

# Oil Buyer's Guide

News, analysis and commentary

Bloomberg Briefs

March 27, 2017

## Producers Consider Cut Extensions as Support Grows

By Wael Mahdi, Elena Mazneva and Sam Wilkin

Oil producers pledged to consider extending their pact limiting supply, as half a dozen nations said more time was needed to drain swollen stockpiles.

Five OPEC members and Oman backed an extension, with Kuwait saying it should be for six months. The ministers met this weekend in Kuwait City and asked OPEC to make a recommendation in a month on the possibility of prolonging the supply curbs.

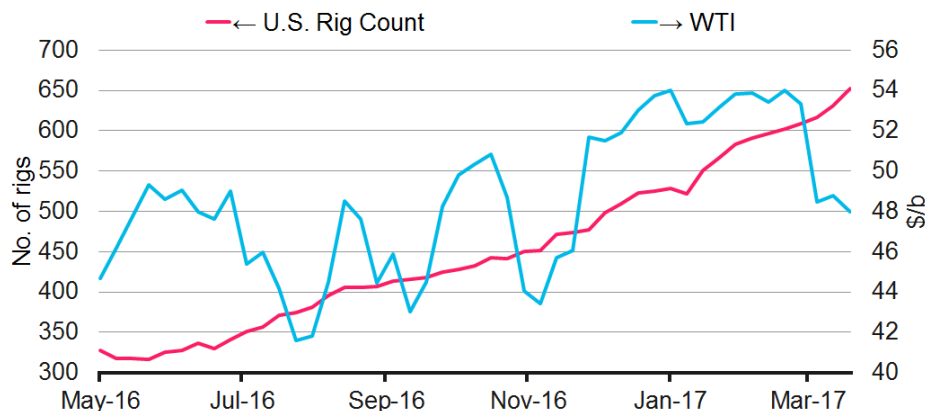
"We are ready to support" extending the deal, which took effect in January, Venezuela's Oil Minister **Nelson Martinez** said on March 26. Fellow OPEC producers Iraq, Algeria and Angola have also backed an extension. "It does make sense to extend the agreement for another six months," said **Mohammed Al-Rumhy**, energy minister for non-OPEC producer Oman.

Kuwait this month became the first nation to call for extending the production cuts, with Oil Minister **Issam Almarzooq** saying inventories had grown more than expected. OPEC and 11 other major producers including Russia agreed last year to slash production, spurring a 20 percent increase in Brent crude prices during the last five weeks of 2016. The rally stalled this year as U.S. output and supplies continued to grow. OPEC ministers will meet May 25 in Vienna to decide whether to extend the deal.

A compliance committee of OPEC ministers from Kuwait, Algeria and Venezuela and their counterparts from Russia and Oman concluded meetings in Kuwait City on March 26 with a statement asking OPEC to review the market and give them a recommendation in April on rolling over the cuts.

After the March 26 meeting, Kuwait's Almarzooq, the compliance committee's chairman, said OPEC is assessing whether to prolong the cuts for another six months. But the committee in its final statement removed a section in the draft that said it recommended a six-month extension. It also added a sentence saying the ministerial committee "will deliberate before submitting its recommendation to the participating countries." Full [story](#) on web.

## U.S. Rigs Reach 18-Month High



Source: Bloomberg, Baker Hughes

BloombergBriefs.com

Rigs targeting crude in the U.S. rose by 21 to 652 last week, **Baker Hughes** data show. That's the highest level in 18 months, said **Commerzbank** in a report today. "In other words, the fall of the WTI price to below \$50 has not put the brakes on drilling activity at all as of yet," the report said.

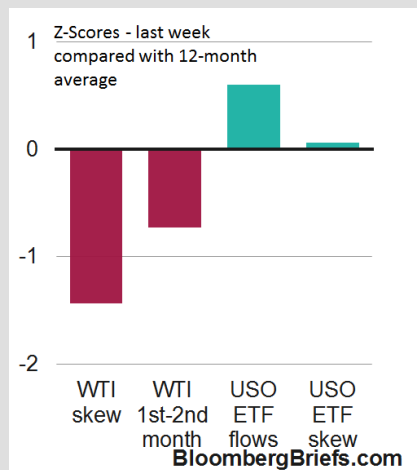
— Christopher Sell

## What We're Watching

"This week, I'll be looking for data on Saudi crude imports into the U.S. With almost three months of data available, a clearer picture will emerge of whether OPEC's biggest member really is cutting back sales to the world's biggest oil consumer."

— Grant Smith, Bloomberg News

## Bull-Bear Gauge



Option traders were a little more bearish about the oil market last week, as **EIA** data showed U.S. stockpiles had reached a record high, even as OPEC /non-OPEC met to discuss cuts. Click [here](#) for the Bull-Bear Gauge methodology.

## Events

**Today:** Qatar-U.K. Business & Investment Forum, London

**Today:** Scotia Howard Weil 2017 Energy Conference, New Orleans. Day one of three

## Quote of the Day

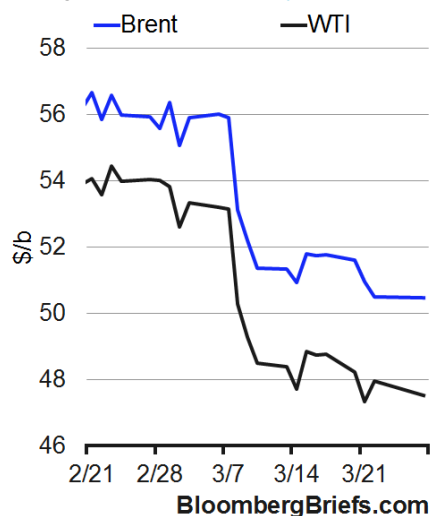
"I think if we can retain \$50 to \$55 throughout 2017, I think we will be in a good position."

— Issam Almarzooq, Kuwait Oil Minister, speaking on Bloomberg TV

## Today's Oil News

### Supply

■ **A pledge by crude producers to consider extending** their output-cut deal failed to excite oil bulls, with prices dropping as more time was seen needed to trim swollen global stockpiles. Futures lost as much as 1.3 percent in New York, after falling for a third week this month as rising U.S. supplies offset the effect of output curbs by other producers. Five OPEC nations joined with non-member Oman to voice support for prolonging cuts past June, with Kuwait saying it should be for an additional six months. Russia said it needs more time before making a decision. Full [story](#) on Terminal.



■ **Russia isn't ready to support a possible extension** of oil-supply cuts into the second half of the year, even as more crude producers acknowledge they will probably need to do so to achieve their goals of balancing the market and firming up prices. Russia needs more time to assess the market, inventories and production in the U.S. and other non-OPEC countries, Russia's Energy Minister Alexander Novak said in an interview with Bloomberg television on March 26. The monitoring committee discussed the option of extending the cuts "but we have decided that in order to make any decision like this or even any recommendations there needs to be a ministerial meeting." OPEC ministers are due to meet in Vienna on May 25. Read the full [story](#) on Terminal.

■ **China's crude stockpiles fell 1.42 percent month on month** in February according to Xinhua's China Oil, Gas and Petrochemicals newsletter emailed today. Full [story](#) on Terminal.

■ **Libya's biggest oil terminal is loading its first tanker since** fighting between armed groups earlier this month halted shipments from two ports in the country with Africa's largest crude reserves. The Suezmax vessel Demetrios, which can carry as much as one million barrels, is loading at the port of Es Sider for export to China, according to a person familiar with the situation. Fighting between rival groups erupted on March 3, disrupting output and forcing Es Sider and Ras Lanuf, the country's third-biggest terminal, to halt shipments. Operations at both ports restarted later this month after the clashes ended. Read the full [story](#) on Terminal.

### Companies

■ **Schlumberger and Weatherford International are forming a joint venture** aimed at taking on the king of fracking, Halliburton. Schlumberger, the world's biggest oil-field service provider, will own 70 percent and be the operator of the hydraulic fracturing partnership, to be known as OneStim, the two companies said March 24 in a joint statement. Weatherford, the No. 4 oil-field servicer, will own 30 percent and receive a one-time cash payment of \$535 million. Halliburton is the world's largest provider of fracking services. Full [story](#) on Terminal.

■ **Hurricane Energy rose to a record high after the explorer** said its latest oil find is probably linked to another field, potentially making it the U.K.'s biggest undeveloped offshore discovery. Preliminary data from the Halifax well, located in shallow waters west of the Shetland Islands, indicate it is "linked to the Lancaster field forming a single large hydrocarbon accumulation," Hurricane said in a statement today. Shares gained as much as 7.75 pence, or 14 percent, to 62 pence in London. Full [story](#) on Terminal.

### Market Calls

■ **The bullish sentiment following OPEC's deal is almost all gone.** Hedge funds haven't been so skeptical on rising West Texas Intermediate crude prices since Nov. 29, the day before the cartel agreed to cut output, according to U.S. CFTC data. Their net-long position, or the difference between bets on a price increase and wagers on a decline, has dropped 37 percent from a record touched last month as American crude production climbed, sending inventories to an all-time high. Full [story](#) on Terminal.

■ **U.S. shale won't deliver a "giant surge,"** said the Bank of America. The increase in U.S. crude production this year is being driven "entirely" by the Gulf of Mexico, the bank said in a report on March 24. Full [story](#) on Terminal.

■ **Goldman Sachs sees an OPEC cut extension as unnecessary** for rebalancing. The oil market is rebalancing despite record high U.S. inventories, analysts including Damien Courvalin and Jeffrey Currie wrote in a March 26 note. Full [story](#) on Terminal.

■ **A rollover of production cuts by OPEC** will keep oil prices above \$50 a barrel in 2017, with the potential to reach close to \$60 a barrel by the end of the year, Suresh Sivandam, senior manager at Wood Mackenzie in Singapore, said in a Bloomberg interview. Full [story](#) on Terminal.

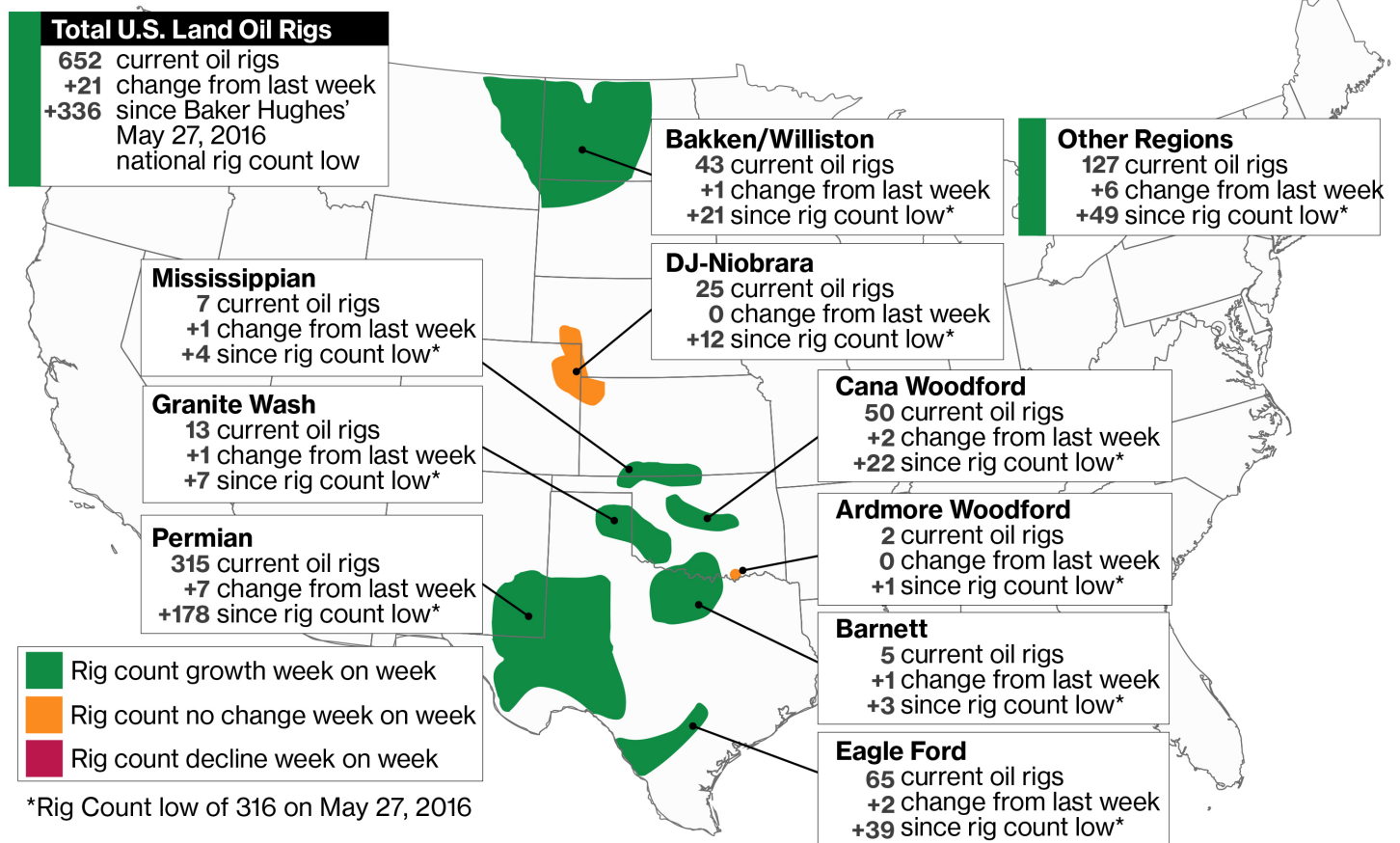
### Refinery Outages

■ **Valero's Port Arthur refinery in Texas is restarting** its fluid catalytic cracker after making repairs on the waste heat boiler, according to a state filing. Full [story](#) on Terminal.

■ **Marathon's Texas City refinery will be starting up** multiple units after planned work, according to a state filing. The startup will run through April 19. Full [story](#) on Terminal.

# State of Play

## Shale Drillers Double Rig Count From May Low Despite Oil's Drop



Source: Baker Hughes, Bloomberg

Graphic by Bloomberg Briefs

U.S. oil producers added rigs for a 10th straight week as prices headed toward a four-month low because of climbing U.S. production and record stockpiles. Rigs targeting crude in the U.S. rose last week by 21 to 652, according to **Baker Hughes** data reported March 24. The number of working rigs has more than doubled from its 2016 low of 316 in May. Shale explorers got to work bringing oil rigs back online after OPEC and 11 other nations announced plans Nov. 30 to boost prices by curbing production. The agreement sent crude futures above \$55 a barrel earlier this year, before record U.S. stockpiles erased the commodity's rally and sent oil tumbling to near \$47.

— Bailey Lipschultz

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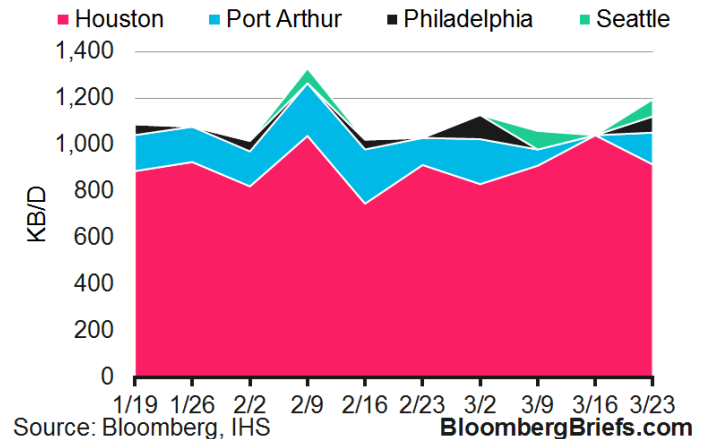
U.S. LPG Exports Rose 15 Percent Last Week: Bloomberg Estimate

By Bert Gilbert, Bloomberg Oil Specialist, Bloomberg L.P.  
 Total U.S. waterborne LPG exports from Houston, Port Arthur, Philadelphia and Seattle rose 15 percent to 1.2 million barrels a day in the week ended March 23. That's up from 1.04 million barrels a day the previous week, according to a Bloomberg estimate.

Houston exports fell 12 percent to 914,980 barrels a day, from 1.04 million barrels a day the previous week. Exports resumed from Port Arthur, Philadelphia and Seattle.

*This article was written by a Bloomberg LP employee involved with sales-support and was edited by the News department. To suggest ideas or provide feedback, contact the editor for this story: Christopher Sell at csell1@bloomberg.net*

Houston Exports Fell 12 Percent



The Week Ahead

By Fred Pals, Bloomberg News (All times Eastern)

Monday, March 27

- Qatar-U.K. Business and Investment Forum, London, with Qatar Prime Minister Sheikh **Abdullah Bin Nasser Al-Thani** and Energy Minister **Mohammed Al Sada**
- Scotia Howard Weil 2017 Energy Conference, New Orleans, with speakers including **Schlumberger** CEO **Paal Kibsgaard**, **Transocean** CEO **Jeremy Thigpen** and **Noble** CEO **David Williams**. Day one of three

Tuesday, March 28

- **API** weekly U.S. oil inventory report. 4:30 p.m.
- FT Global Commodities Summit, Lausanne, with CEOs of **Gunvor**, **Trafigura** and **Mercuria Energy** speaking at the annual event
- Qatar-U.K. Business and Investment Forum moves to Birmingham, U.K.

Wednesday, March 29

- **EIA** U.S. oil inventory report. 10:30 a.m.

- **Genscape** weekly ARA crude stockpiles report
- Arctic forum in Arkhangelsk, Russia, with speakers including Russian President, **Vladimir Putin** and Energy Minister **Alexander Novak**. Day one of two

Thursday, March 30

- Singapore onshore oil-product stockpile data. 4:00 a.m.
- Russian refining maintenance schedule. 6:00 a.m.
- **PJK's** weekly ARA oil product stockpiles report
- Argus China and Global Oil conference, Beijing, with speakers including **Shandong Dongming Petrochemical Group** VP **Zhang Li Cheng**, **Transneft** VP **Sergey Andronov**, **Unipecc** VP **Zhong Fu Liang**. Day one of two
- North Sea Brent, Forties loading programs for May

Friday, March 31

- **Baker Hughes** U.S. rig count. 1:00 p.m.
- **EIA** releases Petroleum Supply Monthly. 2:00 p.m.
- **CFTC** Commitment of Traders report. 3:30 p.m.



## Benchmarks

### Spots

AMERICAS	PRICE	1 DAY CHG	DIFFERENTIALS SPREAD TO
Bloomberg USGC Sour Index	45.37	0.52	-1.95 WTI
Light Louisiana Sweet (LLS)	49.32	0.57	2.00 WTI
Mars Blend	45.72	0.67	-1.60 WTI
WTI Cushing	47.32	0.32	
West Texas Sour (WTS)	45.12	-0.18	-2.20 WTI
Bakken	47.02	0.32	-0.30 WTI
West Canadian Select	35.27	0.37	-12.70 WTI
Edmonton Syncrude Sweet	51.22	0.27	3.25 WTI
Alaskan Slope	49.12	0.42	1.80 WTI
Vasconia	46.32	0.42	-4.75 Brent
Oriente	44.07	0.42	-7.00 Brent
Gasoline New York 87	148.48	0.27	-12.00 NYMEX
Gasoline U.S. Gulf 87	152.60	3.36	-7.88 NYMEX
3:2:1 USGC/WTI Crack Spread	13.89	0.72	
ASIA PACIFIC	PRICE	1 DAY CHG	
Crude Tapis (Bloomberg)	52.06	-0.13	
C&F Japan Naphtha	451.88	-3.12	
3:2:1 Asia/Tapis Crack Spread	8.73	0.04	
MIDEAST	PRICE	1 DAY CHG	DIFFERENTIAL SPREAD TO
Crude Dubai Fateh	49.21	-0.07	1.64 Brent
3:2:1 AG/Dubai Crack Spread	11.67	0.04	
EUROPE	PRICE	1 DAY CHG	DIFFERENTIALS SPREAD TO
Dated BFOE	50.49	0.57	
ESPO (Bloomberg)	51.01	0.28	1.80 Dubai
Gasoil ARA FOB barge	440.50	-0.75	
Gasoil NW Europe CIF cargo	449.50	-0.75	
Diesel NW CIF Cargo	456.00	-0.50	
Diesel W Med CIF cargo	453.00	-0.50	
Fuel Oil NWE FOB cargo 1%	291.00	-0.50	
3:2:1 NW/Brent Crack Spread	8.24	0.55	

Source: Bloomberg

For live spot prices, click [here](#) or run **BOIL<GO>** on Bloomberg. For crack spreads, click [here](#) or run **CRKS<GO>**

### Futures Based Swaps

PERIOD	WTI	BRNT	WTI/BRNT	NYULSD	NYULSD/WTI
Bal Mo	47.58	50.55	-2.97	149.56	15.24
APR 17	47.75	50.65	-2.9	150.18	15.32
MAY 17	48.23	50.88	-2.65	150.93	15.16
JUN 17	48.61	51.1	-2.49	151.77	15.13
Bal Qt	47.58	50.55	-2.97	149.56	15.24
Q2 17	48.2	50.88	-2.68	150.96	15.2
Q3 17	49.06	51.36	-2.3	154.05	15.64
Q4 17	49.46	51.54	-2.08	157.08	16.51
Bal Yr	48.77	51.19	-2.41	153.58	15.73
Cal 18	49.72	51.47	-1.76	157.9	16.6
Cal 19	49.76	51.46	-1.7	160.68	17.72

PERIOD	NYULSD/BR	NYRB	NYRB/WTI	NYRB/BR	RBHO
Bal Mo	12.26	159.98	19.61	16.64	10.42
APR 17	12.42	161.05	19.89	16.99	10.87
MAY 17	12.51	161.45	19.58	16.93	10.52
JUN 17	12.65	160.88	18.96	16.47	9.11
Bal Qt	12.26	159.98	19.61	16.64	10.42
Q2 17	12.53	161.13	19.47	16.8	10.17
Q3 17	13.34	153.79	15.53	13.23	-0.27
Q4 17	14.44	140.09	9.38	7.3	-16.99
Bal Yr	13.32	152.5	15.28	12.86	-1.08
Cal 18	14.85	149.21	12.95	11.2	-8.69
Cal 19	16.03	146.52	11.77	10.08	-14.16

Source: Bloomberg

For live swap prices, click [here](#) or run **CFVL<GO>** on Bloomberg. Spot prices as of end of previous day. Futures as of 7:30 a.m.

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