

What's Affecting Oil Prices the Week of Jan. 13, 2020?

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WHAT'S AFFECTING OIL PRICES THE WEEK OF JANUARY 13, 2020?

<ul style="list-style-type: none"> • Geopolitical Unrest 	<ul style="list-style-type: none"> • Global Economy 
<ul style="list-style-type: none"> • Oil Supply 	<ul style="list-style-type: none"> • Oil Demand 

 Upward pressure on prices
  Downward pressure on prices

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Brent and WTI both fell last week as tensions in the Middle East subsided. Brent fell \$0.73/bbl last week to average \$66.59/bbl, and WTI fell \$0.91/bbl to average \$60.84/bbl. For the week ahead we expect prices to be generally range-

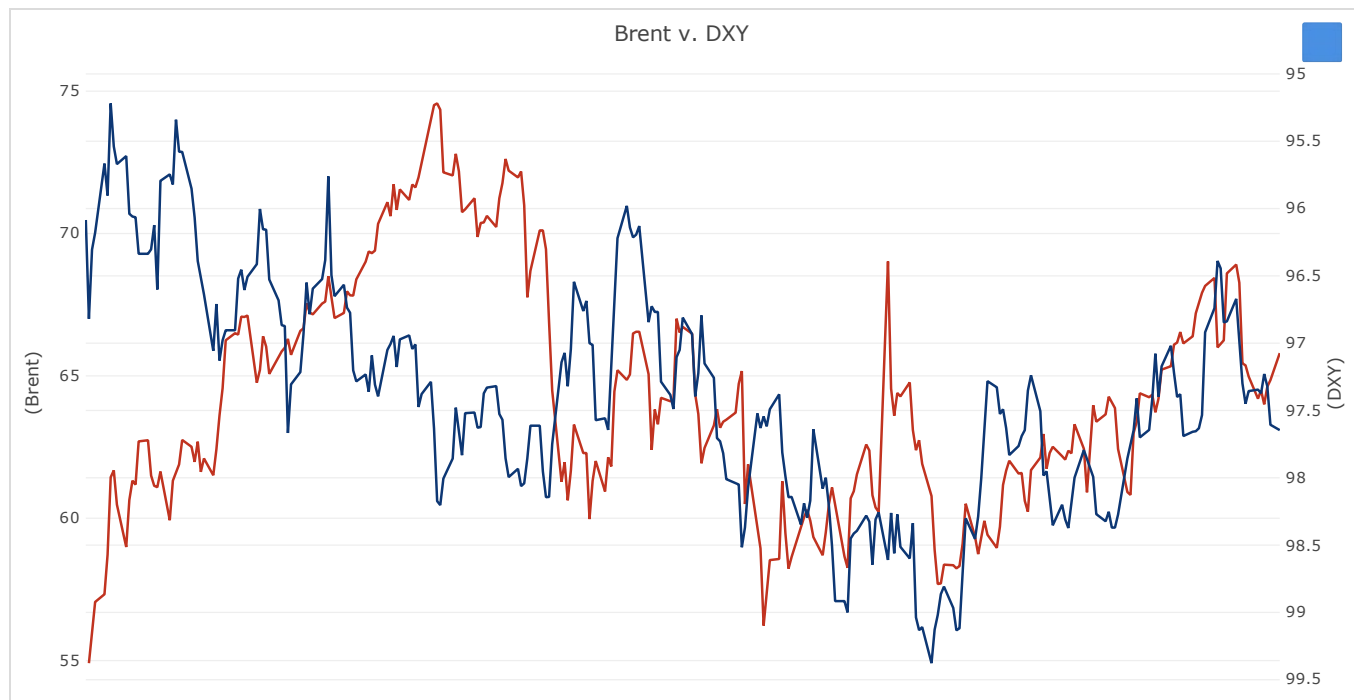
bound, supported by the upcoming signing of the US-China Phase One trade deal. However, since much of the upside from the trade agreement is already factored into prices, the signing will provide little additional lift. We expect Brent to average closer to \$65/bbl.

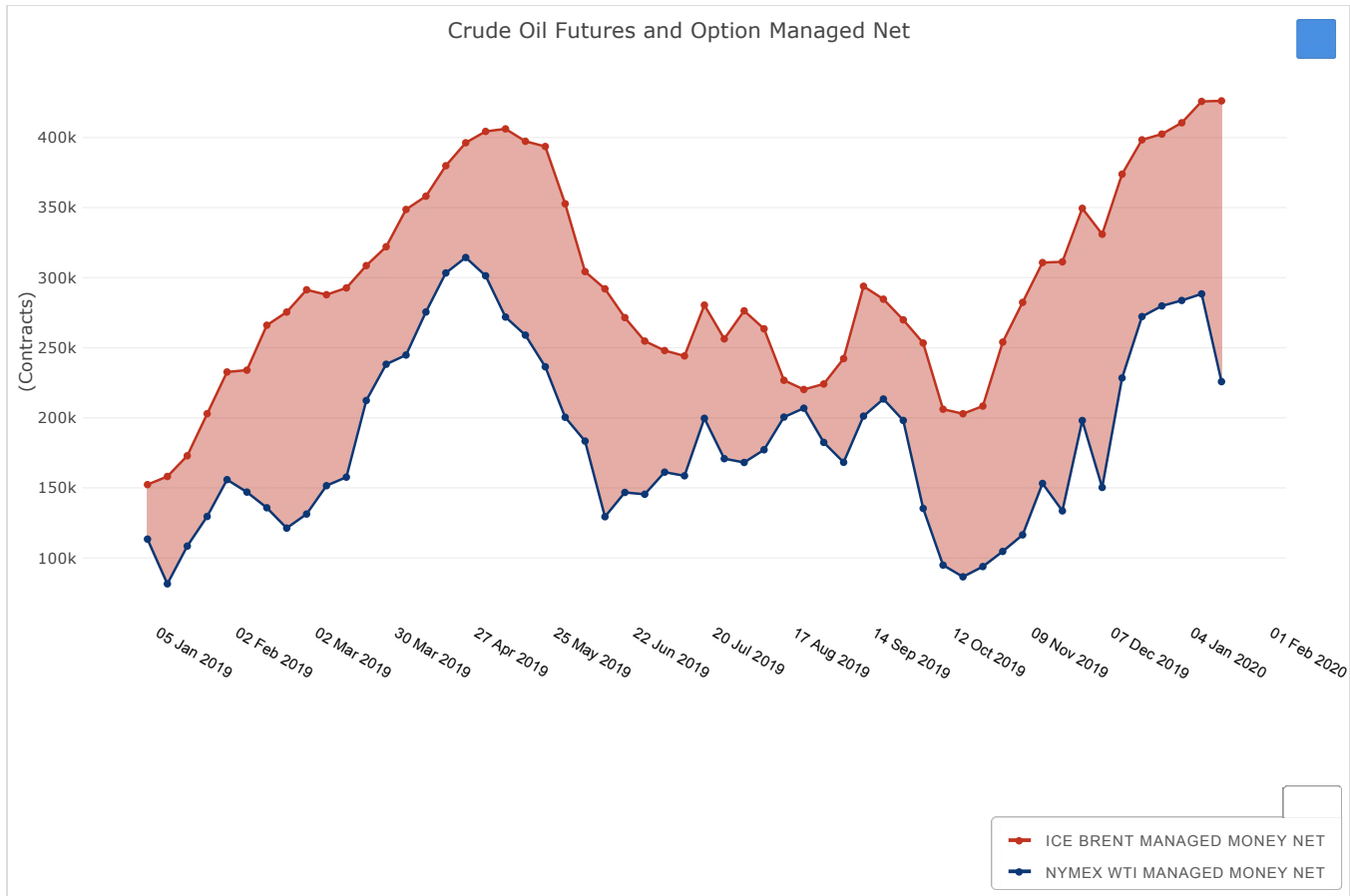
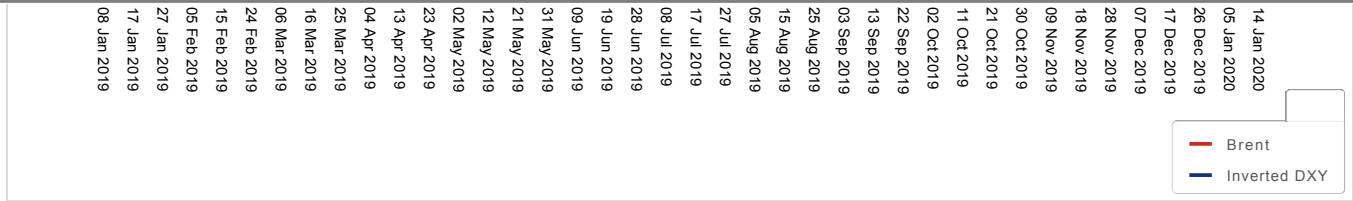
The US and China are expected to sign a preliminary trade agreement on Wednesday, but details on what exactly is in the deal remain scarce. There could be some volatility if the details of the deal are released and do not match with statements from the White House and leaders in Beijing. Although the details are vague, and markets generally assume that China will not be able to fully comply with the details so far released by the White House, there is upside to having a deal in place. A deal in place ostensibly adds a level of predictability to trade policy that has been absent. It should also outline next steps in terms of what tariffs would come into effect if the terms of the deal are not met. Overall, while a trade deal is unlikely to have an immediate impact on actual economic metrics, it will be a positive for sentiment and could encourage investment over the course of 2020.

In the absence of major headlines, attention will shift back to inventory levels and supply in the weeks ahead. The first quarter tends to see crude and product stock builds but any outsized movements in the US, Europe or Asia will still be viewed negatively. While it appears that OPEC+ is achieving promised production cuts, the path beyond March remains murky. Markets likely will expect a continuation of the supply agreement in some form and will begin looking for signaling from OPEC leaders to that effect.

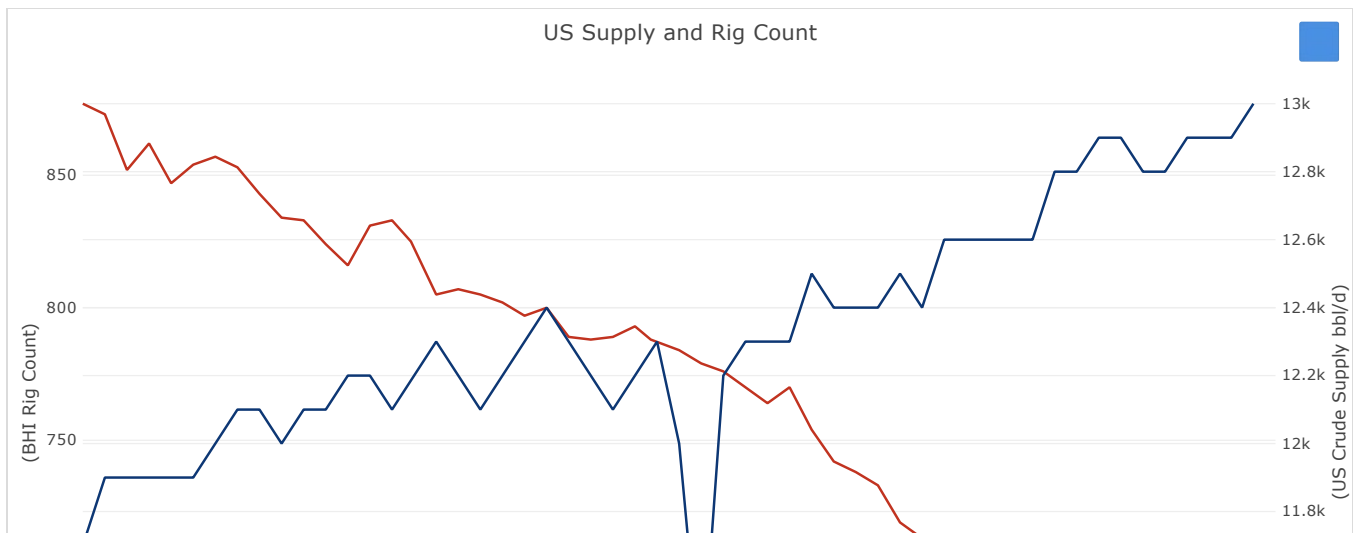
Geopolitical Unrest – Negative

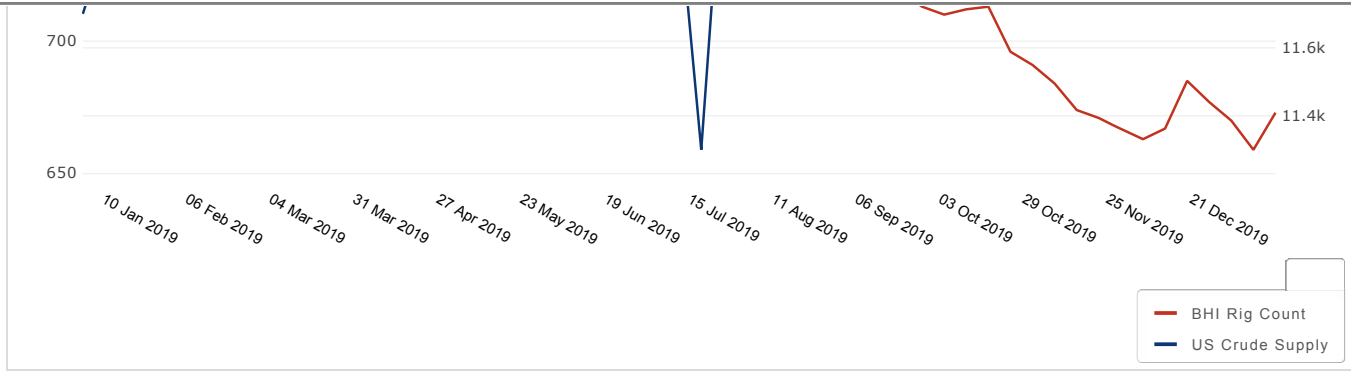
Global Economy – Positive



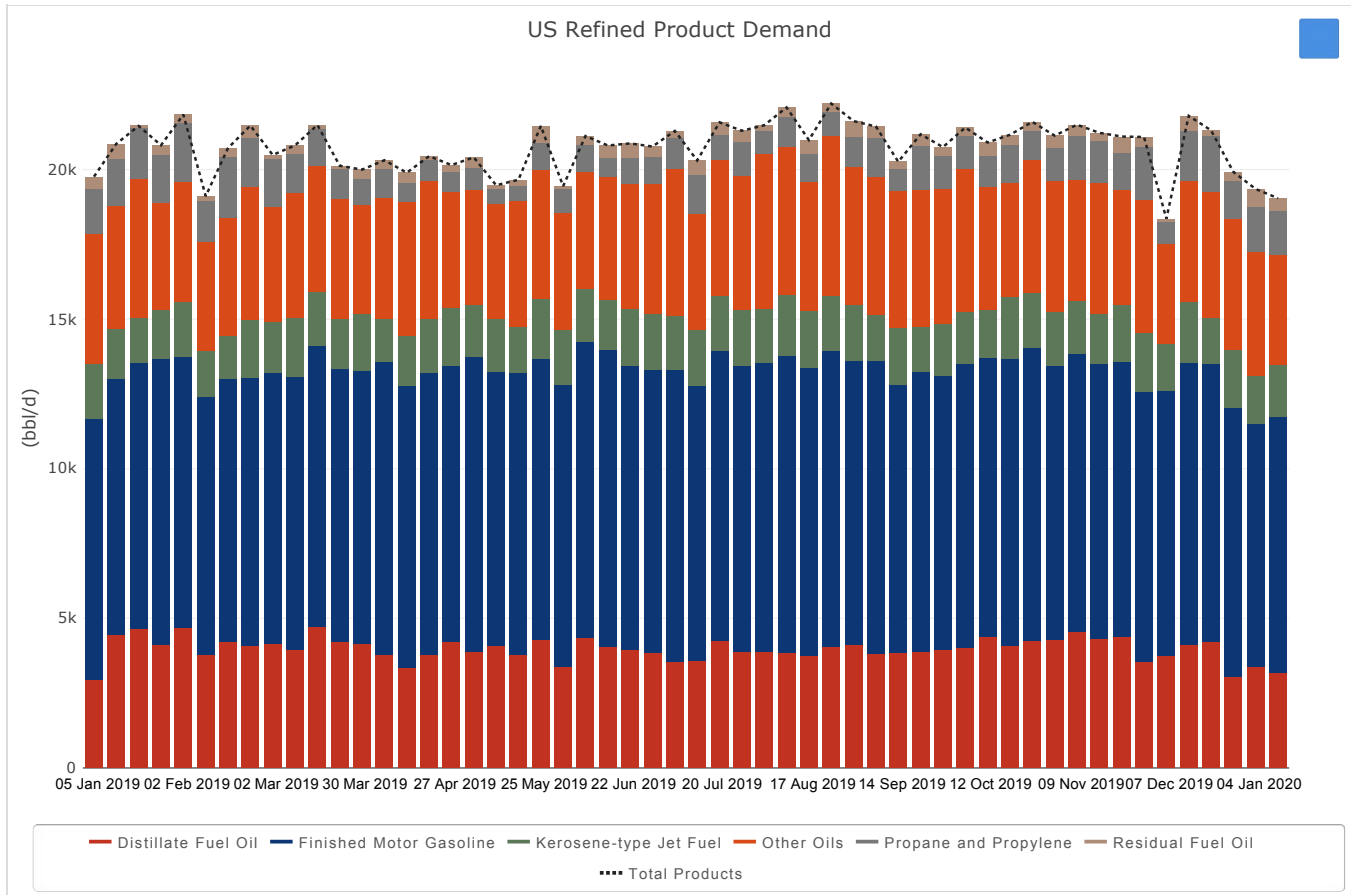


Oil Supply – Neutral





Oil Demand – Neutral



Margin

- All
- FCC
- Hydroskimming
- Hydrocracking



Global Refinery Margins



