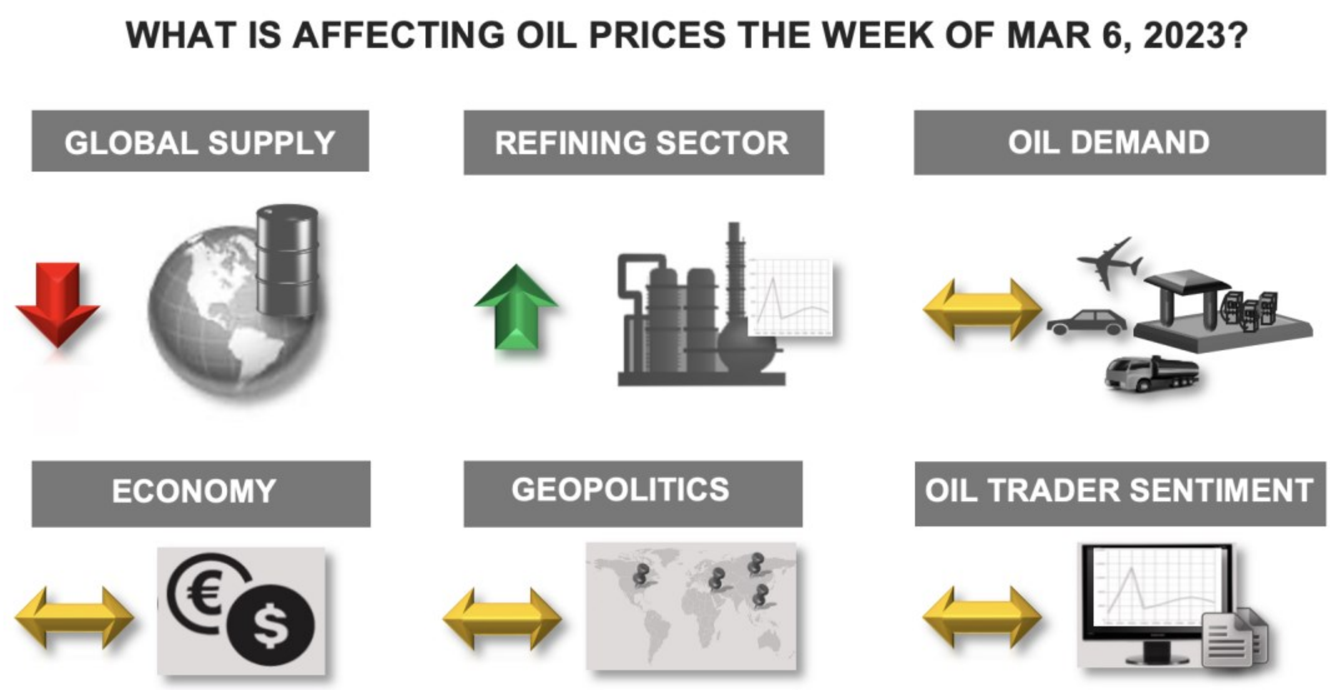
Still calm for now

This weekly report is an excerpt from our Short-Term Outlook service analysis, which covers a period of eight quarters and provides monthly forecasts for crude oil, natural gas, NGL, refined products, base petrochemicals and biofuels. Contact John Paisie (+1-832-517-7544 or E-mail) for the detailed analysis or for more information about the Short Term Outlook.



Source: Stratas Advisors

The price of Brent crude ended the week at $85.83 after closing the previous week at $83.16. The price of WTI ended the week at $79.68 after closing the previous week at $76.32.

As we have forecasted, the price of Brent crude has remained between $80 and $90 since mid-November of 2022. Concerns about the global economy and the moderating impact on oil demand growth continue to place a ceiling on prices, while the ability of OPEC+ to align supply with demand place a floor on prices. There is nothing appearing on the horizon that will change this dynamic.

The outlook for global economy has improved, but there are still factors that are negatively affecting economic growth, including economic growth in China and Europe, as well as the US. The latest surveys from the Institute for Supply Management (ISM) indicate that the non-manufacturing sector, which makes up more than 60% of the US economy continued to expand in February with a reading of 55.1 (any reading above 50 indicates growth). In contrast to the improving non-manufacturing sector, the manufacturing sector (which accounts for around 11% of the US economy) shrank in February with a reading of 47.4, which

  1616 South Voss Road Suite 675 | Houston, TX 77057 | United States | +1.713.260.6426 | stratasadvisors.com

continues the downward trend that started in November 2022. In addition to the struggling manufacturing sector, the housing market has been affected in a major way by the rate increases implemented by the Federal Reserve. The National Association of Realtors have reported that sales of existing homes have decreased for 12 consecutive months, which is a record. Additionally, investment in housing declined at an annual rate of 26% from October through December of 2022. The decline has continued into 2023 with the Commerce Department reporting that construction spending decreased by 0.1% in January because of the pullback in single-family homebuilding. Based in part on the divergence of the non-manufacturing and manufacturing sectors, coupled with the weakness in the housing market, we are expecting that the Federal Reserve at its next meeting schedule for March 21-22 will only raise rates by 0.25% instead of 0.50%, even though inflation continues to be a concern. Given the economic outlook, we have been forecasting that oil demand will grow by 2.11 million b/d in 2023. In comparison, the IEA recently increased its forecast for growth in oil demand to 2.00 million b/d, which was an increase of 100,000 b/d from its January forecast.

With respect to oil supply, we are expecting that the sanctions on Russia will have a limited impact. We are forecasting that Russia will produce 10.36 million b/d in 1Q23 (which is a decrease of 460,000 b/d from 4Q2022) and 10.28 million b/d for 2023 (which is a decrease of 450,000 b/d from 2022). Moreover, if Russia's oil supply decreases further, we believe that other members of OPEC+ have sufficient ability to address the resulting gap, with Saudi Arabia, Iraq, Kuwait, and UAE all able to increase supply. (It is worth note that one wildcard is the production associated with African producers, which is susceptible to internal conflict). Additionally, we are forecasting that non-OPEC supply will increase on average by 1.56 million b/d with US production averaging 12.50 million b/d in 2023, which is 630,000 b/d more than in 2022. As such, we are forecasting that oil markets will remain adequately supplied through 2023.

For a complete forecast of refined products and prices, please refer to our ***Short-term Outlook***

READ THE DETAILED REPORT

