

FUTURES INSIGHTS

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NOVEMBER CONTRACT



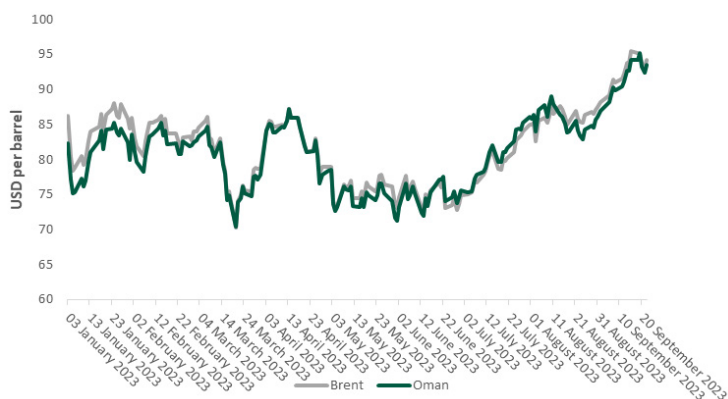
Crude prices edged back towards the \$100 per barrel level on a combination of strong demand and supply curtailments from several key oil producers.

Brent and Oman crude futures prices have risen around \$20 per barrel since June 2023 and market expectations are that the \$100 per barrel level will be reached before the end of 2023.

In early September Saudi Arabia and Russia agreed to extend voluntary oil production cuts through to the end of 2023.

The cuts will be reviewed on a monthly basis to gauge their impact on prices and demand on global economies.

Chart 1: Oman and Brent crude close in on \$100 per barrel



Source: CME Group/DME data

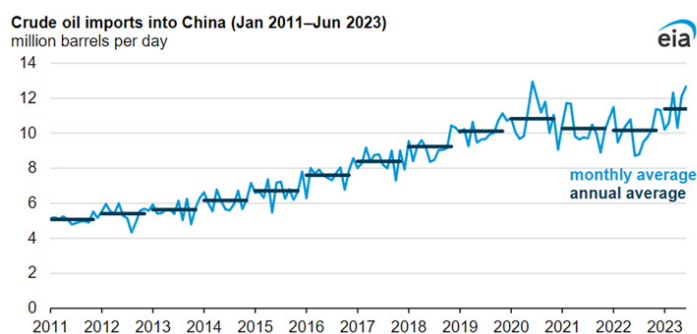
Oman futures benefits from rebound in Chinese crude demand

Trading volumes and open interest in the DME Oman futures benchmark rose on the back of a rebound in crude imports into China in the first half of 2023.

The latest data from the China customs authority shows that crude demand rebounded 12% to 11.4 million barrels per day in the first half of 2023 compared to the 10.2 million barrels per day in 2022.

Refinery expansions and reopening of the Chinese economy post covid were the two factors behind the increase.

Chart 2: Chinese crude oil imports



Data source: U.S Energy Information Administration (EIA)

Trading volumes in the flagship Oman futures contract rose 15% during the first half of 2023, partly on the back of the higher crude runs in China where Oman crude is refined.

Futures trading volumes in the front-month Oman contract increased to 415 million barrels in the first 6 months of 2023, an increase from the 361 million barrels recorded over the same period in 2022.

The volume of crude oil being delivered via the Exchange also rose 18% over the March to August 2023 period to reach 106 million barrels.

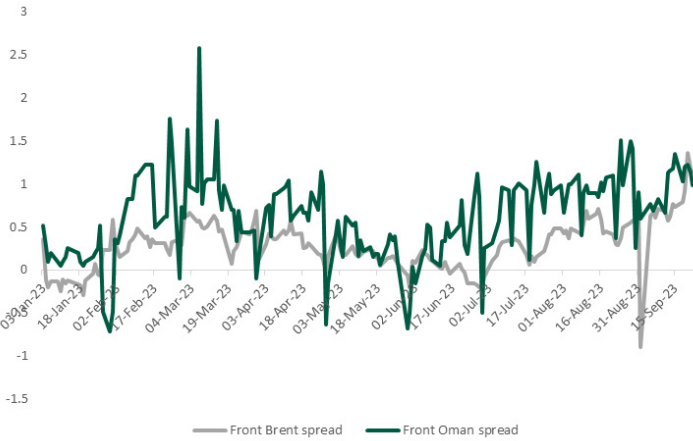
Backwardation extends on China demand recovery

The structure in the Oman crude futures complex has extended further gains into backwardation as refinery economics in the region remained constructive to overall crude oil demand.

Since the end of June 2023, the prompt Oman futures spread has strengthened further into backwardation.

The front-month DME Oman futures contract reached \$1 per barrel in backwardation, slightly below earlier highs of \$1.35 per barrel.

Chart 3: Futures markets extend further gains into backwardation



Source: CME Group data/DME data

The Middle East crude trade link to WTI for pricing

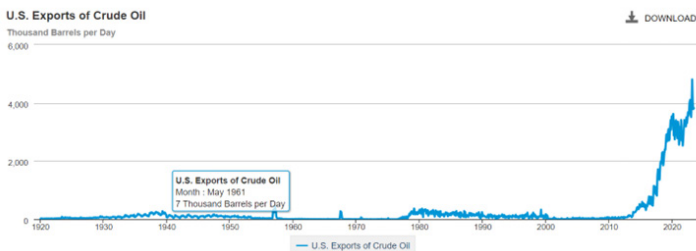
The U.S is producing crude at close to a record rate on the back of rising oil prices.

The latest data from the U.S Energy Information Administration shows that total production volumes reached 12.84 million barrels per day, which is just shy of the 13 million barrels per day produced in November 2019.

Export volumes have also been strong with June levels reaching 3.8 million barrels per day.

Around 800,000 barrels per day was exported to Asia over the past months to June 2023, broadly unchanged on the prior 12-month period.

Chart 4: U.S crude exports remains around 4-million barrels per day



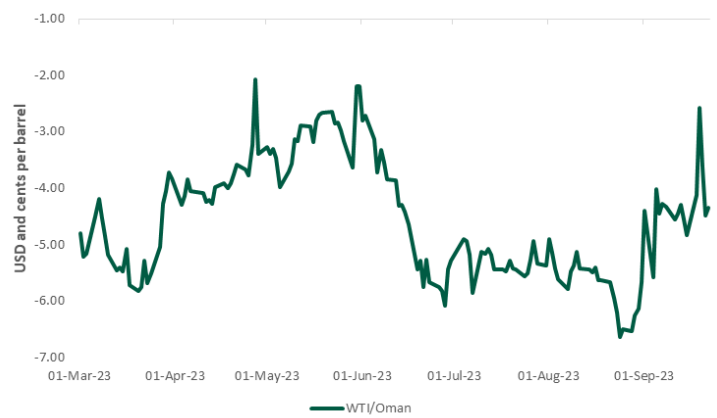
Source: U.S EIA

The role of WTI in the global oil market is generating greater trade interest between the Middle East and the U.S crude market.

Export orientated firms are monitoring the price spread developments between the U.S and Asian benchmarks.

Trading interest around WTI is growing as a price spread to Middle Eastern marker crudes such as Oman which has traditionally been executed as a spread trade to Brent.

Chart 5: WTI/Oman trade interest grows on enhanced role for U.S oil



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