

Investments - Flash



M. Alain Freymond - Partner & CIO

THE OIL MARKET IS IN DEFICIT

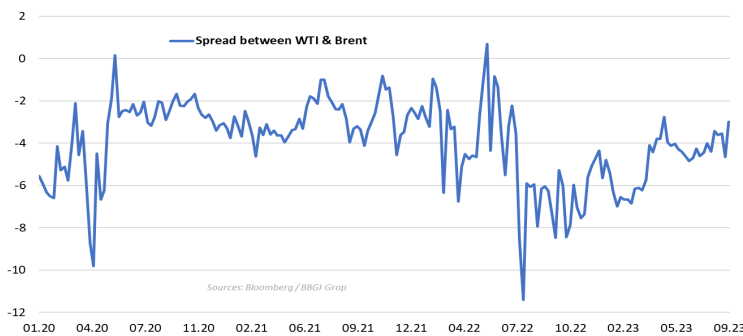
Rising crude oil prices and oil stocks set to continue

Crude oil prices have risen by almost 30% since their March 2023 low and are now trading at their highest level of the year, at \$85.5 for WTI and \$88.5 for Brent. They have finally reacted positively in recent weeks to the production cuts announced by OPEC, which could well be extended over the coming months. After three rounds of production cuts announced since September 2022, the market is now in a probable deficit of around 2 million barrels per day. However, the decline in US production is not yet very noticeable, despite the fact that the number of active wells according to data published by Baker Hughes is now down by -17% since the start of the year. The price differential between WTI and Brent has contracted sharply over the past six months, dropping from nearly \$8 in February 2023 to just \$3 at the end of August. In the United States,

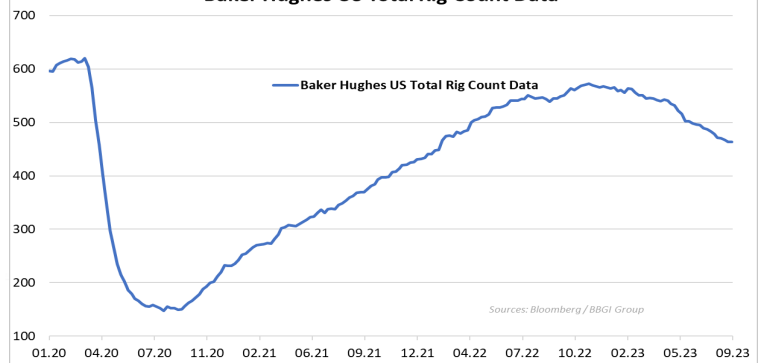
inventories are contracting at a time when crude oil demand has already exceeded pre-pandemic levels in May and June. The gradual strengthening of the US economy's soft landing macro-economic scenario clearly seems to be reflected in demand trends. However, at current prices, crude oil prices could be in for an initial temporary pause, not least because of lingering uncertainties about the Chinese economy's ability to grow in line with expectations. As for oil sector equities, the increase was significant, but less than that of crude oil. After rising by almost +20%, the S&P500 Energy index may also be temporarily marking time, but a further rise in crude oil prices towards \$90-100 remains likely in the current environment, and would then once again benefit stocks in the sector.



Price spread between WTI & Brent



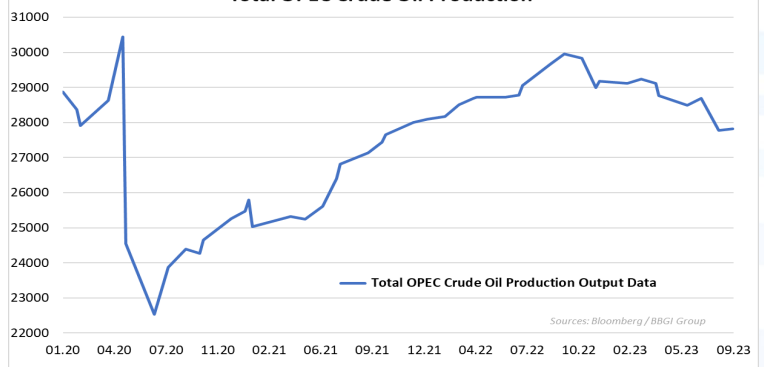
Baker Hughes US Total Rig Count Data



Crude oil prices



Total OPEC Crude Oil Production



Important information: This document is confidential and intended exclusively for its recipient and may not be transmitted or reproduced, even partially, without the express written consent of BBGI Group. It is provided for information purposes only and does not constitute an offer or solicitation to buy, sell or subscribe. BBGI Group cannot be held responsible for any decisions taken on the basis of the information provided. The figures are based on quantitative and judgmental analysis. The client remains fully responsible for the management decisions made in relation to this document. We endeavour to use information that is deemed reliable and cannot be held responsible for its accuracy and completeness. The opinions and all information provided are subject to change without notice. The data mentioned is indicative only and is subject to change without notice in the light of changing market conditions. Past performance and simulations are not indicative of future results.