

Flash Note:
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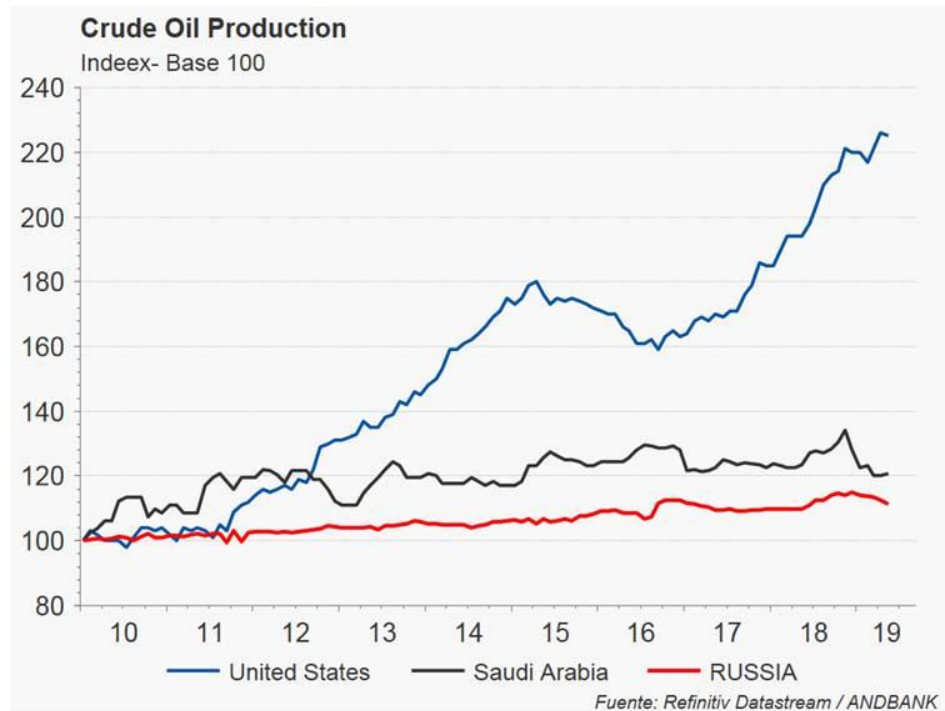
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**Oil - New oil minister in Saudi Arabia. What next?
Andbank's Outlook for oil price.**

- In his first speech, the new Saudi energy minister Abdulaziz bin Salman said that he intends to continue the kingdom's participation in the OPEC+ production-cut pact, adding that the OPEC+ alliance was "staying for the long term". He did decline to comment on whether there is a need for further cuts to support the market.
- **Outlook: We believe that this dynamic of downward pressure on oil prices (and a marked limit on price increases) will persist.**
 - Abdulaziz will have to confront the same challenges as his predecessor, specifically the fact that the strategy of supporting the market through output cuts has so far failed to lift prices to levels most members need.
 - We tend to think that this dynamic will not change. While the OPEC+ cartel has been successful in draining ~100M barrels from global stocks in the past three months, there has also been a sharp slowdown in fuel consumption (with the first five months of the year the weakest in a decade).
 - OPEC+ output cuts has been offset with an increase in supply from some non-OPEC producers.
 - Iraq has not been able to stick to its OPEC+ production targets because of disagreements between the federal government and the Kurdish regional authorities.
 - The US have been offsetting (in excess) the oil output cuts of countries like Saudi Arabia and Russia. (see the chart below).
- **The market implications are clear:** (1) Anchored inflation expectations, with Central Bank's keeping its dovish stance. (2) Low risk that the debt market bubble may explode. (3) Equity market should remain supported (via discount over the debt market). (4) The US energy sector - as well as all unconventional platforms scattered throughout the world- will be the most favored from the loss of market share of Middle East countries and Russia.



Best