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International

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## OPEC discusses oil supply cut.

- Worried by a drop in oil prices due to record supply from Saudi Arabia, Russia and the United States, the Organization of the Petroleum Exporting Countries (OPEC) is talking of a U-turn just months after increasing production.
- A steep slide in oil prices has surprised many oil market participants. Brent crude has fallen from a four-year high of USD86 a barrel in early October to a range of USD65.47 and USD66.81 today.
- OPEC and a group of non-OPEC nations, led by Russia, have been cooperating to limit oil supply since the start of 2017. They partially unwound their reduction in June after pressure from Trump to lower prices.
- A new round of OPEC-led supply cuts in 2019 would further support U.S. shale oil production, potentially repeating the cycle that played out in 2014.
- Saudi Energy Minister Khalid al-Falih has publicly spoken of the need to lower supplies, showing that price support is trumping market share. OPEC meets on Dec. 6 to set policy for 2019.
- A meeting between Russian Energy Minister, Alexander Novak, Al-Falih and other producers on Sunday yielded no formal change in supply policy, but did acknowledge they may need “new strategies.” Venezuelan Energy Minister Manuel Quevedo told reporters it might be worth discussing cuts to address rising oil inventories. Oman’s Oil Minister Mohammed Al-Rumhy said “there is a consensus that there is an oversupply and we need to do something.”
- The Trump administration has largely relied on the Saudis to pump more oil to offset the impact of its sanctions on Iran, OPEC's third biggest producer. The sanctions have cut Iran's oil exports by roughly 1 million barrels per day.

OPEC total production for October and September (000 barrels per day)

Production ('000 b/d)↑	Oct	Sep	Chg	Capacity
▼ Total OPEC	33,330	32,900	+430	35,645
Algeria	1,070	1,050	+20	1,150
Angola	1,530	1,530	0	1,710
Ecuador	520	540	-20	555
Equatorial Guinea	120	110	+10	150
Gabon	180	170	+10	220
Iran	3,420	3,430	-10	4,000
Iraq	4,690	4,660	+30	4,700
Kuwait	2,760	2,800	-40	3,000
Libya	1,220	1,050	+170	1,200
Nigeria	1,820	1,800	+20	1,900
Qatar	610	610	0	640
Republic of Congo	320	320	0	330
Saudi Arabia	10,680	10,530	+150	11,500
U.A.E.	3,120	3,040	+80	3,150
Venezuela	1,270	1,260	+10	1,440

Source: Bloomberg

Quarterly oil price forecast

	Spot	Q4 18	Q1 19	Q2 19	Q3 19	2018	2019	2020	2021	
NYMEX WTI \$/BBL	56.05	59.00	56.28	56.80	57.21	65.33	56.95	57.75	58.02	
ICE Brent \$/BBL	66.09	69.13	66.30	66.71	66.58	73.31	66.48	65.91	65.52	

Source: Bloomberg



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