argusmedia.com

Oil market volatility and the implementation of the Declaration of Cooperation

3rd Joint IEA-IEF-OPEC Technical Meeting on the Interactions between Physical and Financial Energy Markets

OPEC Secretariat
Vienna

James Gooder (VP Crude)
28 March 2019

London
Houston
Moscow
Singapore
Dubai
New York
Beijing
Kiev
Tokyo
Astana
Shanghai
Rio de Janeiro
Washington DC
Riga
Calgary
Brussels
Cape Town
Mexico City
Berlin
San Francisco
Sydney

Market Reporting
Consulting
Events

illuminating the markets

The Argus view

- One of the world's leading PRAs, Argus is a team of more than 900 staff members in 22 global offices
- Publishing more than 11,000 daily spot and forward price assessments, plus market intelligence for world commodities markets
- Coverage includes:
  - Energy
  - Fertilizers
  - Petrochemicals
  - Metals
- Services
  - Price reporting and indexation
  - Consulting
  - Conferences
- Indexation examples
  - US crude oil
  - US and European refined products
  - Europe and Asia LPG
  - US and European environmental markets

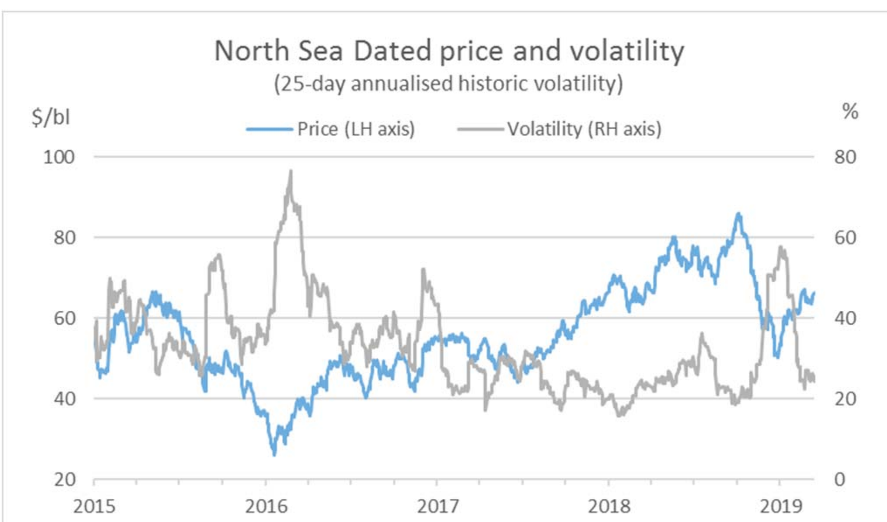
illuminating the markets

Volatility arises from:

- Changing circumstances
- Uncertainty, exuberance and fear
- Poor information

illuminating the markets

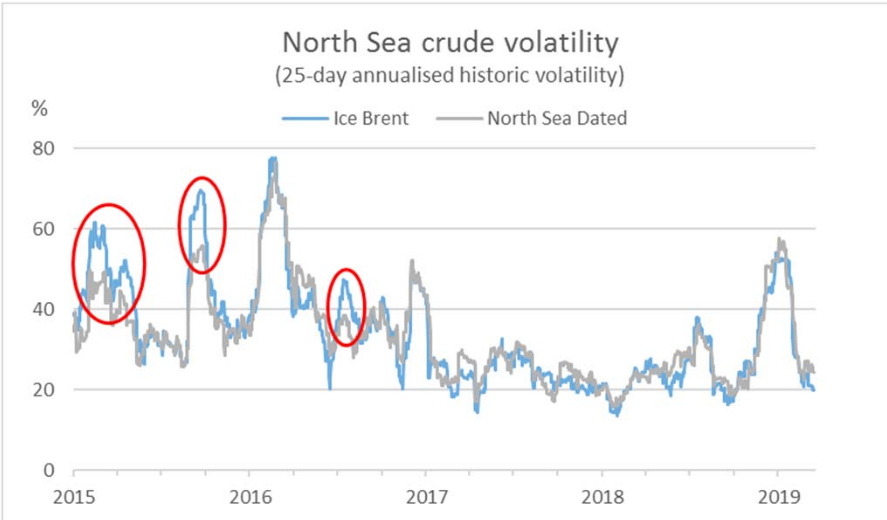
Volatility greatest during periods of large price moves



illuminating the markets

Copyright © 2019 Argus Media group. All rights reserved.

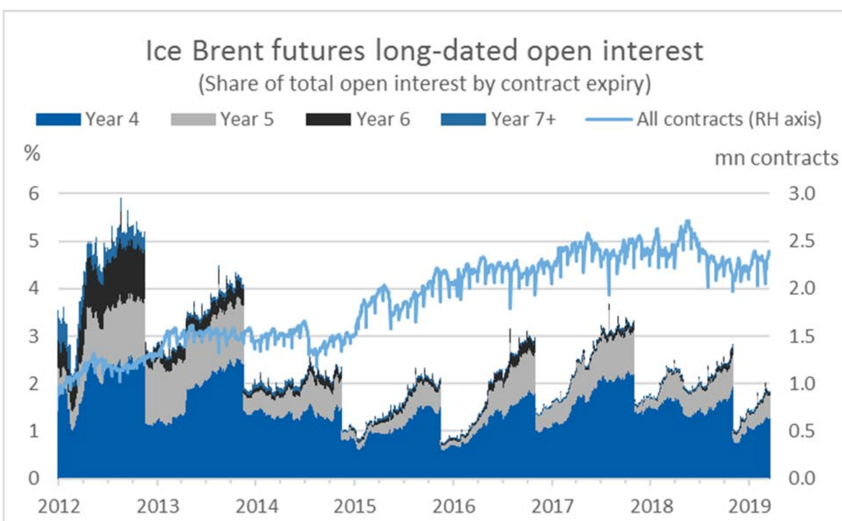
Spot and futures usually follow a similar trend, but…



illuminating the markets

argus

Futures open interest is concentrated in near term



illuminating the markets

argus

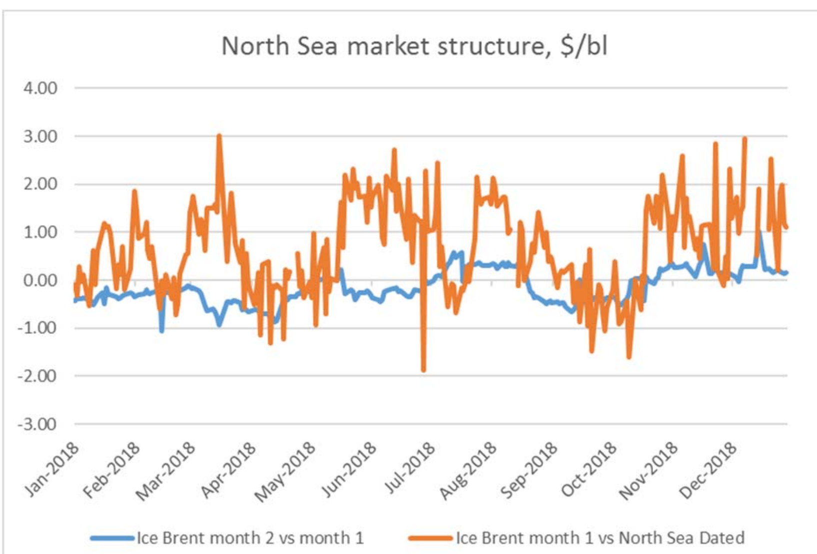
Oil trade is speculation

- Trade is forward-looking – fundamentals information is backward-looking
- The current policy environment is volatile.
- Hedging instruments are subject to volatility and the same impulses as spot trade.

illuminating the markets

argus

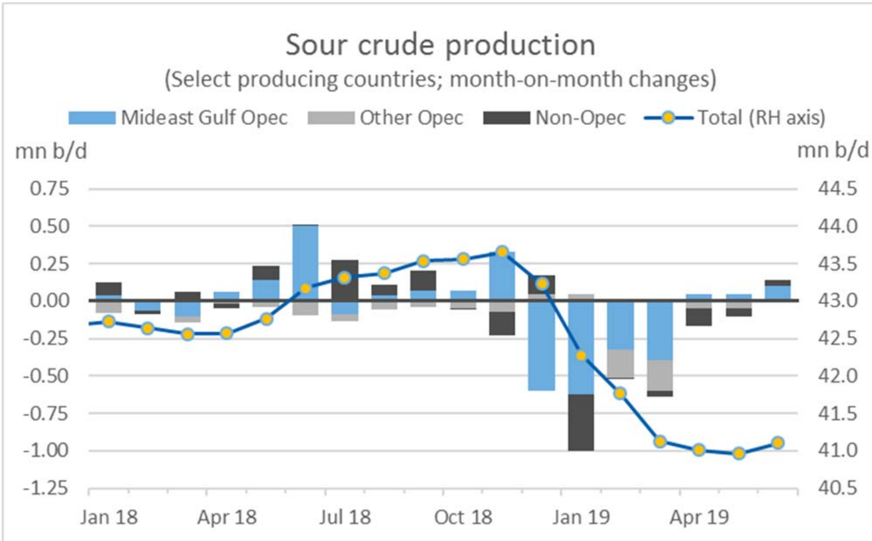
NS Dated and Brent futures - a volatile relationship



illuminating the markets

argus

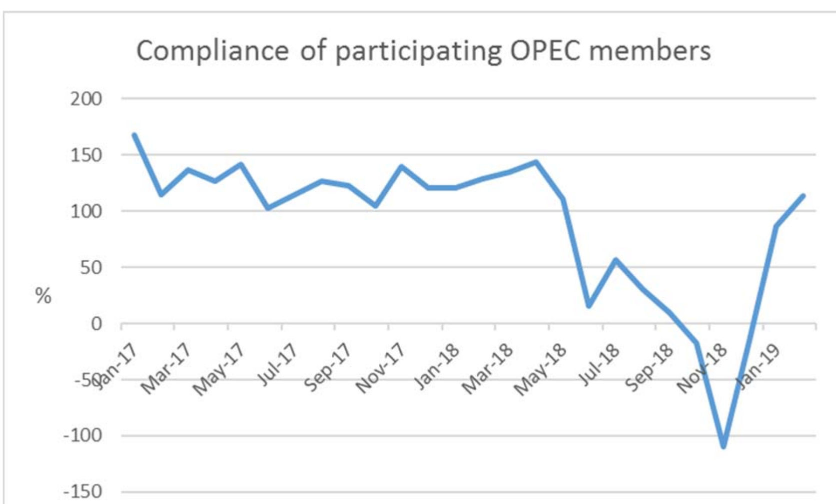
Latest Opec/non-Opec agreement takes effect



illuminating the markets

argus

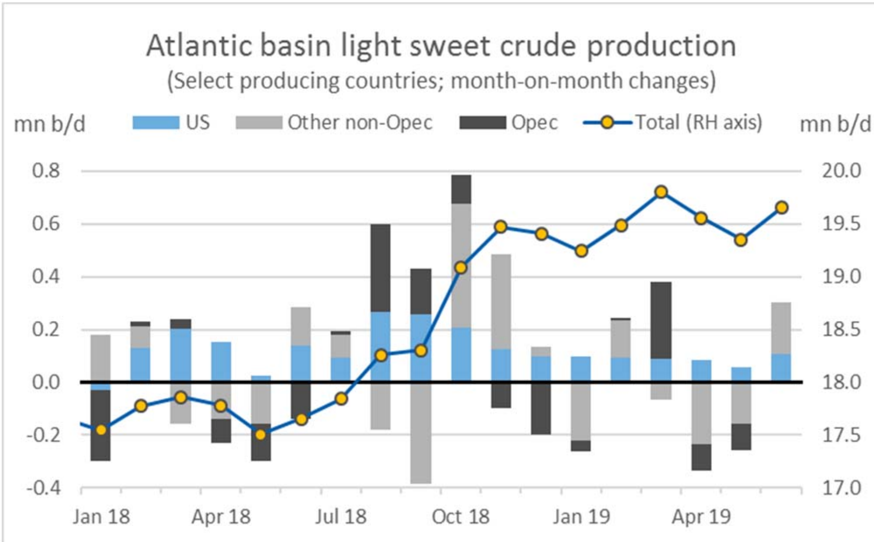
Compliance by Opec members has been high



illuminating the markets

argus

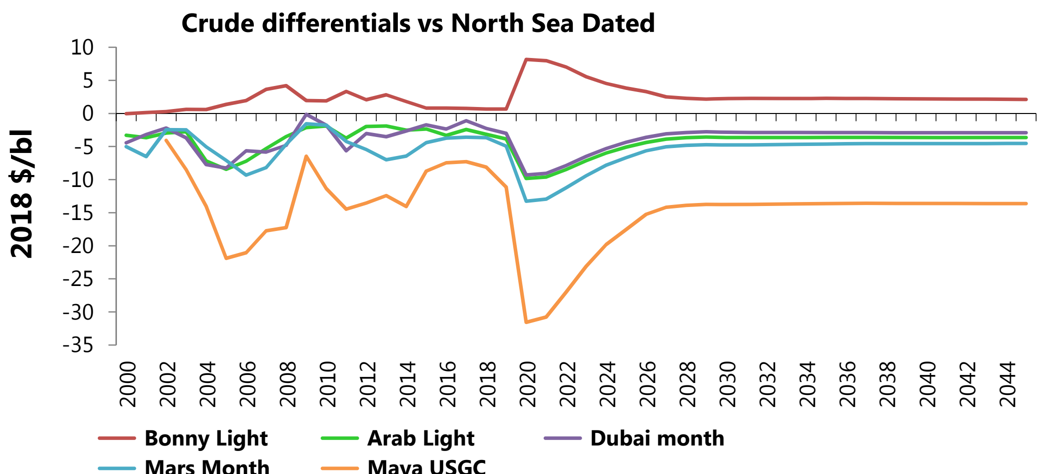
US output continues to grow



illuminating the markets

argus

Crude oil spreads – expect a pronounced but temporary IMO effect



illuminating the markets

argus

In summary

- Volatility is unavoidable. Currently driven by disruptive and unpredictable policy decisions.
- Physical spot prices help to anchor forward markets in reality.
- The Opec/non-Opec agreements have supported markets but can only go so far.
- They have helped to exacerbate shortages in the supply of heavier sourer crudes.
- US shale production and exports are quicker to react to market signals than conventional oil.

illuminating the markets

Thanks for listening!

James Gooder
VP Crude

Email: james.gooder@argusmedia.com
Phone: +44 20 7780 4200
Office: London
Web: www.argusmedia.com
Blog: http://blog.argusmedia.com

Stay Connected
@ArgusMedia
Argus-media
+Argusmediaplus
argusmediavideo