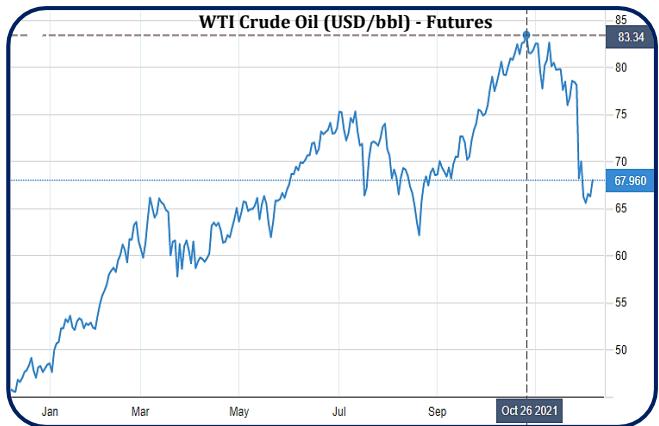


OIL BOUNCES BACK AS SAUDI ARAMCO RAISES ITS PRICE FOR ASIA & UNITED STATES!

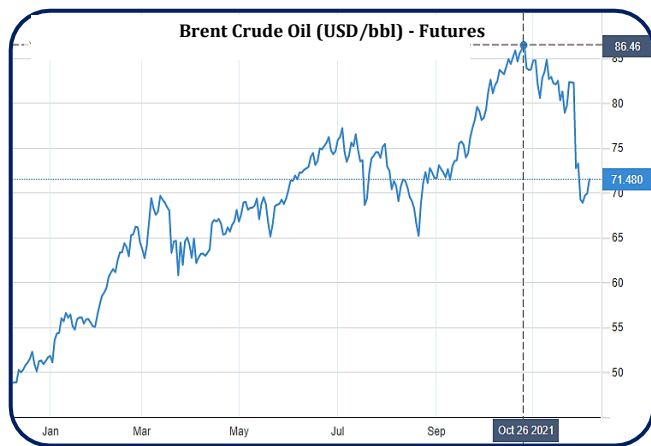
As we highlighted in our previous report on *“Crude Oil Futures Drops as the New Variant Weakens Oil Demand & Causing Oil Glut in Markets – Blessing in Disguise for Pakistan”* ----- that *WTI Crude futures could maintain its level around \$64 a barrel.*

We were of the view that as new variants/cases grew, demand to ease off & this will eventually weaken oil demand outlook. However, if it breaks \$62.90 a barrel then could go down even below to \$60 a barrel.



It was one of the most happening weeks. As the new covid-19 variant *“Omicron”* already has had struck oil markets/economies and their supply chains after WHO’s threat alerts of High Global Risk of infection. Consequently, analysts & oil experts raised their concerns over sustainability of ongoing global economic recovery and oil outlook.

	Price		Day	Month	Year	
Crude Oil	67.9900	▲	1.73	2.61%	-15.72%	48.71%
Brent	71.5500	▲	1.67	2.39%	-14.17%	46.77%



WTI futures have dropped by around 16% which is mainly due to concerns over oil demand outlook. Similarly, Brent crude futures dropped by around 14% on-month-on-month basis. Crude oil futures & Brent crude futures so far appreciated by 46-48% on-year-on-year basis.

All eyes were on OPEC+, whether this critical forum would increase its production of 400,000 a barrel or delay it for some time. Oil prices bounced back after Saudi Arabia’s Aramco raises its price by around \$0.80 a barrel for Asia & United States.

This hike is being observed despite OPEC+ decided to continue its crude oil supplies by 400,000 barrels per day in Jan 2022. According to OPEC report, OPEC’s total production has increased by 7% as of Oct 2021 compared to Oct 2020 (sum of OPEC’s Crude oil production from its member countries).

However, on the other hand, it seems that coordinated effort of United States, China, Japan, Republic of Korea, and United Kingdom (accounts 46.98% of world’s consumption) for 50 million barrels of oil as SPR (Strategic Petroleum Reserves) remains a non-event. This has not significantly impacted oil markets.

There are four critical factors which will determine oil demand outlook which is hereafter;

1. Firstly, according to the IMF’s Global economic Outlook for October 2021 report which says, *“Global economic recovery is continuing even as pandemic resurges, but the momentum has weakened, and uncertainty has increased”*. As a result, IMF has downgraded global economic growth by 0.1% to 5.9% in 2021 & 4.9% in 2022. This is compared to its previous estimate. According to the report, this downward revision for 2021 reflects downgrade for advanced economies which is mainly due to

supply disruptions & low-income developing countries. In addition to this, worsening pandemic dynamics have also contributed to this downgrade.

2. Secondly, US inflation hits 31 year high beyond 6% affecting US economic growth/oil markets
3. Thirdly, with respect to Irani factor for its resumption in oil markets, prospects are very limited on the back of revival in nuclear deal. It seems highly unlikely that it could resume in near future.
4. Fourthly, supply disruptions & travelling restrictions due to new variant.

Therefore, it is projected that on account of downgrading in global economic growth by IMF and concerns over new variant and skyrocketing inflation could eventually weaken oil demand outlook in long run and keep the oil market uncertain.

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