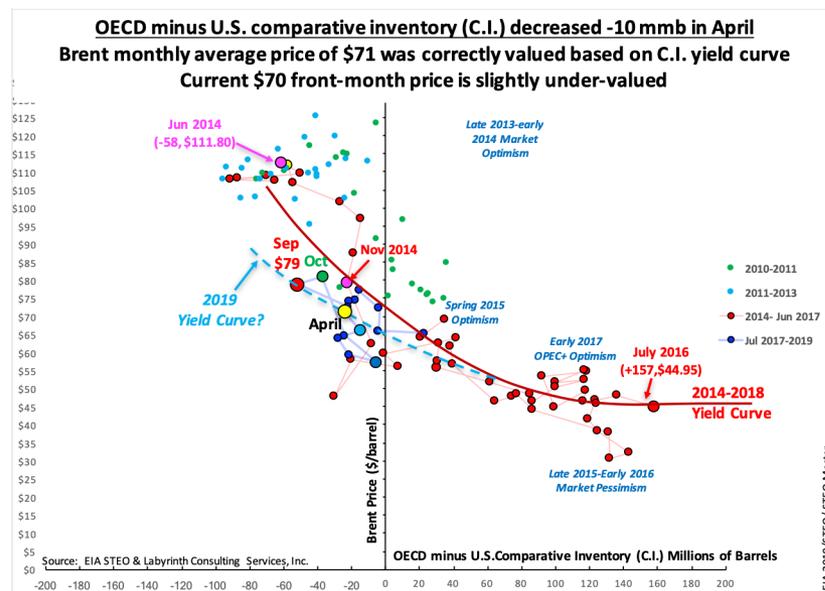
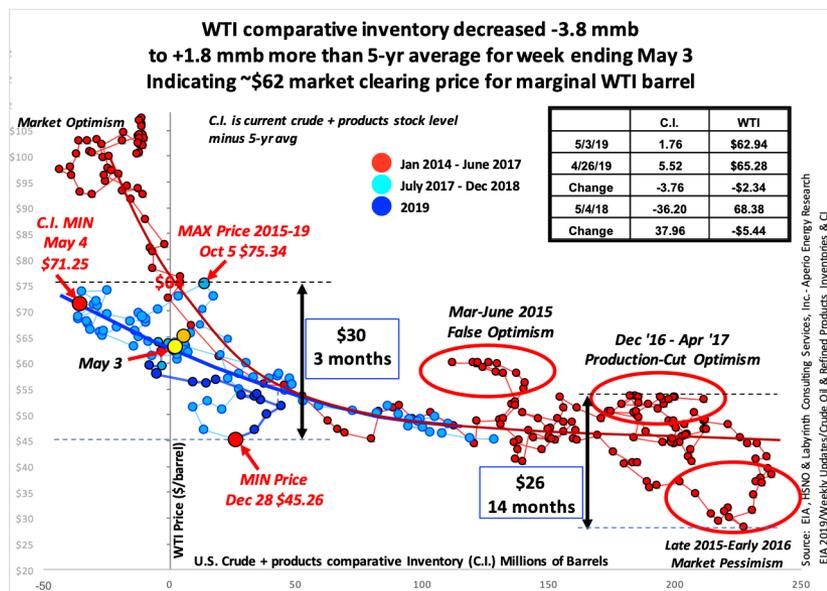


MacroVoices
May 8, 2019

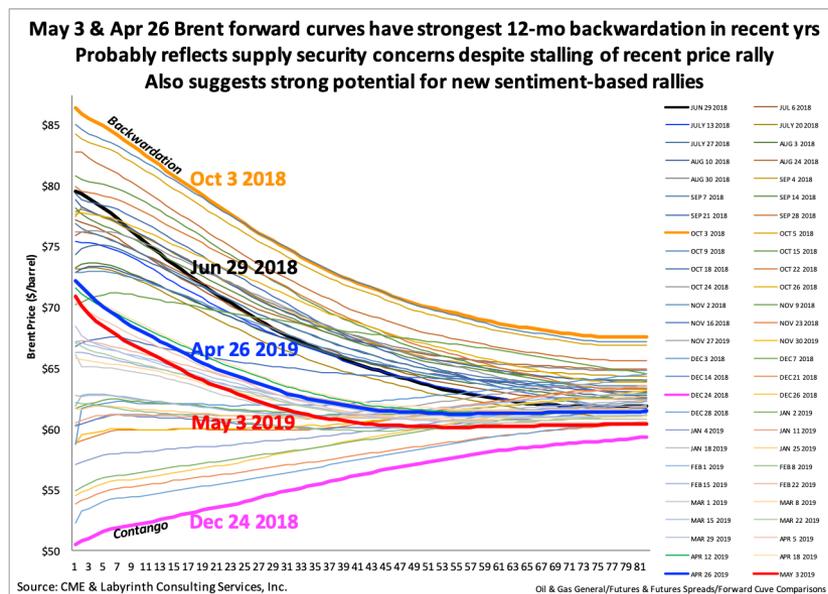
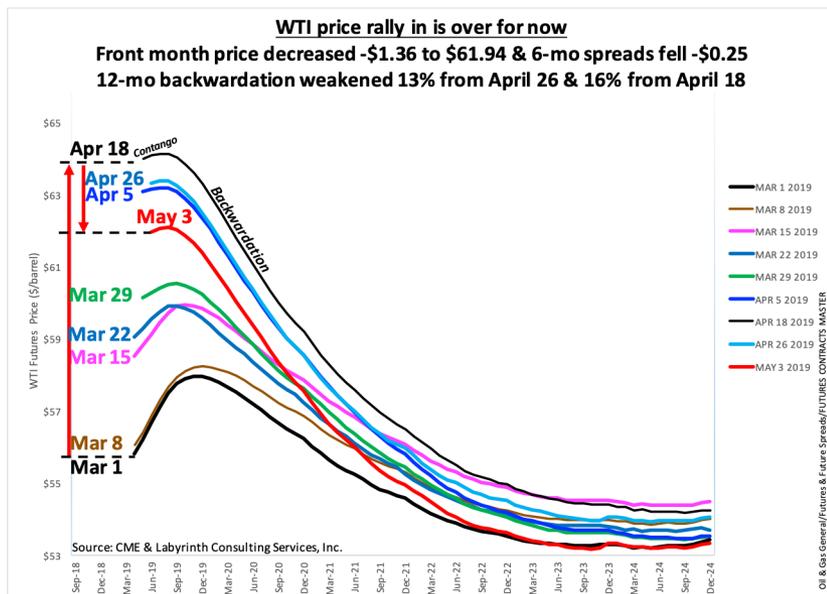
Art Berman
Labyrinth Consulting Services, Inc.

WTI & Brent prices are where they should be



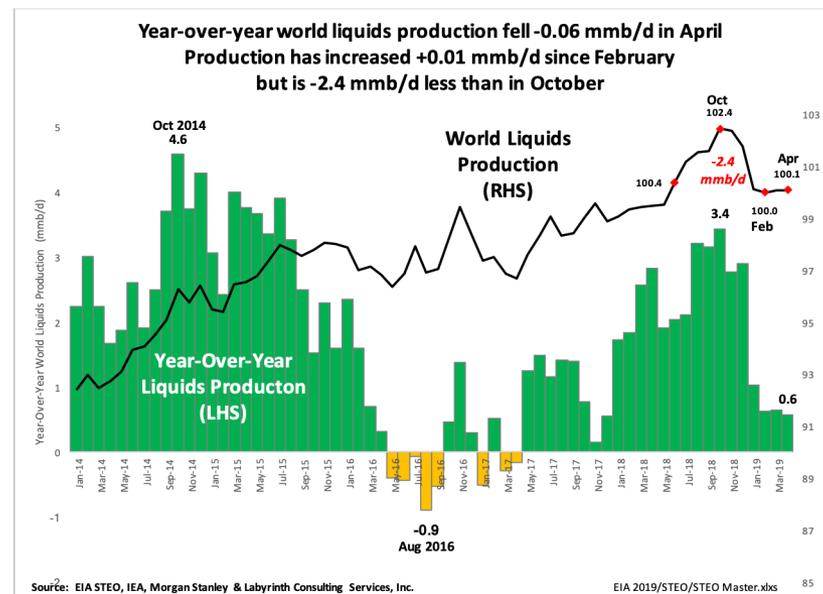
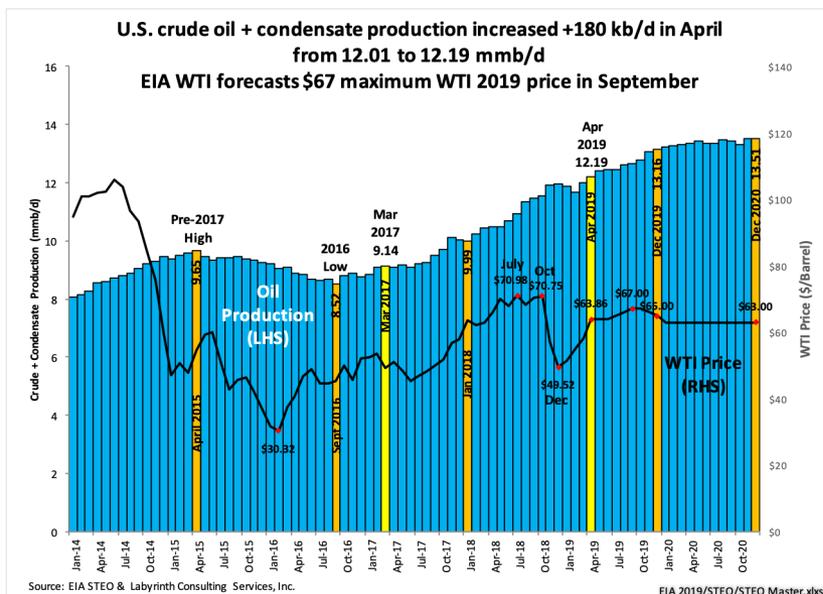
- WTI and Brent comparative inventory vs price data both plot on the yield curve.
- WTI is just 1.8 mmb more than the 5-year average.
- That suggests that the market clearing price for the marginal WTI barrel is about \$62.
- Brent C.I. moved -10 mmb lower in April.
- These data indicate that market sense of supply urgency is only moderate.
- Expectation for much higher oil prices is unrealistic except for short-term sentiment-driven excursions.
- Recent excursions have been + or - \$15 above and below yield curve.

Strong potential for more sentiment-driven price movement



- Oil price rally is over for now.
- WTI backwardation weakened last week.
- Brent forward curve backwardation stronger than during August through early October 2018 Iran panic attack.
- Supply concern for Brent remains strong but not for WTI—probably an oil-quality issue.

Production data does not suggest supply urgency



- U.S. production increased +180 kb/d in April to 12.2 mmb/d.
- World liquids output is 2.4 mmb/d less than in October but has increased 100 kb/d since February.
- Iran is an artificial supply outage that can be changed if oil prices get too high for Trump.
- Libya situation is more uncertain but April crude production was 1.16 mmbd, the highest level since May 2013.