

# ENERGY PROCUREMENT REPORT

## What's driving your energy prices?

### Bullish Factors

- The EIA, in its September STEO, estimated US oil production fell by 40kb/d in August, and cut its 2017 oil production growth forecast.
- The semi-autonomous Kurdish region in northern Iraq held a referendum for independence, with a majority voting in the affirmative. Tensions with Baghdad, Ankara, and Tehran are high.
- Refining activity on the Gulf Coast has rebounded to the five-year average post-Harvey, but still remained well below pre-Harvey levels as of last Friday.
- The US dollar index continues to trade at relatively weak levels, despite a rebound since September 8.

### Bearish Factors

- US oil production averaged 9.56mb/d in the week ended September 29 – a 1.09mb/d increase from last year.
- The EIA, in its latest *Short-Term Energy Outlook*, forecasts that average annual US oil production will rise to an all-time record high of 9.8mb/d next year.
- OECD oil inventories remain 190 million barrels stronger than their five-year average, according to the International Energy Agency.
- Following a two-day blockade, the Sharara oilfield in Libya is back online, and force majeure has been lifted on loadings of crude oil at the Zawiya port.

## Did you know?

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### The Fed is Unwinding its Balance Sheet

The Federal Open Market Committee (FOMC) announced last week that it will begin unwinding its \$4.5 trillion balance sheet beginning next month. The process, Econoday reports, will take several years with a starting cap of \$6 billion for Treasuries and \$4 billion for mortgage-backed securities, each increasing in 3-month intervals by \$6 billion and \$4 billion, respectively, until they hit \$30 billion and \$20 billion. Interest rates were kept steady in this month's meeting, and according to CME's FedWatch tool (based on 30-day Fed fund futures), expectations are that the next rate hike will occur in December. Tighter monetary policy is typically supportive for the US dollar, which is then unresponsive for dollar-denominated crude oil prices, but the US dollar had until recently been on a downward trend since the fall.

