Oil Market Recovery?

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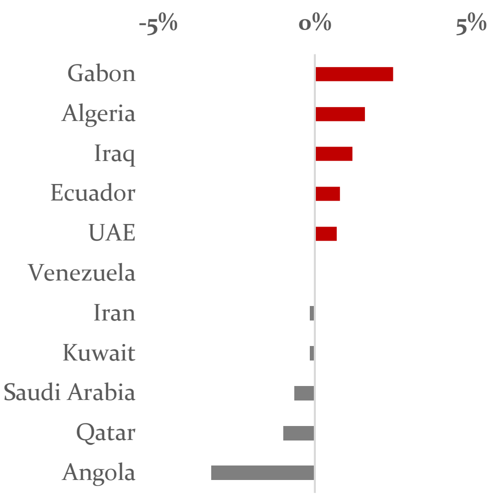
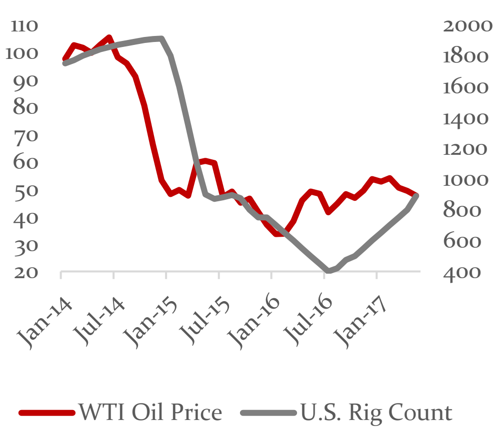
March Output was over/under pledged level



Oil Price VS. Rig Count



The OPEC, a 13-member Organization of Petroleum Exporting Countries, committed in 2016 to cut 1.2 million barrels of oil a day.

This commitment was implemented to cut the vast global oversupply and bring it back in line with demand and raise crude oil prices (20% surge in WTI after announcement).

In early April, OPEC announced that its March output decreased by 153,000 barrels to an average of 31.93 million barrels a day.

As seen in the graph, not all OPEC members decreased their output whereas the three OPEC nations who were exempted from the production cut (Iran, Libya, and Nigeria) suffered production losses due to sabotage, sanctions and blockage.

The commitment in 2016 on the part of OPEC, has virtually had no impact on the Oil price due to, among other factors, the USA.

As seen in the graphic below, the oil rigs in the United States doubled since last July, a couple of months before the OPEC announced their output cut. Since July 2016, the US production increased, according to official data, around 104,000 barrel a day.

Additionally, the U.S. EIA reports show a slight production increase of U.S. shale producers that reinforces fears that this unconventional production method becomes more capable of producing even though prices are now halved.

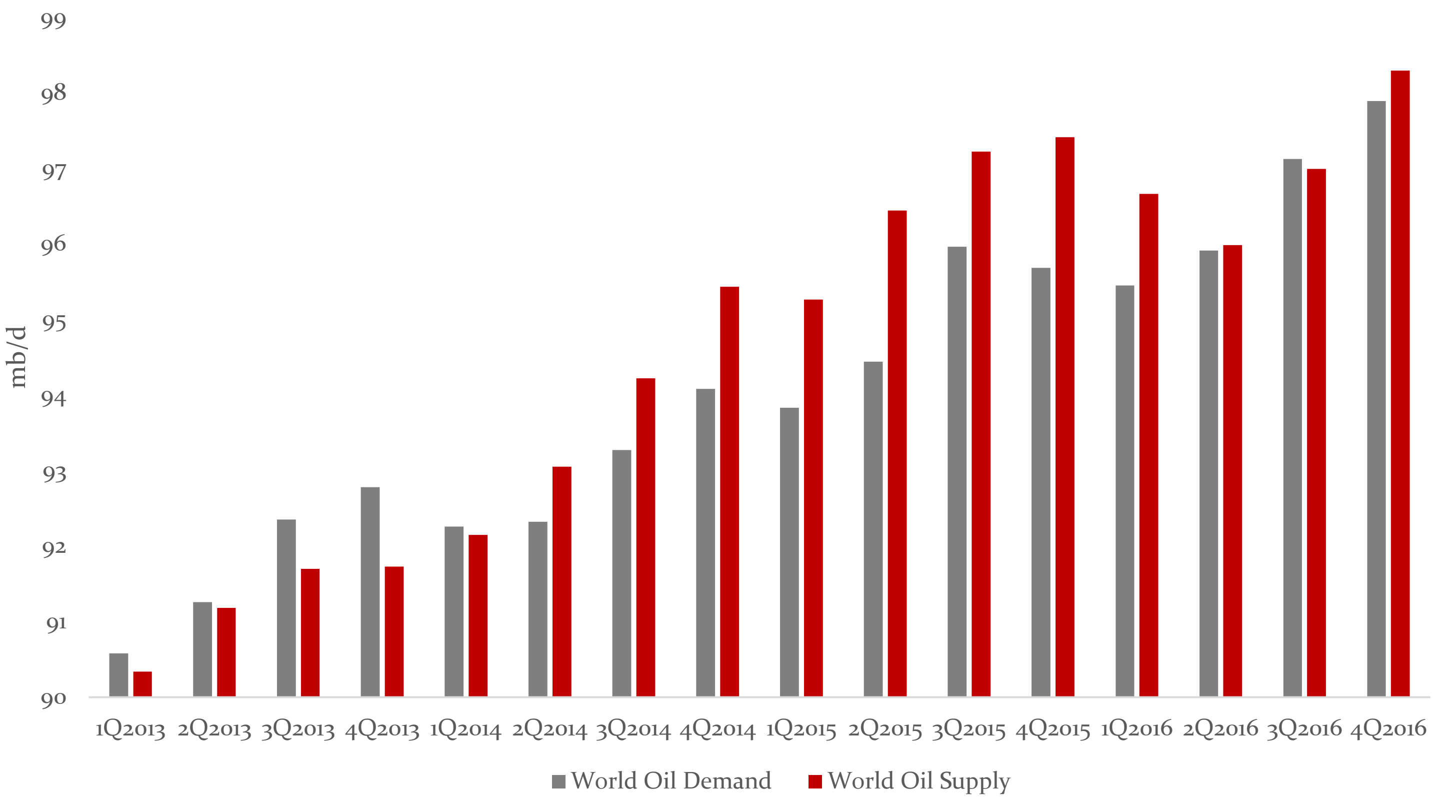
The higher American output plus the current storage glut, global crude stockpiles above 5-year average, entirely offset the output cuts of the OPEC. Looking at the future, there are basically three main indicators that imply no soon recovery in the oil market.

First, the global oil demand, which is currently 0.4 million barrel below the global oil supply.

Secondly, the crisis in oil producing countries, which will not exist in the foreseeable future.

And finally, the weekly COT Reports from the U.S. CFTC. Of particular interest here are the Commercials (large users and producers of commodities) which hold an even bigger short position than in June 2014, the month where Oil prices began to fall by half.

Oil Supply VS. Demand



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