PREVIEW: JMMC and OPEC+ Meetings on Thursday 30th November

- **Policy change recommendations are not expected, while Saudi and Russia could extend or deepen their voluntary curbs.**
- **Compliance among members is expected to be stressed and production baselines may be lowered to tighten compliance.**
- **The delayed meetings come against the backdrop of reported push-back from Angola and Nigeria against lower baselines for next year.**

OVERVIEW: The delayed JMMC and OPEC+ meetings are, as things stand, still set to take place on Thursday 30th November. Policy change recommendations are not expected, while Saudi and Russia could extend or deepen their voluntary curbs. Compliance among members is expected to be stressed and production baselines may be lowered to tighten compliance. The meeting is part of routine confabs to evaluate market fundamentals. Saudi Arabia and Russia have suggested voluntary cut decisions will be reviewed monthly where they will consider deepening the reduction or increasing supply.

SCHEDULE *(Subject to revisions)*

- **10:00GMT/05:00EST -** Online meeting for OPEC internal matters
- **13:00GMT/08:00EST -** JMMC meeting
- **14:00GMT/09:00EST -** OPEC+ meeting

WHERE POLICY STANDS: Saudi Arabia and Russia, alongside other OPEC+ members, have committed to reducing oil production by some 5.2mln BPD. This accounts for approximately 5% of the world's daily oil demand. The current cuts comprise 3.7mln BPD by OPEC+ collectively, with further voluntary reductions made by Saudi Arabia and Russia. During their last policy meeting in June, OPEC+ reached a consensus on a comprehensive agreement to restrict supply into 2024. Additionally, Saudi Arabia committed to a voluntary production reduction of 1mln BPD for July – this commitment has been extended and is now set to continue until the end of 2023. Russia pledged a voluntary supply cut of 500k BPD for August and 300k BPD for September, with the 300k BPD export curbs later extended until the end of 2023.

POTENTIAL SCENARIOS

- **Extension of Current Cuts**: The current consensus among analysts is seemingly that at least Saudi Arabia will extend its voluntary 1mln BPD production cuts until the spring.
- **Deeper Cuts**: With the backdrop of geopolitical tensions and market volatility, there might be discussions about deeper production cuts, although this could be more contentious among members.
- **No Changes**: Amid the fluidity of geopolitics and China's recovery, there is a non-zero chance the group may adopt a wait-and-see approach for the month.

RECENT SOURCES/REPORTS

- **Reuters (29th Nov)**: OPEC+ is continuing to hold talks on the 2024 oil policy, with no delay to a meeting scheduled for Thursday currently expected.
- **CNBC (29th Nov)**: The largest West African member producers, Angola and Nigeria, are reportedly pushing back against lower baselines for next year — levels off which quotas are decided.
- **Bloomberg (28th Nov)**: OPEC+ is reportedly no closer to resolving the deadline over oil-output quotas. Angola is resisting a proposal to reduce its production limit.
- **Reuters (28th Nov)**: OPEC+ discussions on 2024 oil policy are proving difficult, making a rollover of the previous agreement a possibility rather than deeper production cuts. A further delay of the meeting is possible.
- **Bloomberg (27th Nov)**: Saudi Arabia is reportedly asking others in the OPEC+ coalition to reduce their oil-output quotas, but faces resistance from some members.
- **JTC (22nd Nov)**: Top financial market dealer Onyx Capital reportedly delivered a bearish outlook in its oil market presentation to the JTC. "Market sentiment had been fragmented for much of this year, but the evidence is that there has been a recent shift in collective sentiment to bearish as we head towards the end of the calendar year," according to one of the presentation slides by the dealer cited by Reuters.

- **Reuters (17th Nov)**: OPEC+ is contemplating whether to make further oil supply cuts in their upcoming meeting, due to a nearly 20% drop in oil prices since late September. One source suggested the current curbs may not suffice, while two other sources suggested deeper cuts will be discussed. Another source did not think it was likely that further cuts would be discussed, with the caveat to "wait and see".
- **FT (17th Nov)**: Saudi is highly likely to extend its voluntary production cuts until at least the spring, while an additional OPEC+ cut of up to 1mln BPD could be on the table. The piece also highlights anger from members over the Israel-Hamas conflict, with Kuwait, Algeria and Iran among the most agitated. Sources added there would be no repeat of the 1970s oil shock. No decision has been made, and the Saudi Energy Minister, in any public statements, is likely to focus on the energy market as opposed to the Israel-Hamas war.

RECENT DEVELOPMENTS

- **Middle Eastern Conflict**: The Israel-Hamas conflict has entered a seventh week following Hamas' incursion on October 7th and the subsequent heavy bombing on Gaza by Israel. The sides reached a temporary truce on October 21st which was then extended. Israeli PM Netanyahu said the war will continue after a pause for hostage exchange, while he stated that hostages will be released in stages and that the war is ongoing and will continue until Israel achieves all its goals. Iran has pushed for an oil embargo on Israel. Although an embargo is unlikely, desks suggest Iran could rally other members to support curbs. Meanwhile, it was recently reported that an Israeli-owned cargo ship was taken by Iran-backed Houthi rebels in the Red Sea. The Houthis have warned that Israeli ships will continue to be a target as long as Israel's operation against Hamas continues. It was reported on the 29th November that Saudi Arabia reportedly offered to invest in Iran to limit Israel-Hamas war, according to Bloomberg.
- **Chinese Growth**: Chinese government advisers are to recommend a 4.5-5.5% growth target for 2024 (vs "around 5%" for 2023), while they noted that maintaining China's growth pace next year requires more fiscal stimulus, according to Reuters. It was also reported mid-November that China is said to be mulling CNY 1tln of new market funding to boost the housing market, according to Bloomberg, whereby the PBoC will inject funds in phases through policy banks.
- **US SPR**: The US Department of Energy mid-November said it plans to buy 1.2mln barrels of oil to help replenish the SPR, with the planned purchase of the oil at an average price of USD 77.57/bbl.
- **Russia Exports**: Russian Deputy PM Novak said the domestic market is fully provided with fuel whilst remaining export restrictions on diesel will be lifted soon. Reports earlier in the week suggested that the Russian Energy Minister said a complete export ban lift for summer diesel is under consideration, with no such plans for winter diesel. It was also reported around mid-November that the EU plans to tighten shipping reporting rules as part of its clampdown on the circumvention of the G7 oil price cap on Russian oil exports.

HOUSE VIEWS

- **GOLDMAN SACHS**: GS' statistical model of OPEC decisions indicates that it would be prudent not to dismiss the possibility of deeper production cuts. This assessment takes into account the recent decrease in speculative positioning and time spreads, as well as inventories that are higher than previously anticipated. GS expects that the current production cuts implemented by the OPEC group will remain fully enforced throughout 2024. Furthermore, the desk anticipated that the unilateral production cut of 1mln BPD by Saudi Arabia will continue at least until the second quarter of 2024. Following this period, it is projected that the cut will be gradually reversed, starting in July 2024.
- **JPMORGAN**: "Our base case scenario for the OPEC meeting is that existing cuts should be extended. OPEC+ could carry out an additional 1mln BPD cut to pre-empt potential demand weakness in H1 2024, with Saudi Arabia looking to other members to share the load of any further cuts."

- **MORGAN STANLEY**: "OPEC will likely continue to balance the market and keep oil inventories around current levels; our Brent forecast of ~USD 85/bbl remains unchanged."

- **CITI**: Expect Saudi Arabia to roll out its 1mln BPD voluntary cuts through Q1 2024 while Russia is to pledge its 300k BPD output curb. Citi added that although compliance may slip over time, the rest of OPEC+ members are to commit to their existing quotas through 2024. Citi said prices should be supported around current levels into year-end and early 2024 – consistent with their 0-3 month price forecast of USD 80/bbl Brent. Citi said should the meeting go as they expect, balances still look somewhat looser for 2024 – likely resulting in price weakness during the late winter/early spring.
- **UBS**: "Saudi Arabia's policy still focused on being proactive, pre-emptive and precautionary, their voluntary supply cuts are likely to be extended into Q1 2024 – given seasonally weaker oil demand at the start of every year, ongoing economic growth concerns, and the aim to support the oil market's stability and balance."
- **BARCLAYS**: "We have maintained that OPEC+ are likely to maintain a relatively aggressive stance in managing market expectations and...we will not be surprised to see the voluntary reductions being extended into next year."

- **ING**: “The price weakness we are seeing means that it is increasingly likely that the Saudis will roll over their additional voluntary cut of 1mln BPD into early next year. Doing this should help erase the expected surplus and provide some support to the market.”
- **IEA**: IEA’s Global heads of oil markets said that even if OPEC+ cuts are extended into 2024, IEA sees a slight surplus in the global market balance.