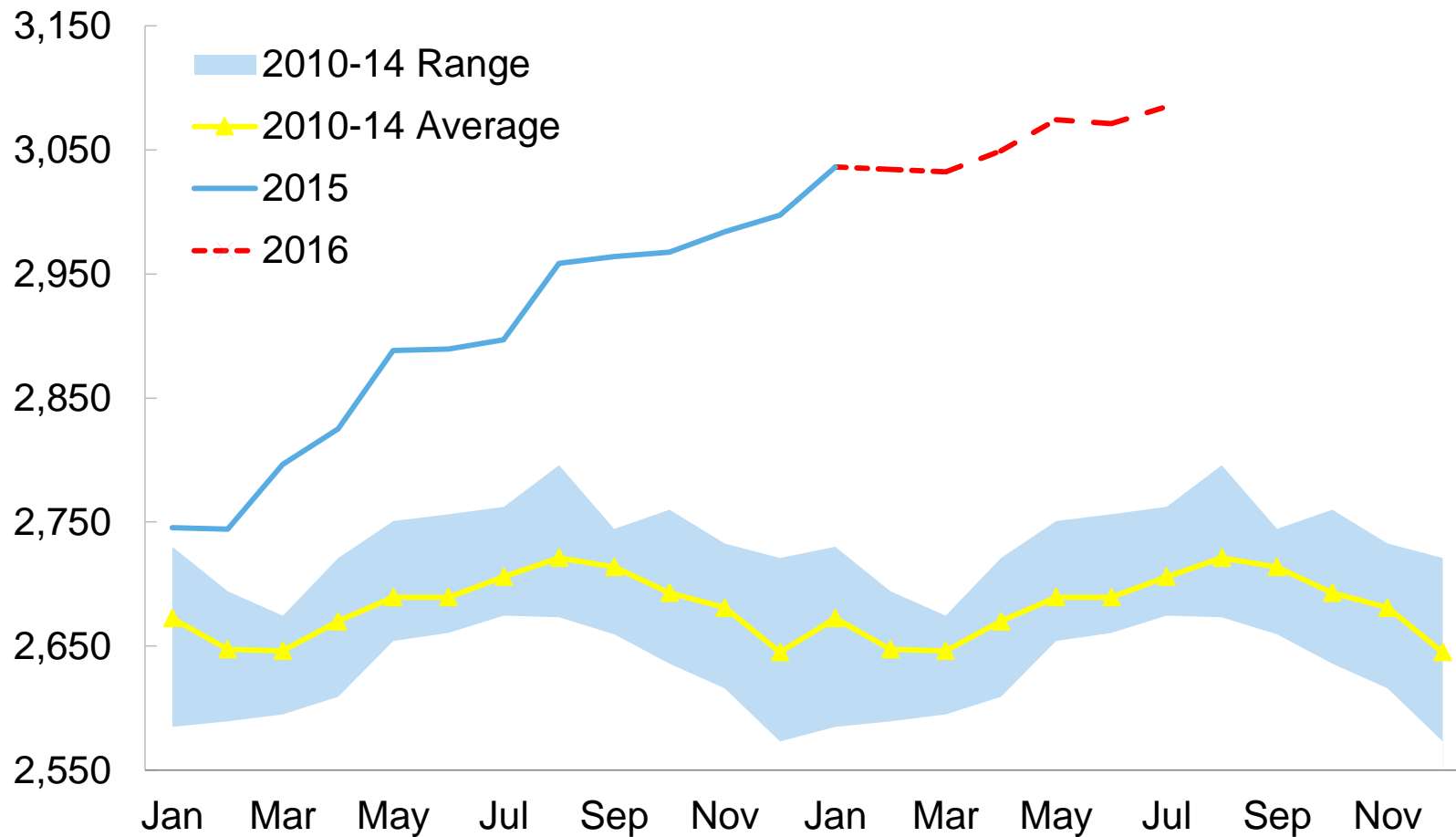


Source: IEA

(3) Inventories at historic record

OECD inventories

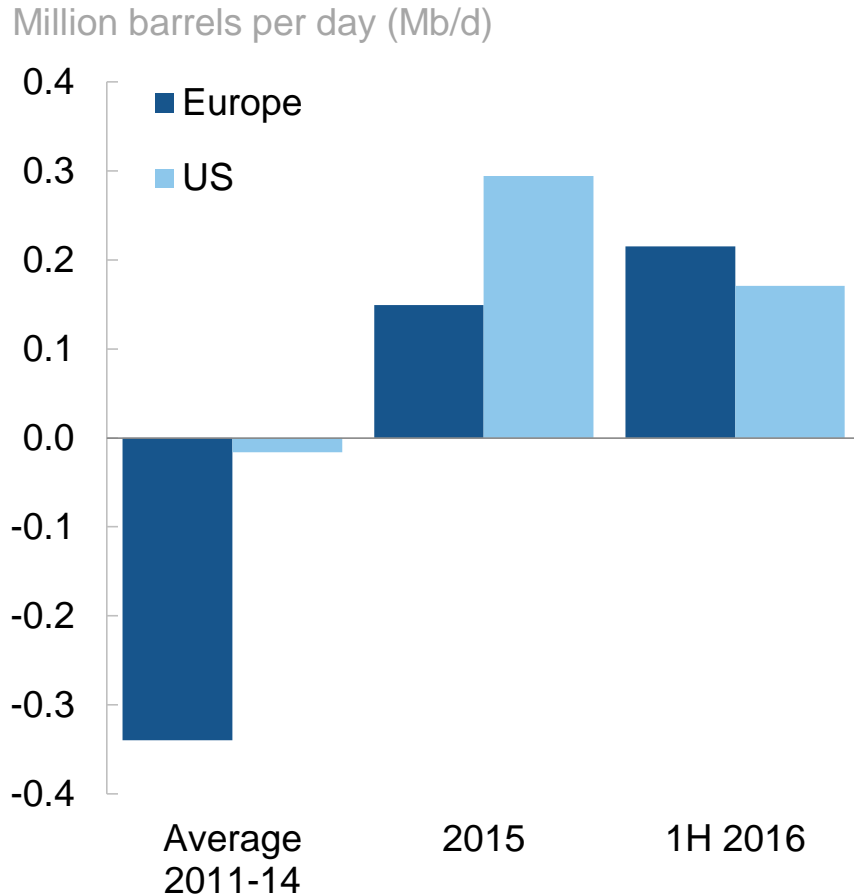
Million barrels of crude oil and oil products



Source: EIA

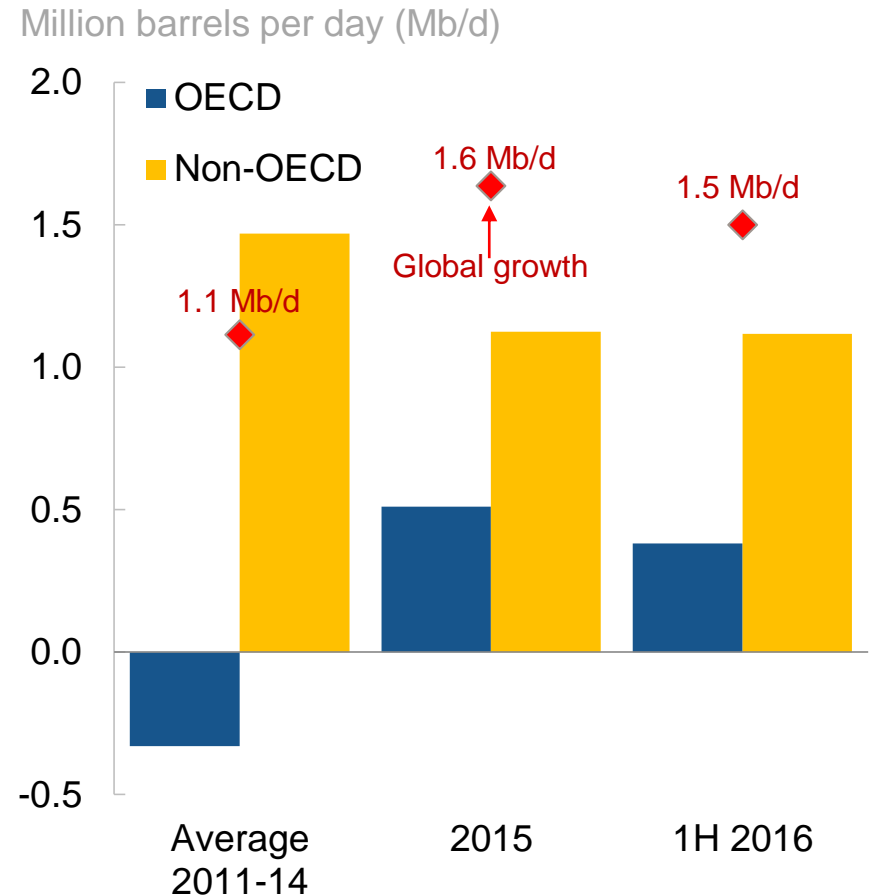
Will demand growth balance the market?

European and US demand growth



Source: IEA

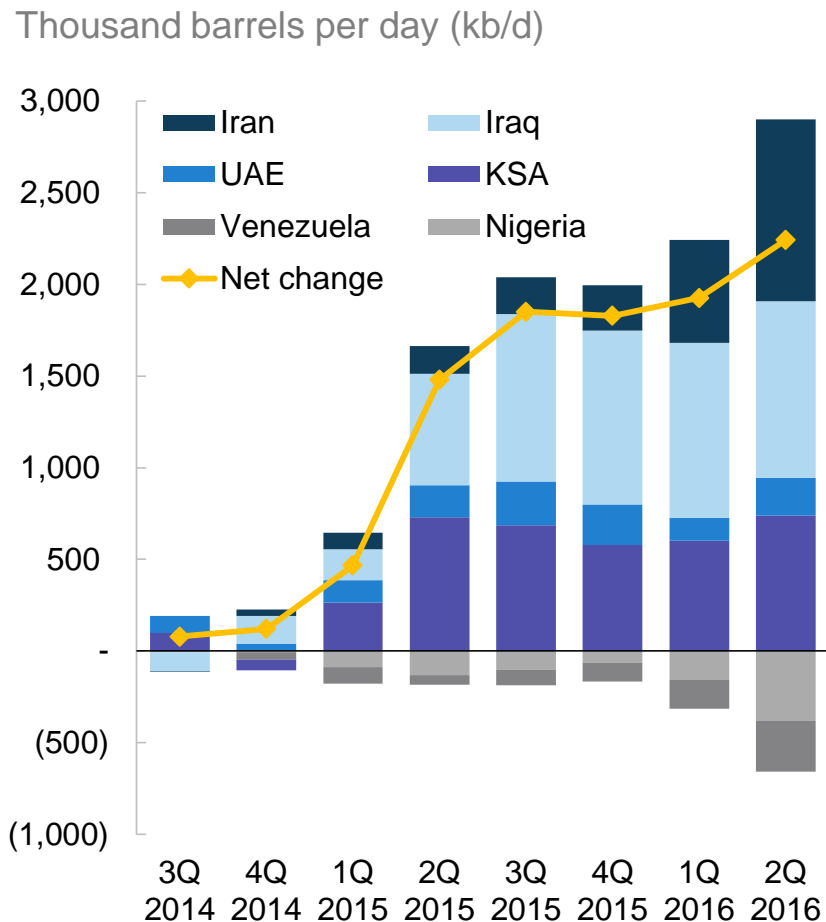
OECD and Non-OECD demand growth



Source: IEA

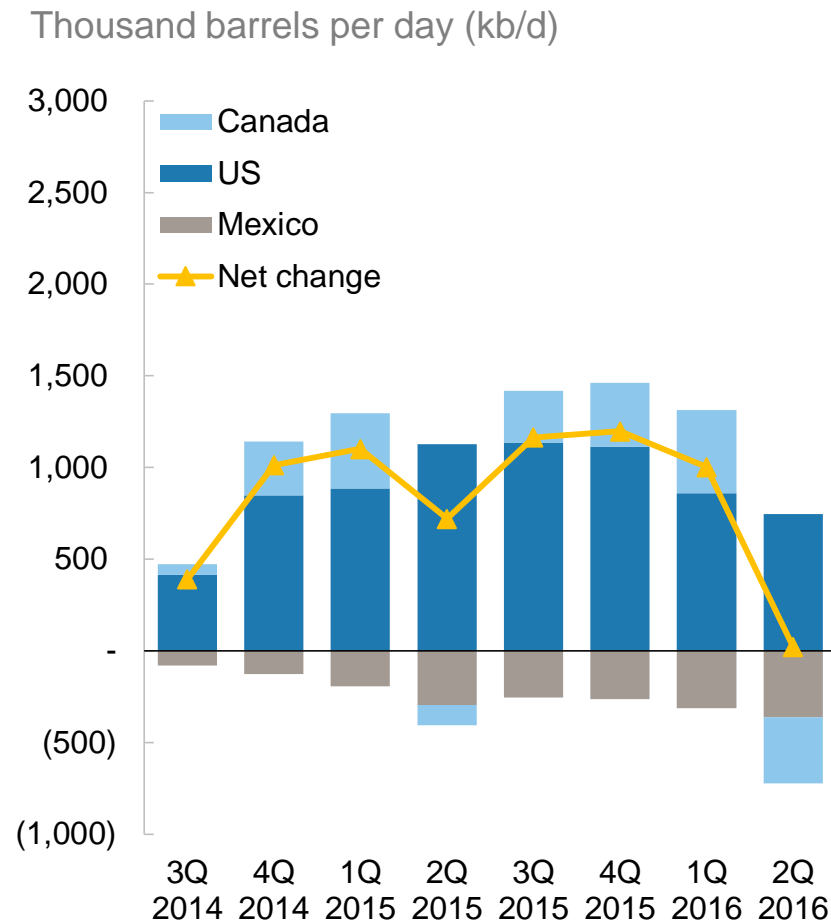
Cumulative supply growth since 2Q 2014

Key OPEC producers



Source: IEA

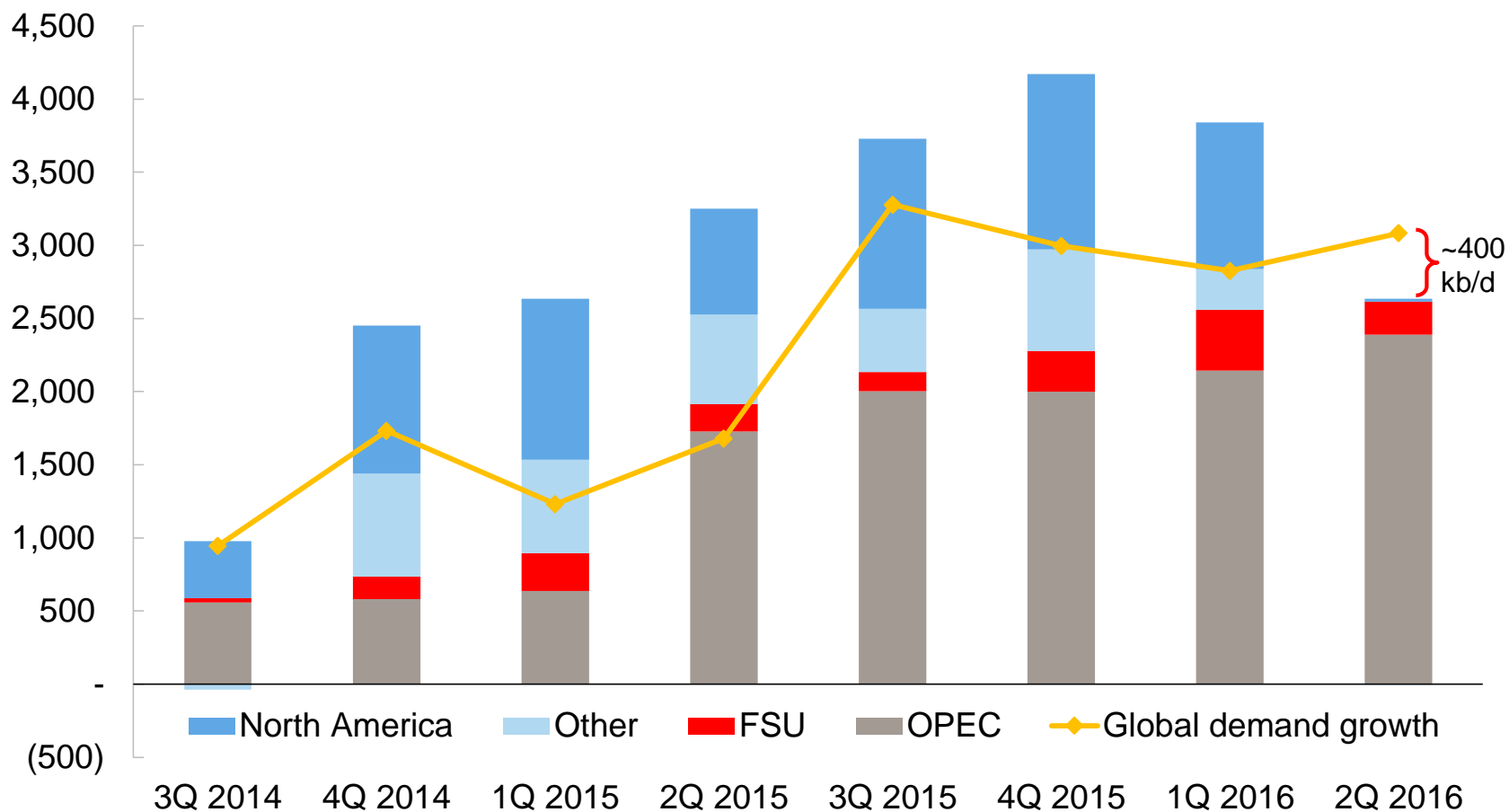
North American producers



Source: IEA

Incremental global supply and demand growth since 2Q 2014

Thousand barrels per day (kb/d)



Source: IEA

- Boost to demand unlikely
- Price ceiling restricts room for intervention (“freeze”)
- Meaningful intervention unlikely
- Effect of Capex cuts will support prices – eventually