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Has the OPEC+ move to support the market worked?

It seems characteristic of the market this year that we've seen managed money negatively positioning on oil and we've had a few signals on fundamentals that have helped to reinstate that outlook. We've had slightly disappointing consumption data from China and more global stock builds of oil for the latter half of 2023, although in my view that could give way to a stock draw later in the year, especially when Asian seasonal demand kicks in. Adequate supply is manifesting itself in diesel markets and that's against the backdrop of a year where we still think we're going to have more than 1.5mn b/d of demand growth, two thirds of which is jet demand. On crude, there seems to be more supply from Iran and Iraq and perhaps more oil to come from US exports also. However, I still haven't seen any major needle moving disappointment in demand, that justifies the market sell off from \$87 down to the \$72.50 that we saw last week.

Any evidence on the ground in China for stronger 2H growth?

The bit that's missing from the Chinese demand equation is long haul aviation and unless that is reinstated, there will be a gap in demand in the jet part of the barrel. The other revision globally is in diesel; industrial indicators have been disappointing when compared to the service sector which is looking extremely healthy. Year on year demand for diesel globally in 2023 versus 2022 is just 100,000-200,000 b/d and gasoline is picking up the slack. The other bearish note is that refining margins are such that people are talking about run cuts in certain areas, and those refinery runs are usually a big normalizer for the market. The final thing weighing on oil is gas. US Henry Hub is at just above \$2 per MMBTU, and the international price of LNG has also come down, to the point where it's now competitive with low sulfur fuel into utilities. LNG now has a chance of featuring in those South and Southeast Asian economies where it has been shunned for the best part of the last year and a half. ■

**Paraphrased Comments*