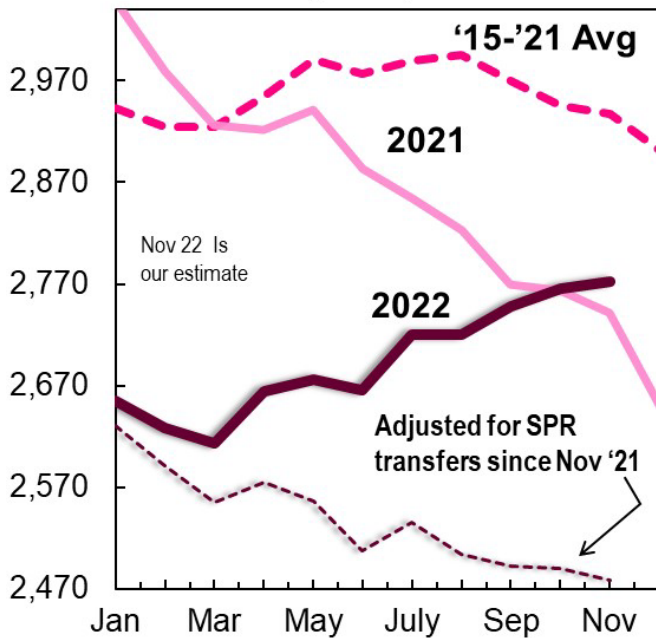




READING BETWEEN THE LINES

OECD Commercial Stocks

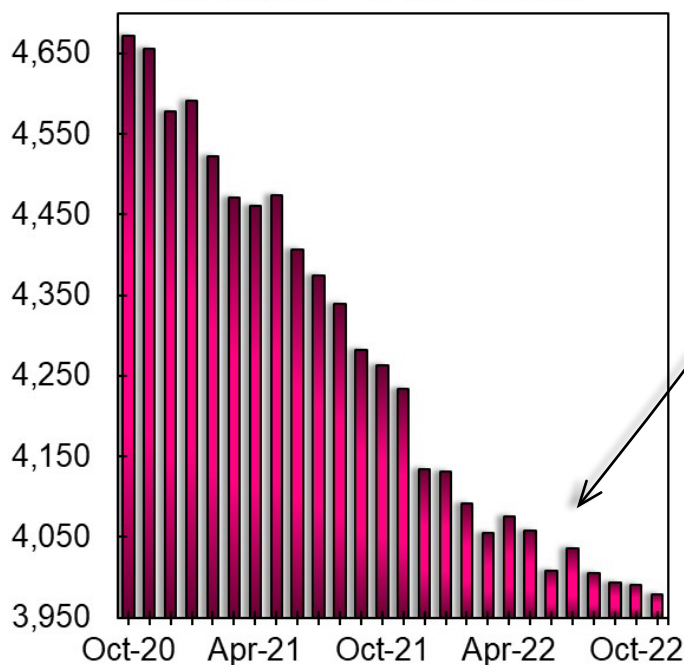
Month ending level, Million barrels



Our cursory analyses of data from today's IEA update indicate global oil demand has continued to run at much higher than believed levels with the oil balance still in a notable tightening trend. The IEA's emphasis about commercial stock builds was unsurprisingly highlighted (as opposed to the net of SPR transfers) and like a year-ago the IEA's call is again for the oil balance to tilt into oversupply. Recall that the IEA's December 2021 highlights overtly suggested inventories in 2022 were likely to build by about 3 million b/d (i.e., by more than a billion barrels for the year). We're not close to having an end-December figure yet, but through end-November the *draw* on stocks this year has totaled 155 million. The IEA's demand figure for the current quarter was left at 100.8 million b/d which compares with our October and November figures of 102.1 million b/d – this looks to add >100 million to the "missing barrel" tally for the quarter.

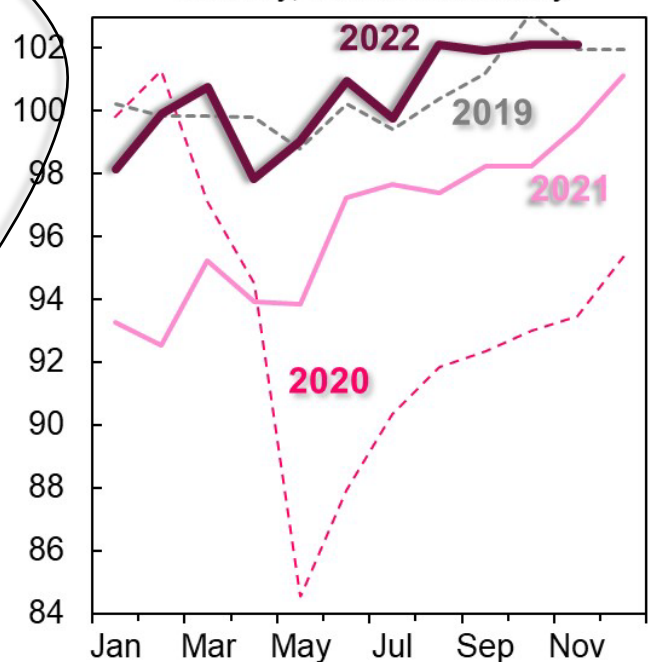
Global Petroleum Inventories

Commercial + SPRs, MM Bbls



Global Oil Demand

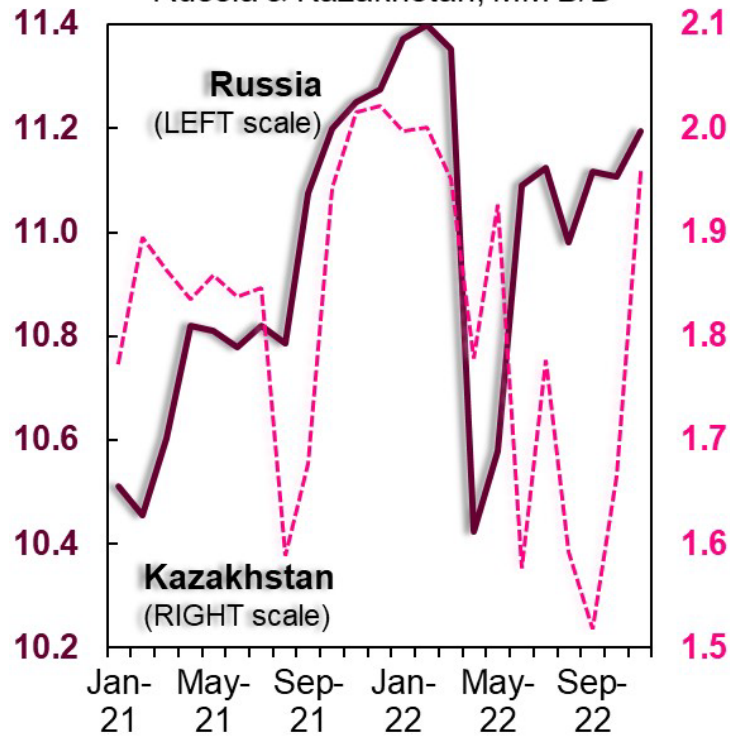
Monthly, Million barrels/day



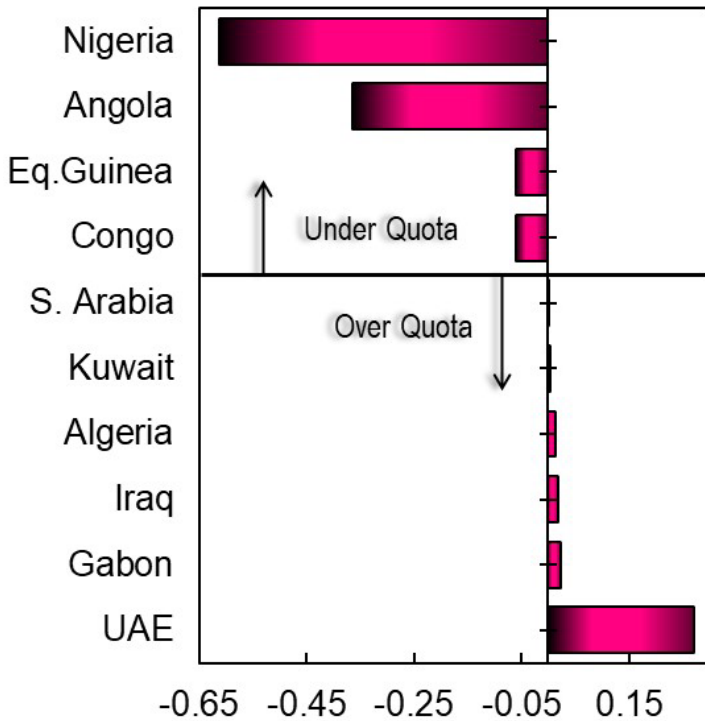
Non-OPEC supply came in a wee higher than forecast largely reflecting another gain in Russia's production and a rebound in Kazakhstan's output as detailed to the right. The IEA's projection for Russia's oil production to plummet was again made evident with the "day of reckoning" for the EU embargo to cause a materially large supply loss now pushed out to early next year. In contrast, we still maintain that the odds for such a production drop seem very limited given the lack of alternative supply.

As to OPEC production, the 10 countries in the quota deal saw output slide by about 700,000 b/d which was what we modeled. The collective output figure is still running at below-quota levels as shown below with the UAE coming in above its quota. We expect OPEC's output will slip by another 0.3-0.4 million b/d early next year, and our forecast still sees the oil balance in a deficit situation – contrary to the IEA's projection.

Monthly Oil Production
Russia & Kazakhstan, MM B/D



OPEC-10 Output vs. Quota
Nov '22, MM b/d



OPEC-10 Output vs. Quota
MM b/d

