**MacroVoices**
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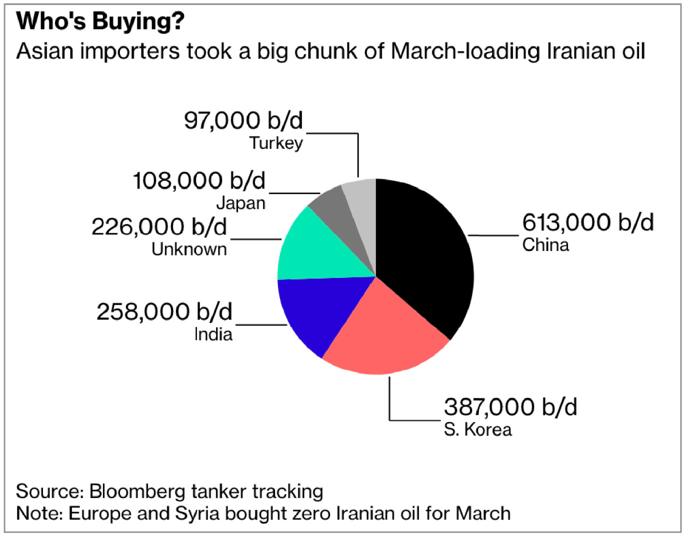
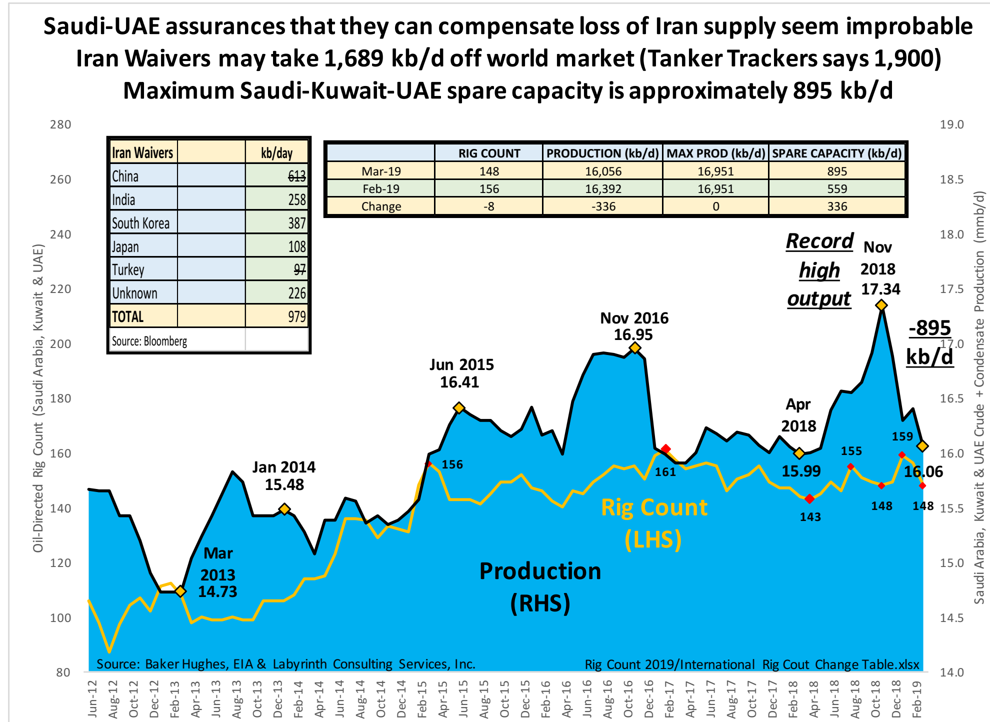
# Iran panic attack deja vu



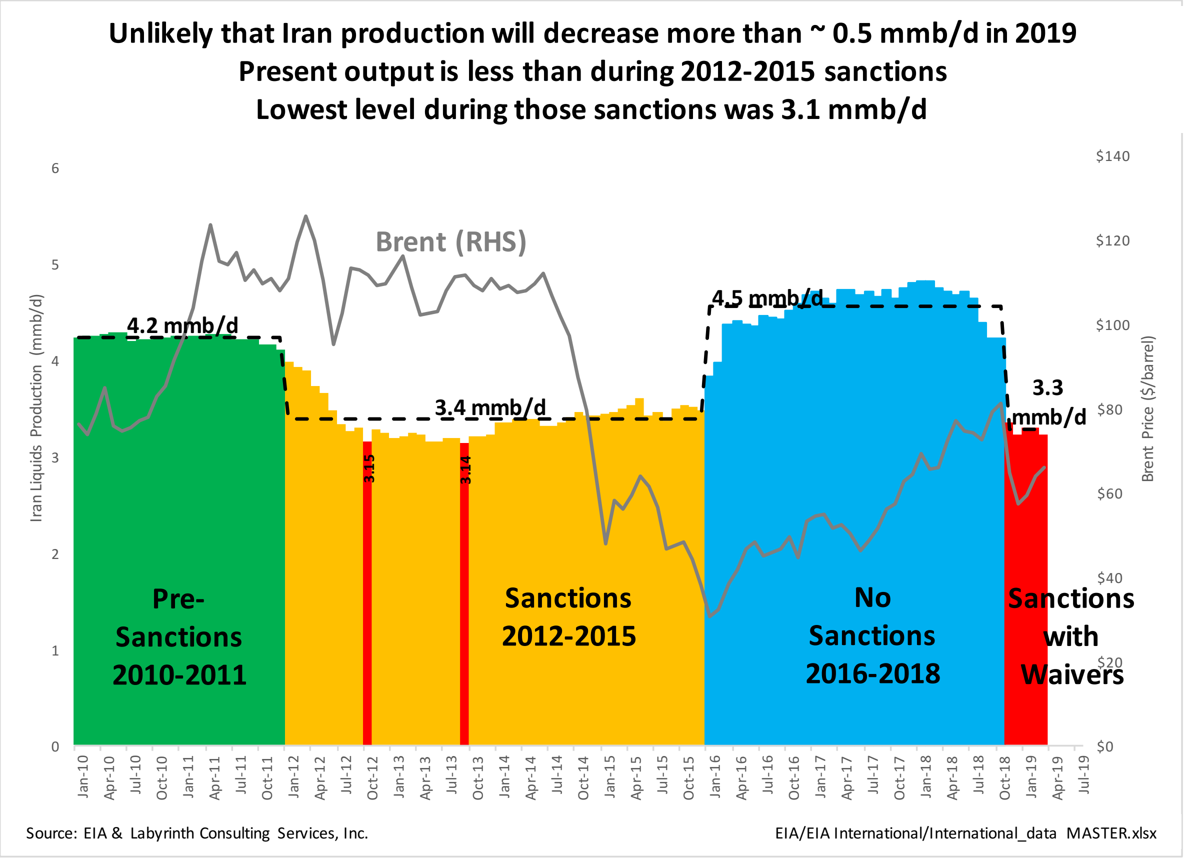




| Iran Waivers | kb/day |
|---|---|
| China | ~~613~~ |
| India | 258 |
| South Korea | 387 |
| Japan | 108 |
| Turkey | ~~97~~ |
| Unknown | 226 |
| TOTAL | 979 |
| Source: Bloomberg | |

| | RIG COUNT | PRODUCTION (kb/d) | MAX PROD (kb/d) | SPARE CAPACITY (kb/d) |
|---|---|---|---|---|
| Mar-19 | 148 | 16,056 | 16,951 | 895 |
| Feb-19 | 156 | 16,392 | 16,951 | 559 |
| Change | -8 | -336 | 0 | 336 |

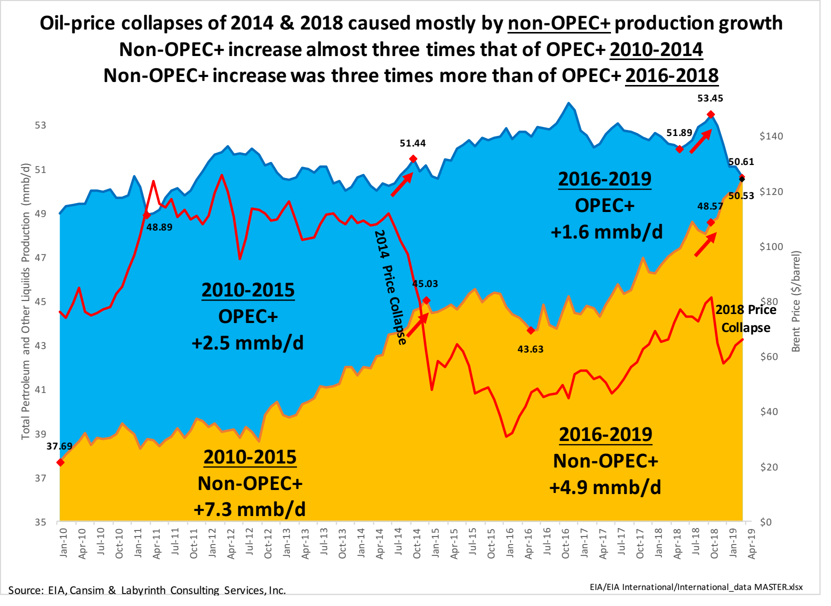
- Just when we thought the Iran panic attack of last summer was history—it's back thanks to latest U.S. bombshell this week.
- Hard cancellation of sanction waivers moved oil prices up $2 on Monday.
- Concern is over 1.3 mmb/d currently under waiver: China, S. Korea, India, Japan & Turkey.
- OPEC effective spare capacity is probably less than 900 kb/d (mostly Saudi Arabia & UAE).
- China and Turkey have expressed unwillingness to stop imports from Iran.

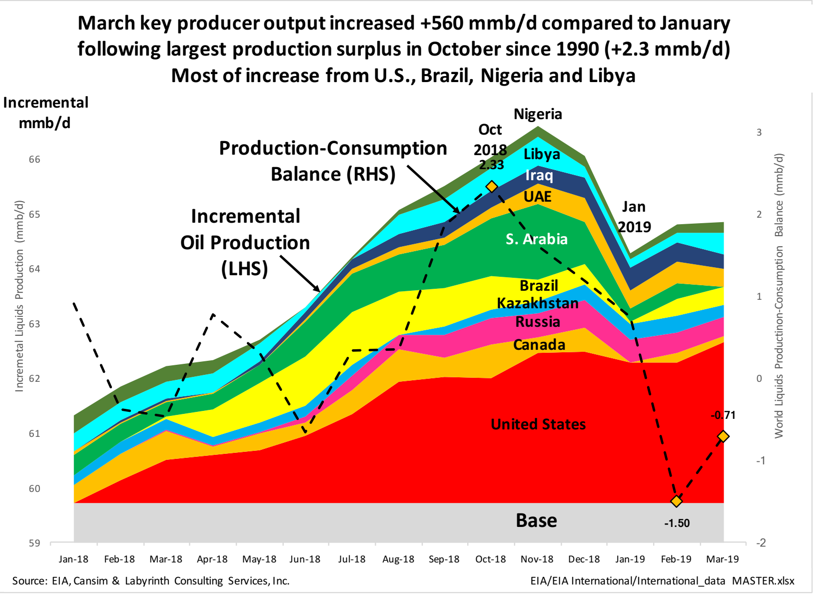
# Concerns about Iran production probably exaggerated




- Unlikely that Iran production will decrease more than ~ 0.5 mmb/d in 2019.
- Present output is less than during 2012-2015 sanctions.
- Lowest level during those sanctions was 3.1 mmb/d.

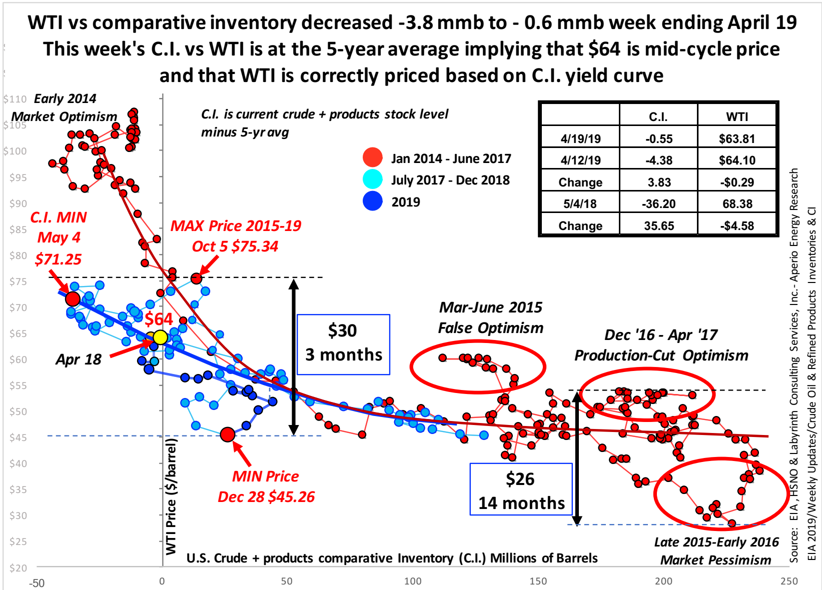
# Oil-price collapse of 2018

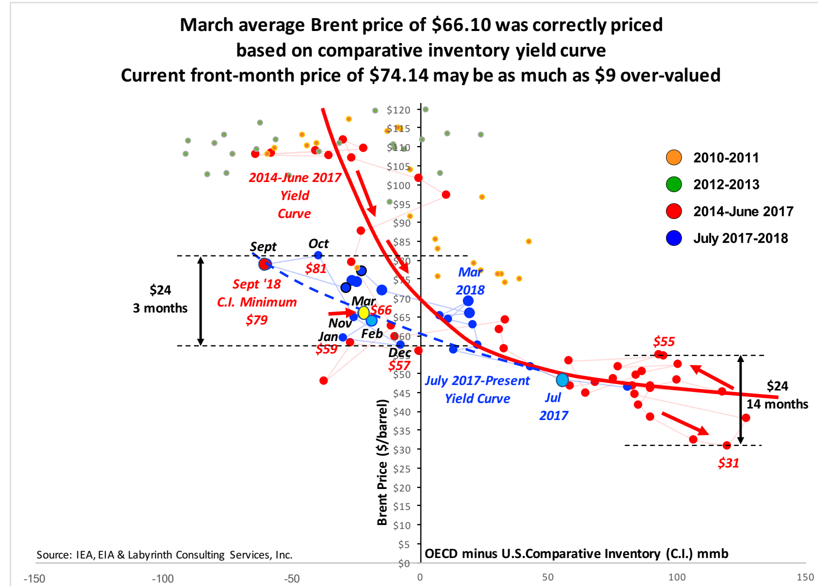



- Price collapse of 2018 a major signal from market to U.S. tight oil producers.
- Both 2014 & 2018 price events caused mostly by non-OPEC+ production growth
- Non-OPEC+ increase about three times that of OPEC+ in before both collapses.
- October was largest production surplus since 1990 (+2.3 mmb/d).
- March key producer output increased +560 mmb/d compared to January.
- Most of increase from U.S., Brazil, Nigeria and Libya.

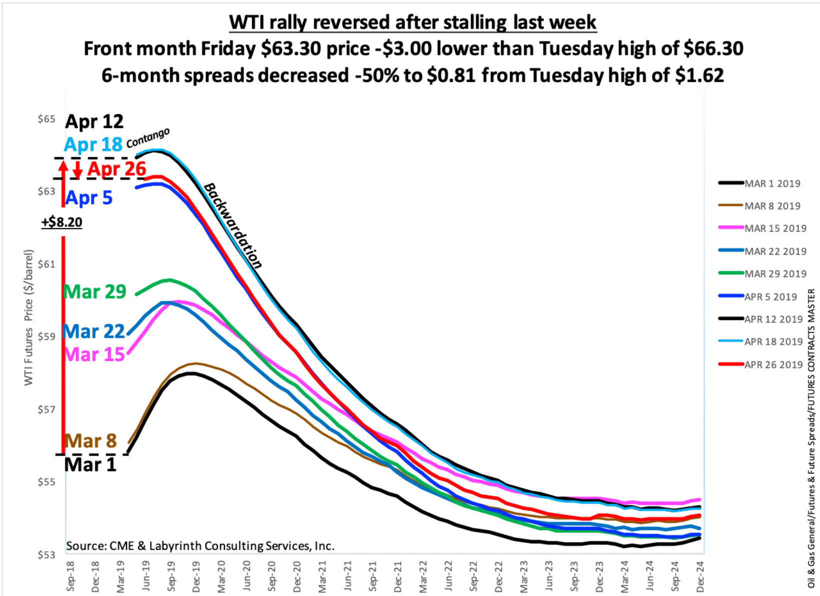
# Sentiment rules oil markets like never before

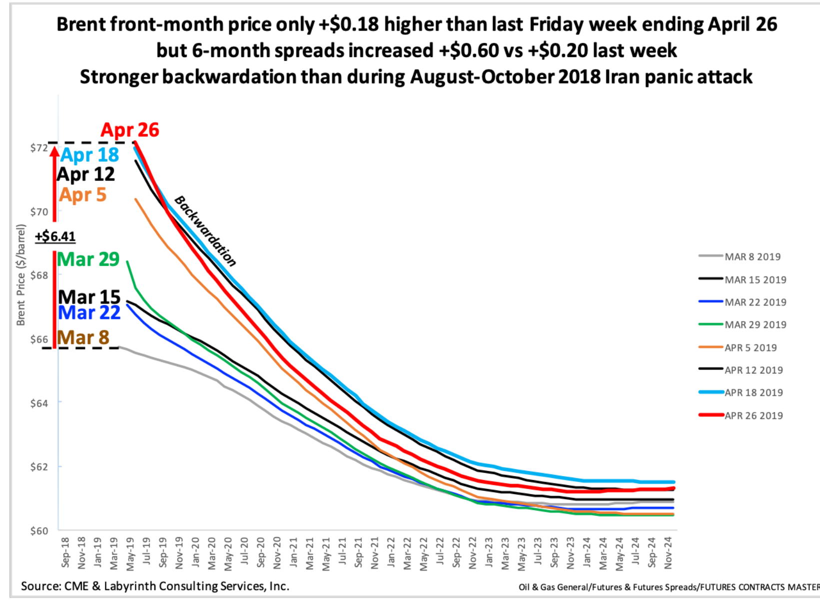



- Sentiment has resulted in $30 swing in WTI price & $24 swing in Brent over the last 3 months.
- Similar range as late 2015 (maximum market pessimism) to post-OPEC+ 2017 production optimism—but over much shorter period.
- WTI was under-valued and Brent was correctly valued before the recent Iran panic attack.
- WTI is now correctly valued and Brent is at least $5 over-valued.
- IEA, EIA and OPEC continue to forecast over-supply through much of 2019.
- Saudi Arabia and its OPEC+ allies are understandably skeptical about increasing production when sentiment seems to operate more-or-less independently of fundamentals.

# Combined Iran + tainted Russian oil panic attacks couldn't sustain the price rally




- Last week began with the surprise announcement that U.S. waivers for Iran exports would be completely canceled in early May.
- Later the same week, 1.5 mmb/d of contaminated Russia went off line.
- These combined panic attacks proved too little to sustain the price rally.
- WTI ended the week -$3.00 less & Brent ended -$2.42 less than their weekly high prices.
- WTI near-month contango strengthened by week end.
- Even though Brent price rally stalled, 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.