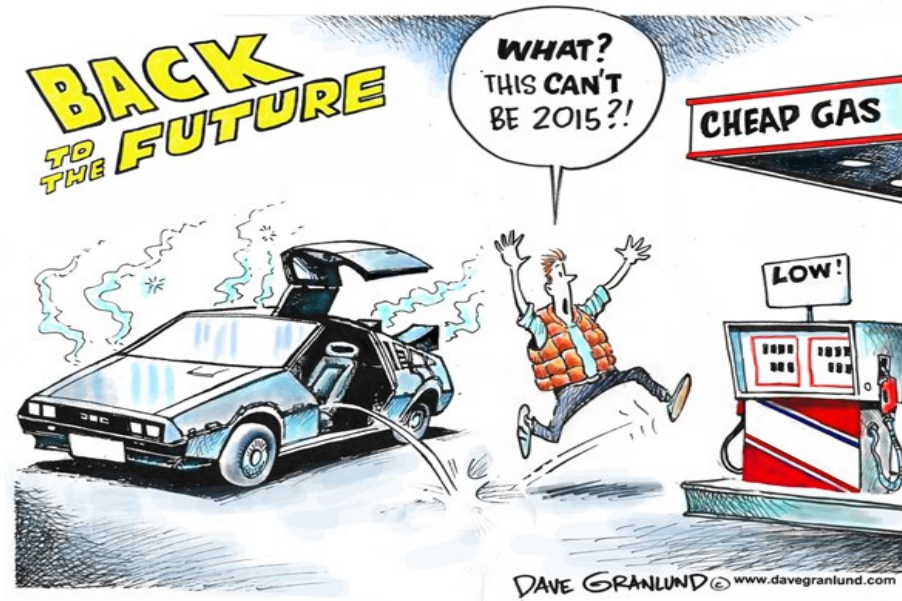




# Introduction to Fuel Trends

# Oil Prices Today Are So Low!



# What is driving Oil Markets ?

- Global Economy
- Chinese Economy
- Quantitative Easing
- Geopolitics
- US Currency
- OPEC

# Current State of Oil Markets

- Oil Prices have been cut in half since June 2014
- Oil Industry Executives think it will be years before Oil reaches \$90/barrel- \$100/ barrel
- OPEC, the oil cartel, comprised of 13 member countries has refused to step in to stabilize oil markets
- According to International Energy Agency, Supply is currently outweighing demand. Compared to last year, global inventories are 2.4 million barrels per day higher than they were last year
- Another Major Factor is the Iran Nuclear Deal. Iran Currently is sitting on between 20 million to 40 million offshore storage
- Iran has been exporting fuel to Asia while being under sanctions from the US and Europe.

# Global Economy

- According to the International Monetary Fund, Global Economy Growth was indicated at 3.3% for 2015 which is a decrease from 2014. In 2016, world economic growth is expected to increase to 3.8 %

# Chinese Economy

- The Chinese Economy weighs heavily on oil prices and the shipping market.
- China is one of the largest buyers of oil worldwide
- China is the World's Biggest Importer of oil
- Slower Economic Growth means less demand for oil, thus pushing oil prices down
- Chinese stock market has been weaker recently.
- A few weeks ago, the Chinese government injected a substantial amount of cash in the economy reviving the economy temporarily and increasing oil demand

# Quantitative Easing

- Definition: Monetary Policy used by central bank to stimulate economy when standard monetary policy has become ineffective, such as lowering interest rates
- Countries/Institutions which are currently involved in quantitative easing:
  - United States
  - Japan
  - European Central Bank
  - United Kingdom
- Quantitative easing increases purchasing power, thus making more of a demand for the price of Oil
- Every time US speculates about rising interest rates, oil skyrockets momentarily

# Geopolitics

- Any Tension in the Middle East, Ukraine and Russia, can instantly put a huge premium on oil
- Russia sending Troops into Ukraine
- Saudi Arabia Bombing Yemen
- Yom Kippur War-Prices increased 400%
- Iranian Revolution/ Iran-Iraq War
- Persian Gulf War
- Constant Threat Of ISIL in the Middle East



# US Currency

- The strength of the U.S. Dollar has an impact on the volatility of the price of oil. The graph on the next page shows the U.S. Dollar Index over the past 52 weeks. The U.S. Dollar Index is a measure of the value of the U.S. Dollar relative to the Euro, Yen, Pound, Canadian Dollar, Swedish Krona, and Swiss Franc. The U.S. Dollar increases when there is strength against the basket of foreign currencies.
- Source: Market Watch

# Us Dollar Index Chart

Source: Barchart.com

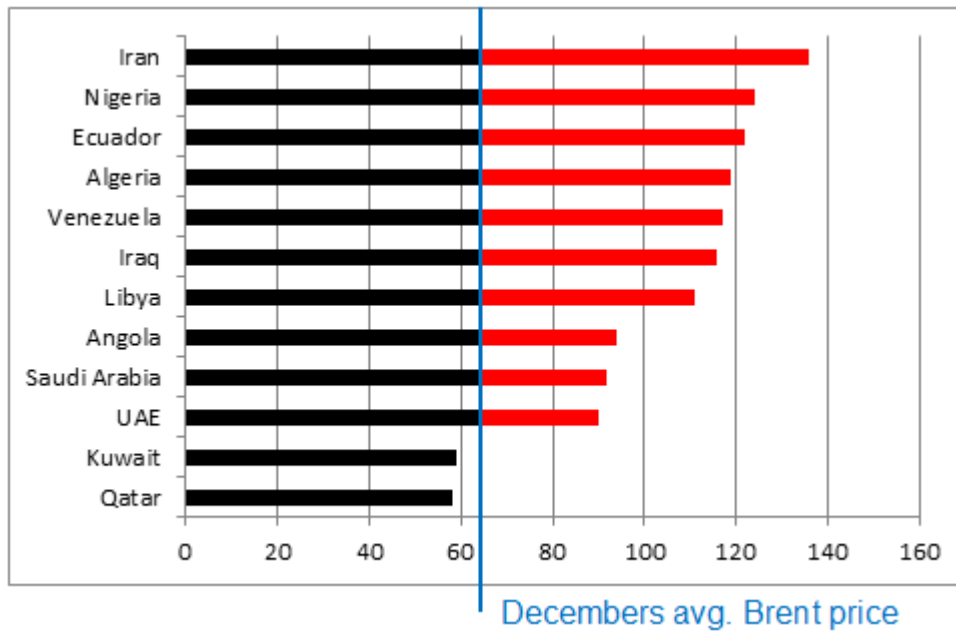
\$DXY - U.S. Dollar Index - Daily OHLC Chart



# OPEC

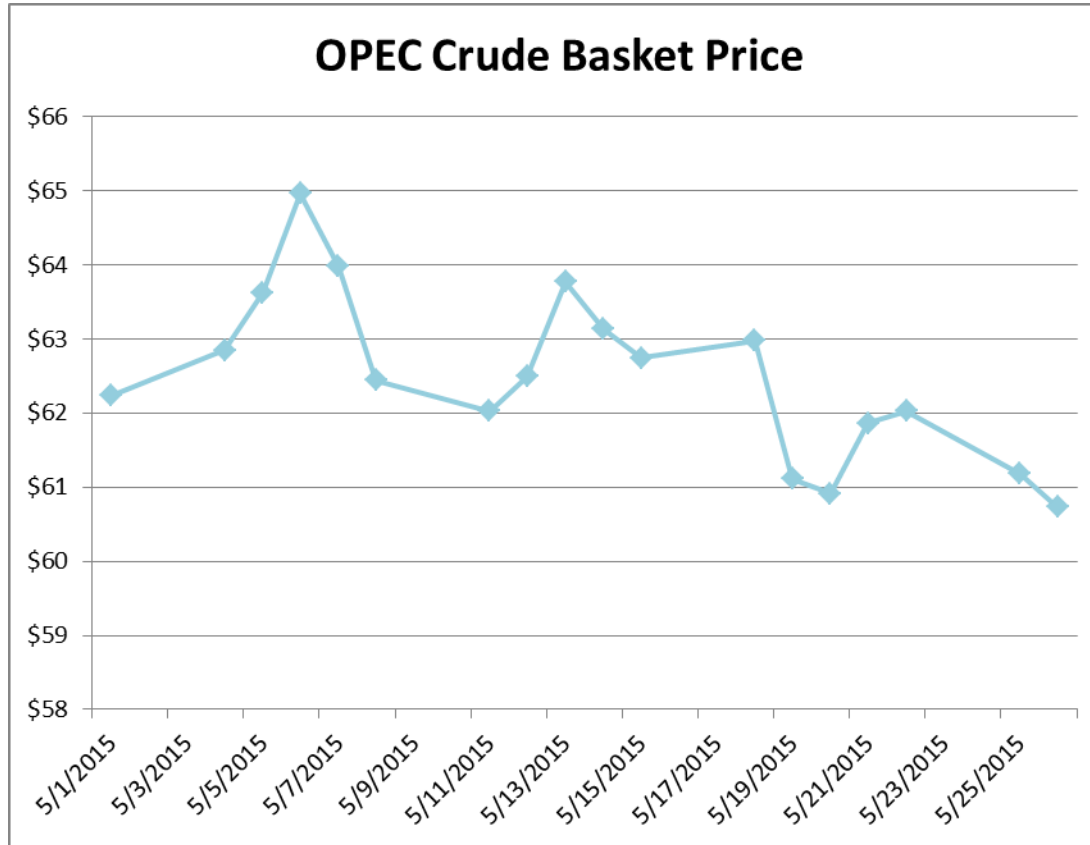
- OPEC was formed in Iraq in 1960 while the oil industry was dominated by multinational oil corporations
- OPEC is comprised of the following countries:
- Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria , Qatar Saudi Arabia Venezuela , and United Arab Emirates, and soon Indonesia
- The OPEC basket price is a good indicator for current price of oil amongst OPEC producers
- OPEC Countries currently produce over 33 million barrels per day.
- Saudi Arabia is the largest oil producer of the OPEC Member Countries and 2<sup>nd</sup> largest producer in the world

# What do OPEC countries need to sell at to break even?



Source: Global Risk Management

# OPEC Basket Price example



# What are future oil trends



# What are Industry Experts Saying about the Long Term Price of Oil?

- Crude oil is currently in a state of contango meaning according to current market trends , the price of oil will increase moving forward
- The biggest indicators for Crude Oil Trends are the following :
- Rig Count Report which comes out every Friday
- EIA Energy Report Coming out every Wednesday
- OPEC Monthly Oil Reports
- Fed Meeting Reports
- IEA Crude Report on Tuesdays

# Crude Oil Trends

- Crude oil is currently in a state of contango meaning according to current market trends , the price of oil will increase moving forward
- Rig Count Report
- US EIA Report comes out every Wednesday at 10:30 AM besides holidays
- OPEC Monthly Oil Reports
- Fed Meeting Reports
- American Petroleum Institute Reports



# What are Industry Experts Saying about the Long Term Price of Oil?

- Goldman Sachs has predicted oil will remain low for the next 15 years
- OPEC believes oil will increase to \$80/ barrel by the end of the year.
- A few years ago , Goldman Sachs was bullish while OPEC was bearish
- Shell recently stopped an oil production project in Alaska
- Keystone Pipeline is still being heavily debated

# Worldwide Coverage



## Middle East

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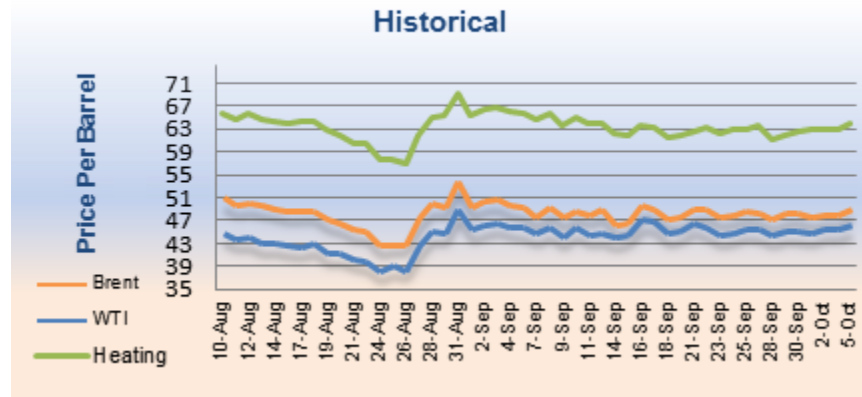
# Benefits of Working with Glander International Bunkering

- In Business Since 1961
- One central point of contact for all fueling needs
- Special Pricing for Research Industry
- Ability to take advantage of price disparities
- 6 offices with local knowledge of pricing and customs
- Lubricant contracts with oil majors

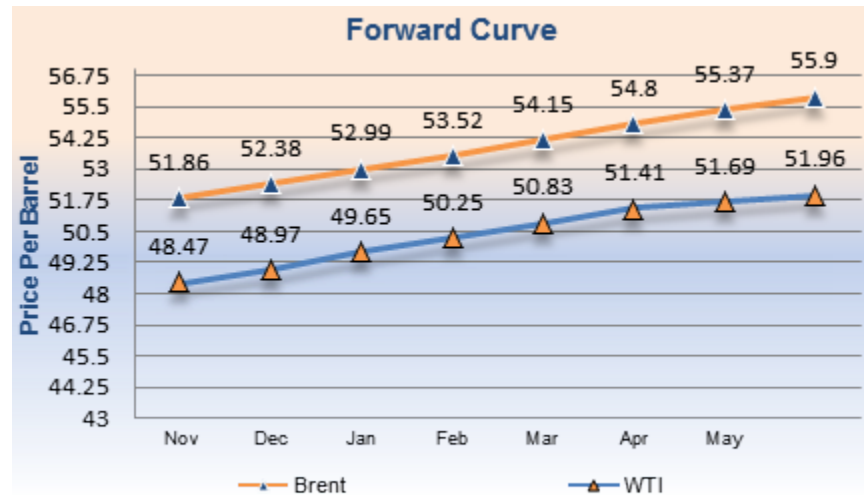
# Controlling Volatility

- Glander can help you manage your volatility for your bunker price
- Depending on port, we can offer a fixed price or formula fuel price months in advance
- In addition if suppliers will not offer contract price, we can help you with buying paper, thus protecting the fuel movements.

# Future Projections



# Future Projections



# Questions



# Sources

- <https://macpeanut.wordpress.com/2015/08/12/crystal-balls/>
- [http://www.barchart.com/chart.php?sym=\\$DXY&t=BAR&size=M&v=0&g=1&p=D&d=X&qb=1&style=technical&template=](http://www.barchart.com/chart.php?sym=$DXY&t=BAR&size=M&v=0&g=1&p=D&d=X&qb=1&style=technical&template=)
- <http://www.forbes.com/sites/michaelylnch/2015/09/25/long-term-oil-prices-goldman-sachs-versus-opec/>
- <http://www.cagle.com/tag/opec/>
- [http://www.opec.org/opec\\_web/en/data\\_graphs/40.htm](http://www.opec.org/opec_web/en/data_graphs/40.htm)



