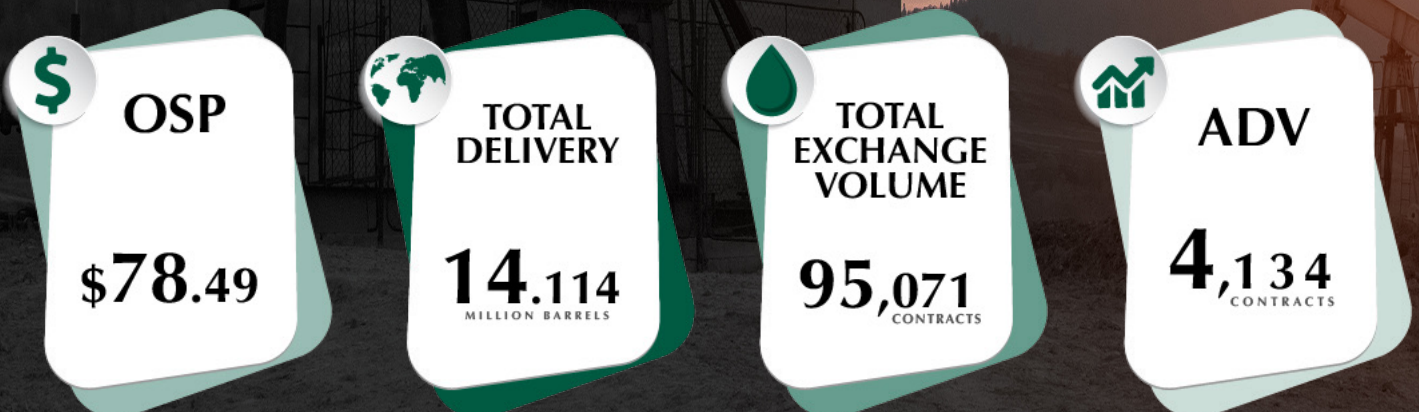


FUTURES INSIGHTS

Issue 41 - April 2023

May 2023 Contract



March 2023

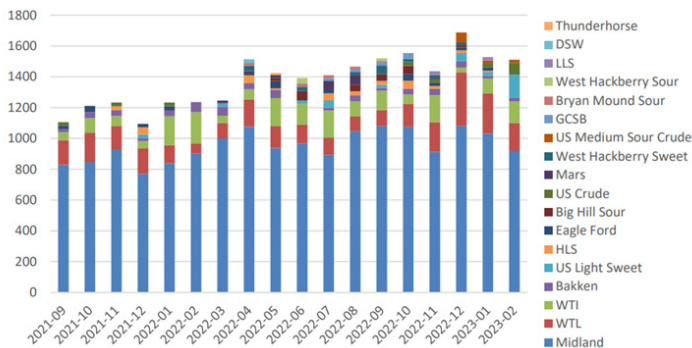
Financial uncertainty returned to the oil markets in March following the collapse of Silicon Valley and Signature bank and the ongoing turmoil affecting First Republic.

The effects of rising interest rates have yet to be fully felt on global markets and energy markets wait to see what impact this may have on oil demand.

Contagion from the US also spread to Europe with the fire sale of Credit Suisse to its rival UBS.

U.S crude flows reached record levels to Europe in 2022 and continued at high levels in Q1 2023 due to a decline in Russian exports.

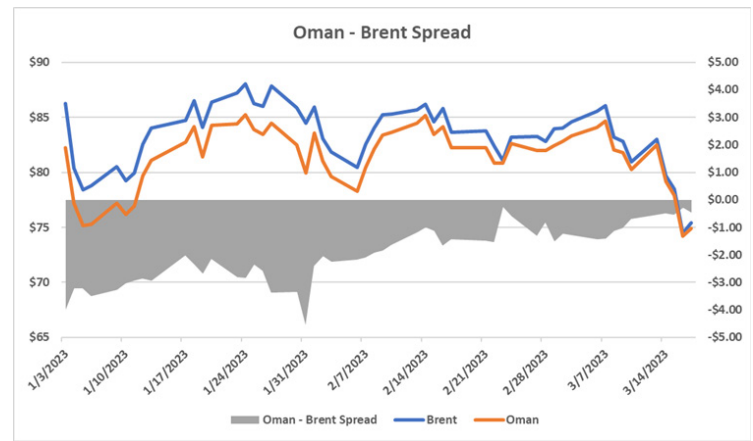
A similar story was seen in the LNG markets with high volumes of cargoes being exported to European markets which helped to keep inventory levels high over winter 2022.



Source: Kpler and OIES

Global oil prices weakened as financial concerns weighed on both the Brent and WTI crude benchmarks but elsewhere Middle East sour crude prices continue to gain ground compared to Brent with prices trading close to parity.

Oman crude was trading at a steep discount to Brent in November 2022 before staging a recovery during Q1 2023.



2023 – a year of two halves in energy

Oil demand is expected to reach a total of around 102-million barrels per day in 2023 due to the re-opening of the Chinese economy post covid and a rebound in air traffic.

Non-OPEC + crude supply is forecast to rise by 1.6 million barrels per day which is sufficient to meet oil demand 1H 2023 but fall short 2H of the year.

Global oil supply is expected to reach 101.5 million barrels per day in 2023 with the US and Canada accounting for a significant portion of the volume.

Global inventories surged by 52.9 mb in January 2023, following builds in both the OECD (+57.1 mb) and non-OECD (+13 mb) and a decline in oil on water (-17.2 mb).

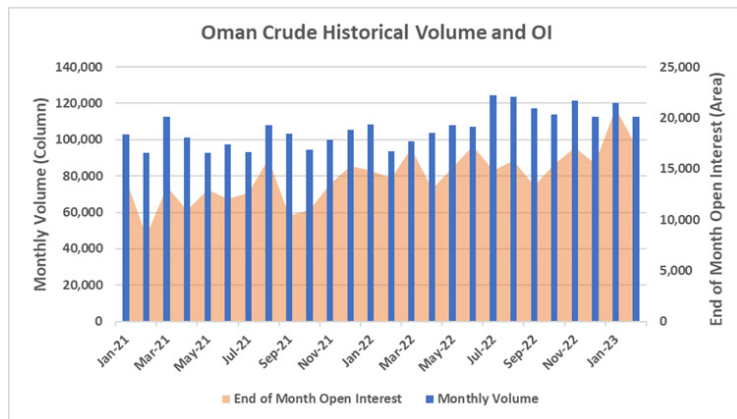
OECD industry oil stocks rose by 54.8 mb, four times the five-year average build.

At 2 851 mb, stocks reached an 18-month high. Preliminary data for the US, Europe and Japan show a 7.8 mb increase in industry stocks in February.

Futures open interest doubles in a year

Open interest in the Middle East flagship crude contract, DME Oman has rebounded strongly in recent months as hedging interest from the Asian refiners has returned on the back of strong demand across the region.

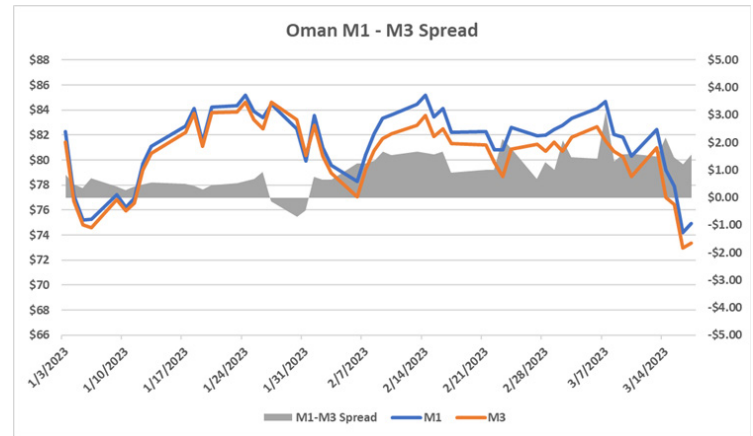
Open Interest in the futures contract was 17,300 contracts, a near doubling of the level seen 12-months earlier. Total volumes traded in February 2023 were 112,600 contracts or 112.6 million barrels of oil.



Oman crude structure tightens as demand rises

The futures spreads in the DME Oman contract continued to trade in positive territory, in part due to the rebound in Asian oil demand, but also in part due to the overall shortage of sour barrels being available in the market following the sanctions placed on Russian crude exports.

In the Oman futures contract, the spread between the 1st and 3rd contract month strengthened further into backwardation. Spreads traded around \$1.50 per barrel, a rise of around \$1 per barrel compared to earlier in Q1 2023.



Dubai Mercantile Exchange
Dubai International Financial Centre
Gate Village 10, Level 4
P.O. Box 66500
Dubai, UAE

T +971 4 365 5500
F +971 4 365 5599

Regulated by the DFSA