Summary

- 2019 oil prices were in line with our baseline scenario
- OPEC is discussing whether to extend its production quota
- U.S oil production will expand further, albeit at a slower pace
- Our prospects for oil prices in 2020 assume weak demand growth in a well-supplied market
- Currently, tensions in the Middle East and protectionism are the main sources of uncertainty
- Long-term equilibrium prices around $60/b
- Elevated uncertainty around long-term equilibrium: CAPEX, protectionism, transportation infrastructure, alternative energy sources, EM convergence, EVs, climate change, efficiency and technology
Brent prices are likely to close the year between $60/b and $65/b

CRUDE OIL PRICES 2019 ($ PER BARREL)

Source BBVA Research with data from Haver Analytics
Trade uncertainty remains high, although it has receded slightly

**WORLD TRADE AND INDUSTRIAL PRODUCTION (YOY % CHANGE)**

Source BBVA Research and Bloomberg

**WORLD TRADE UNCERTAINTY (GDP WEIGHTED AVERAGE INDEX)**

Source BBVA Research and Haver Analytics
Demand is the weakest in the OECD

OIL PRODUCT DEMAND: TOTAL WORLD
(THOUSAND BARRELS PER DAY, YOY CHANGE)

OIL PRODUCT DEMAND
(MILLION BARRELS PER DAY, YOY CHANGE)

Source BBVA Research with data from Haver Analytics, Bloomberg and WEO
Slower refining activity and low margins put downward pressure on demand for crude oil

CRUDE OIL REFINERY RUNS
(UTILIZATION RATES %, 4Q-MOVING AVERAGE)

ASIA REFINING MARGINS & BRENT OIL PRICES ($ PER BARREL)

Source: BBVA Research and Haver Analytics

Source: BBVA Research and Haver Analytics
Inventories trending close to 5-year averages

OECD OIL INVENTORIES AT MONTH’S END
(MILLION BARRELS)

OECD OIL INVENTORIES AT MONTH’S END
(DAYS SUPPLY)

Source: BBVA Research and Haver Analytics
OPEC: compliance with output quotas and sanctions to Iran and Venezuela limit supply

OPEC CRUDE OIL PRODUCTION (CHANGE BETWEEN DEC-2018 AND OCTOBER-2019, THOUSAND BARRELS PER DAY)

- Saudi Arabia
- Iran
- Venezuela
- UAE
- Angola
- Kuwait
- Iraq
- Ecuador
- Algeria
- Gabon
- Nigeria
- Libya

Source: BBVA Research, Haver Analytics, and Bloomberg
Non-OPEC offshore production accelerated in Brazil, Mexico and Norway

CRUDE OIL PRODUCTION
(HEAT-MAP, YOY % CHANGE )

- **Mexico**: Higher drilling rates and prioritization of fields may help to stabilize and potentially reverse declining production

- **Brazil**: Output was significantly boosted by new production in the Santos Basin

- **Norway**: The commissioning of the Johan Sverdrup field should lead to positive year-over-year growth rates for the first time since 2017

Source: BBVA Research, IAE, and Haver Analytics
U.S.: Incoming data suggests golden age of shale not over yet...

U.S. DRILLED BUT UNCOMPLETED WELLS (NUMBER)

U.S. ACTIVE RIG COUNT (UNITS)

U.S. OIL PRODUCTION BY REGION (MILLION BARRELS PER DAY)

U.S. CRUDE OIL FIELD PRODUCTION

Source: BBVA Research and Haver Analytics
U.S.: Businesses activity seems to be cooling down

LEVEL OF BUSINESS ACTIVITY INDEX

COMPANY OUTLOOK INDEX

CAPITAL EXPENDITURES INDEX

UNCERTAINTY INDEX

*Current Index = % Reporting Increase - % Reporting Decrease

Source: Dallas Fed Energy Survey, 3Q19
U.S. import substitution continues

**U.S. EXPORTS OF CRUDE OIL**
(MILLION BARRELS PER DAY)

**U.S. PRODUCTION AND NET IMPORTS OF CRUDE OIL**
(MILLION BARRELS PER DAY)

Source: BBVA Research and Haver Analytics
U.S.: New transportation infrastructure has narrowed the gap between Brent and WTI

**BRENT-WTI DIFFERENTIAL**
($ PER BARREL)

**WTI FUTURES**
($ PER BARREL)

Source: BBVA Research and Bloomberg
Net long positions recovered after better trade news

Source: BBVA Research and Bloomberg

Source: BBVA Research and Bloomberg
Weak demand growth in a well supplied market remains the main driver of our baseline scenario

**BRENT PRICES FORECAST**

($ PER BARREL)

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**WTI PRICES FORECAST**

($ PER BARREL)

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Source: BBVA Research, Bloomberg and EIA
U.S.
Oil Prices Outlook

December 2019