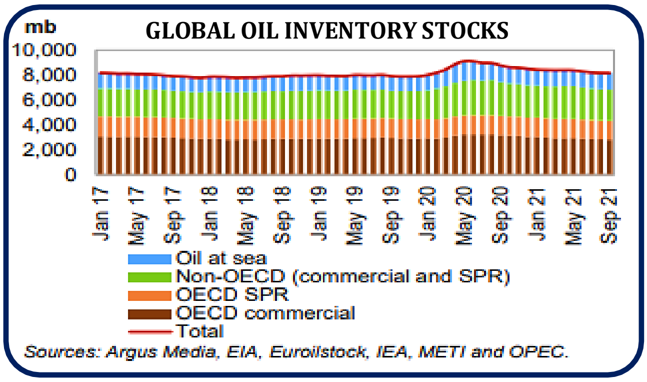
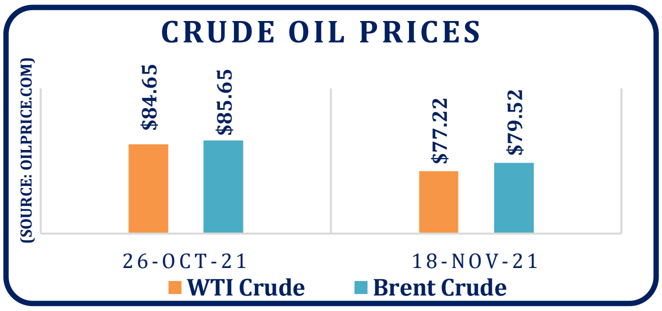
CRUDE OIL SLIPS TO 6-WEEK LOW AS MARKET ANTICIPATES SUPPLY OUTPACING DEMAND!

On account of revival in the global economic recovery, bolstering demand, supply-side bottlenecks, weather effects & geo-political uncertainties, crude oil prices have skyrocketed by over 100% to $82.10 in Oct 2021 as compared to $39.90 in Oct 2020. On-month-on-month basis, the energy price index has appreciated by 16.1% in Oct 21. This has raised the inflationary concerns across the globe.



According to Reuters, Biden administration requested China, Japan & India to release the crude stockpile in a coordinated effort to ease-off supply side issues in the market. According to World Bank report, collectively China, Japan & India accounts around 25% in world's crude consumption. If planned releases materialized, crude prices to come down. According to the Reuters, China initiated working to release crude oil reserves. On other hand, Covid-19 pandemic infection rate has been resurfacing which is impacting demand side dynamics. However, it is still to be seen whether the oil markets have priced in these events.



WTI crude futures drops to below $77 which has declined by over 9% from its peak level of $84.65 touched on 26th Oct 2021. Brent crude futures has dropped by 7.5% since then & hovering around $79.

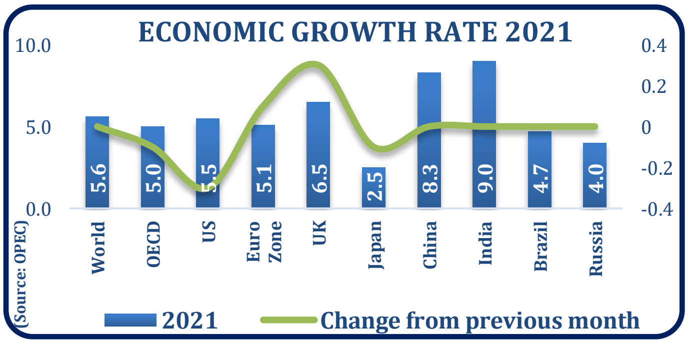
**** Migrants-standoff deepens at Belarus-Poland (Europe) border, Belarus threatens to Choke-off EU gas supply, If EU imposes additional sanctions. This escalates Military Clash, damaging Energy sector.***

The global oil inventories stock is key determinant to evaluate oil market balance. This includes the three factors; a) OECD's commercial oil stocks & Strategic Petroleum Reserves (seasonal variations occurs & has inverse relationship b) non-OECD commercial inventories and Strategic Petroleum Reserves (The share of Non-oil OECD has increased than OECD & their inventory levels are difficult to measure due to lack of data) c) Oil at Sea. According to OPEC, total OECD commercial and SPR stocks dropped by 411 million bpd.

According to OPEC report in Nov 2021, "global oil market observed oil supply heavily outpacing world oil demand, leading to a drastic surge in the global oil inventories in 2Q2021 in the short span of time". Consequently, OPEC & non-OPEC oil producing countries announced voluntary production adjustments for balancing & stability in oil markets few months back.

Commodity	Unit	Monthly Averages			% Change M/M	Year to date	
		Aug-21	Sep-21	Oct-21		2020	2021
Crude Oil, Avg	US$/b	68.9	72.8	82.1	12.7	40.4	67.6

(Source: OPEC)



The ongoing growth trends are either unchanged or weakening due to the resurfacing uncertainties over previous months. In addition to this, the spike in pandemic cases in Europe & other economies has become a concern in winter-season in 4Q21. This could persist & deepens further in 1Q22 as well. Whereas, energy crunch in Europe's energy likely to carry on as the Europe eyeing decarbonize footprint & phasing out coal capacities. On the other hand, coupled with Covid-19 infection & deteriorating demand slowing down economic growth. According to the OPEC, "***China's economic outlook is also bearish amid the lingering effects of ongoing pandemic outbreaks combined with supply chain disruptions***". OPEC's demand revision in the oil demand by around 0.2 mb/d has also weakened the sentiment which is mainly due to slower than anticipated growth in China & India in 3Q21.

According to OPEC "global liquids production in Oct 2021 has increased by 1.74 mb/d to average 97.56 mb/d compared with the previous month". Therefore, it is expected that with the spread of new covid-19 cases, fuel consumption to drop in Asia, Europe and United States. This could create products surplus in the short term. If supply keeps outpacing demand, we may see further downside in crude prices which results in the reduction of Pakistan's oil import bill & petroleum prices. This could bring external account stability in Pakistan's economy.

➢ DISCLOSURE

∴ ANALYST CERTIFICATION

This report is intended only for information purpose. The Analyst and Trust Securities & Brokerage Limited (TSBL) have no warranty in relation to accuracy, completeness, correctness, usability, purposefulness, or reliability of information contained in Research Report. This report is based on several assumptions, opinion which is strictly personal. Moreover, opinions, estimates, analysis, or projections constitute the personal judgment of the analyst which does not reflect the opinions of TSBL. It is suggested that readers should independently analyze and evaluate their investment risks. They are solely responsible for their investment decisions.

Trust Securities & Brokerage Limited analysts, directors, officers, employees, agents, or advisers of any member of Trust Securities & Brokerage Limited do not guarantee or undertaking, expressed or implied, and accepts any responsibility for any loss, penalty, expense, charge or claim whatsoever with respect to recommendations of shares, or trading, or other instruments. Such recommendations are based on estimates using various valuation methods. Moreover, reports may not be reproduced, distributed, or published by any person for any purpose whatsoever. Action will be taken for unauthorized reproduction, distribution, or publication.

∴ FINANCIAL INTEREST DISCLOSURE

Furthermore, analyst or any of its close relatives do not have a financial interest or any monetary interest in the securities of the subject company aggregating more than 1% of the value of the securities of Subject Company at the time of issuance of research reports. Additionally, analyst or its close relative have neither served as a director/officer in the past 3years nor received any compensation from the subject company in the past 12 months.

∴ DISCLAIMER

The Research Analyst and Subject Company of Trust Securities & Brokerage Limited (TSBL) do not provide any promise or favorable review in our research reports to a company, industry, sector or group of companies or business group as consideration or influence a business relationship or for the receipts of compensation reports. It is drafted, compiled, prepared, and disseminated by the Trust Securities & Brokerage Limited (TSBL) only for INFORMATION.

The research reports prepared by the subject Company possess documentary evidence supported by Research, which includes official facts & figures reported by PBS, SBP, Economic Division, Planning Commission, ECP, PSX, Company's official websites and others. The research reports based on information published by official institutions & companies.

∴ RESEARCH DISSEMINATION POLICY

TSBL disseminates research reports to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email as soon as reports are completed. This report is intended only for information purpose. However, it is worth mentioning herewith, not all clients may receive the material at the same time.

∴ RISK ASSOCIATED WITH TARGET PRICE/INDEX:

The companies operating their businesses are vulnerable & exposed to multiple external shocks; which includes a) market risks b) interest rates risk c) foreign exchange risk and e) political risks f) inflation risk & others. These risks affect their profitability and liquidities and corporate earnings. Investors must keep in mind such risks before investing in stocks. Therefore, it is suggested that readers should independently analyze and evaluate their investment risks. They are solely responsible for their investment decisions.