

Oil & Gas Market Wrap

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Oil price holds steady this week after surprise decline in US barrels

The oil price is holding steady this week after OPEC decided to tighten compliance and skip the proposed April meeting.

Inventories in the US are down more than expected with WTI hitting a record US\$60 a barrel this week. In Friday trading, Brent crude was priced above US\$68 with WTI still holding close to US\$60 a barrel.

OPEC's joint ministerial monitoring committee, the JMCC, met last weekend in Baku, Azerbaijan and surprised the market by cancelling the April ministerial meeting.

Two meetings a year

The organization holds two meetings each year with extra meetings added when necessary.

April was an additional meeting, and having reviewed the data from the joint technical committee, it was decided that the market was stable enough until June.

This is also a better timeframe for the ministers to judge the full impact of their supply adjustments and to see how US sanctions on Iran play out after the May deadline on extensions.

The Russian oil minister, Alexander Novak told reporters that his country's commitment to the agreed OPEC production cuts was consistent, even though its implementation has been moving slower than expected.

Speaking in Baku, Novak said Russia will decrease output by 228,000 barrels a day, adding that he felt confident producers could do this in the first quarter.

He also cautioned that Russia "cannot sharply decrease oil production, but we will try to do it faster."

Turning off the taps

Analysts agree that turning off the taps in Russia is not always as easy as in other countries due to remote locations, harsh weather conditions and the focus on individual oil companies.

Inventories in the US were down 9.6 million barrels last week, according to the weekly data from the Energy Information Administration.

The market was expecting a build in stocks. This might also be attributed to lower imports from Saudi Arabia as the country reduced exports to US customers in recent weeks.

Any indication of tightness in the US market, even temporarily will impact price to the high side. WTI hit above US\$60 a barrel last week, with Brent around US\$68, its highest in four months.

With no OPEC meeting in April, the production adjustment will now stay in place until the end of June, with encouragement for full compliance which will mean additional oil off the market in months to come.

Compliance is currently running at 90% a number the monitoring committee is determined to improve.

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MarketTopic Synopsis:

The Oil and Gas wrap provides the latest oil prices from commodity exchanges in New York and London, gives a summary of the main corporate and macroeconomic news impacting the price of oil, a barometer of the strength of global economy.

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The extended US government waivers given to countries importing oil from Iran are due for renewal in May.

Given the perceived tightness of the market, some analysts believe that some of these waivers may be allowed to roll over. OPEC is watching carefully, as the US had delivered strong intent to enforce the full sanctions last year and then backtracked when the producing members had increased production.

Adequate supply?

OPEC still believes there's adequate supply on the market so it sees prudent to continue the cuts. The US consumer has seen a rise in prices at the pump, up 12% from the end of 2018, according to the EIA.

With consumer prices for products on the increase, the impact of global economic growth continues to come to the fore.

Uncertainty rules the day but OPEC is determined to continue its focus to rebalance the market and hopefully keep the price at a fair level in the interest of consumers as well as producers.

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