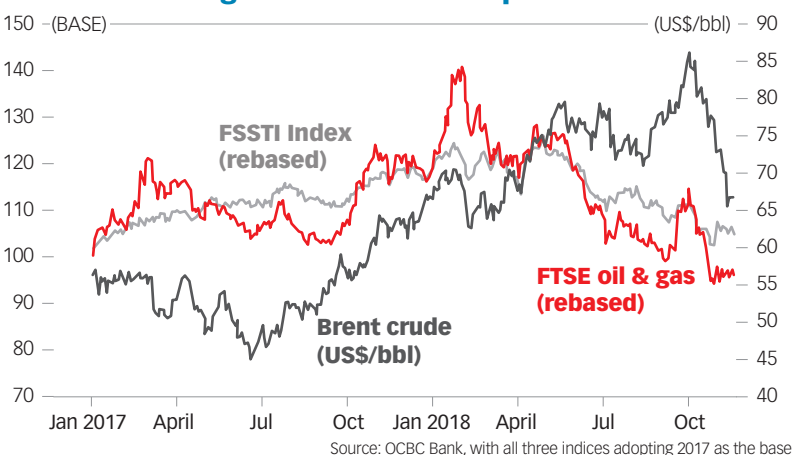


Oil: Higher prices perhaps, speed bumps ahead

US President Donald Trump might not like it but Brent prices are expected to recover to US\$65-US\$80 a barrel in 2019, going by analysts' forecasts. Despite cuts promised by OPEC+, higher production from the US might throw a spanner in the works for the group's concerted efforts to balance the market. The US has become a force to be reckoned as it has emerged to be the world's top crude producing country with a supply of 11.3 million barrels a day (mb/d) in Aug – more than the estimated Russia's production of 11.2 mb/d. Subdued increases in oil prices are unlikely to speed up Singapore O&M sector's recovery.

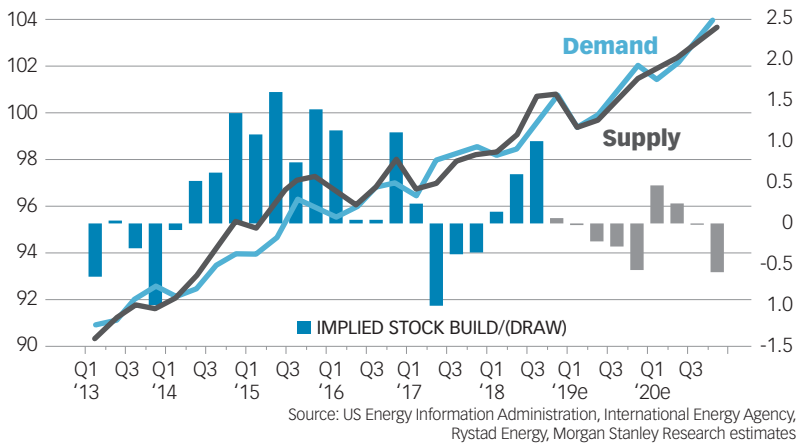
FTSE Oil & Gas against STI and Brent prices



"We recall that there was significant excitement in the market in the earlier part of this year, with great expectations for new order wins especially for Sembcorp Marine (along with speculation of a possible merger), but both disappointed as we cruised through the year. This is despite crude prices continuing their upward climb till end-September, before dropping steadily in the last two months or so."

– OCBC Investment Research's senior investment analyst Low Pei Han

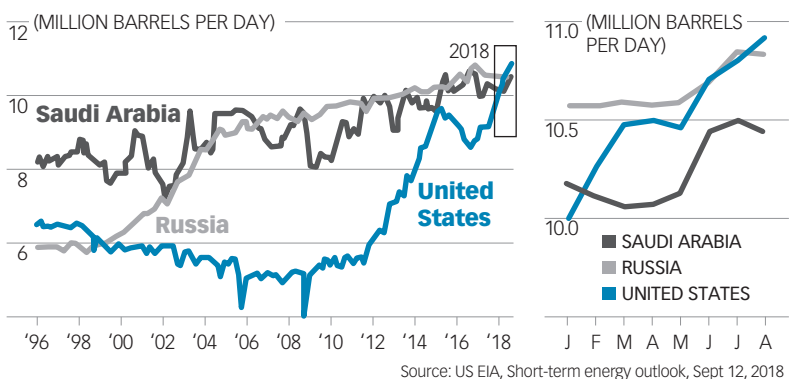
OPEC+ to balance the oil market



"The production cut announced by OPEC+ is likely sufficient to balance the market in 1H19 and prevent inventories from building."

– Morgan Stanley equity analyst and commodities strategist Martijn Rats

Monthly crude oil production (Jan 1994 to Aug 2018)



"In the week ending Nov 30, 2018, US exported more crude oil – an estimated record 3.2 million barrels per day (mb/d) – than it imported for the first time since US Energy Information Administration's (EIA) weekly data going back to 1991, reflecting a long-term trend of declining net imports of crude oil."

EIA forecasts that US crude oil production will average 12.1 mb/d in 2019, with new record-high levels each month through May 2019, putting further downward pressure on crude oil prices. US crude oil production will remain relatively flat from May to September before increasing toward the end of the year."

– US Energy Information Administration