OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Fundamentals not behind recent market behaviour

Helferstorferstrasse 17, A-1010 Vienna, Austria

Tel +43 1 21112   Fax +43 1 2164320   E-mail: prid@opec.org   Web site: www.opec.org

Oil Market Highlights

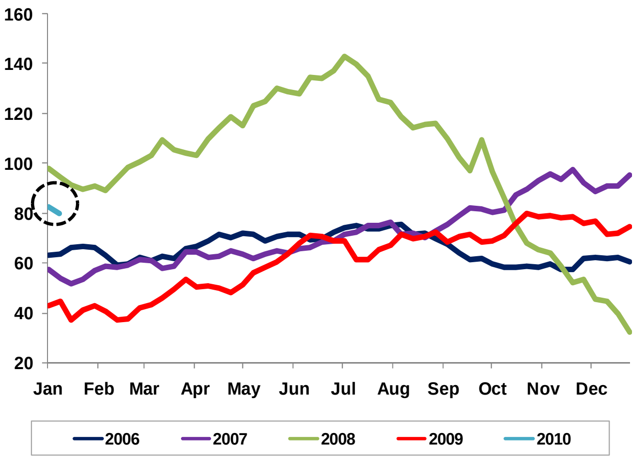
- Crude oil price developments saw two distinct patterns in December. After falling to a two-month low of $70.7/b in mid-December, the **OPEC Reference Basket** rebounded on the back of positive economic sentiment and colder weather in the Northern Hemisphere, which triggered a surge in speculative activity. As a result, the Basket price averaged $74.01/b in December, the second highest monthly figure in 2009 after November. The Basket increased further in the New Year to hit $80.29/b on 7 January, the highest since early October 2008. Since then, prices have reversed on economic concerns, milder weather and inventory builds to stand at $75.79/b on 18 January.
- The **world economy** is expected to grow by 3.1% in 2010, revised up from the previous forecast of 2.9%. Most of the challenges for the OECD have not gone away entirely and the region is still dependent on government-led support. In the US, which is now forecast to grow by 1.9%, private consumption remains weak. Japan is expected to grow by only 1.1%, despite the recent stimulus package, while the Euro-zone forecast is now at 0.6%. China and India remain the bright spots for this year's recovery with an expected growth of 8.8% and 6.7% respectively, although concerns are emerging that these economies might be overheating.
- **World oil demand** declined by 1.4 mb/d in 2009. A cold winter, economic recovery and a low base for the previous year returned oil demand growth to positive territory by the end of the year. In 2010, world oil demand is forecast to grow by 0.8 mb/d. The decline in OECD consumption is expected to shrink as economic activity increases. Similarly, non-OECD countries are forecast to grow at a higher rate of 1.0 mb/d, compared with 0.5 mb/d in the previous year.
- **Non-OPEC oil supply** growth in 2009 is estimated at 0.5 mb/d, broadly unchanged from the previous assessment. In 2010, non-OPEC oil supply is expected to increase by 0.4 mb/d to average 51.3 mb/d in 2010, following an upward revision of 42 tb/d. The adjustment came partially from the US and Russia on the back of healthy production in the fourth quarter of 2009. In December, total OPEC crude production averaged 29.14 mb/d, the highest level in 2009, indicating an increase of 78 tb/d over the previous month.
- A cold snap across the globe along with increasing seasonal demand and product stock draws have underpinned **product market** sentiment and lifted crack spreads and refining margins, especially in the US and Europe. Should the cold weather persist, the overhang of middle distillate barrels would be partly mitigated, providing some relief to refiners in the coming weeks. However, the sustainability of recent developments in product markets and the positive impact on crude fundamentals and prices will largely depend on economic growth in the future.
- OPEC spot fixtures and sailings from OPEC increased by 6% and 1% respectively in December compared to the previous month. Freight rates in the crude oil **tanker market** increased on average by 12% in December with the VLCC sector increasing by 18%, Aframax by 23% and Suezmax declining by 5%. Volumes of both crude oil and petroleum products stored on tankers were almost steady by the end of December compared to a month earlier. Clean spot freight rates made a monthly gain of 30% in December and the market was equally firm on both sides of Suez.
- OECD **commercial oil inventories** rose 12.6 mb in November to stand around 93 mb above the five-year average. This represents 59.8 days of forward cover. Preliminary data for December shows a stock draw of 34 mb driven by the drop in US crude and products. However, the surplus over the five-year average remains above 90 mb. US commercial oil inventories fell 39.1 mb with both crude and products declining by 10.4 mb and 28.7 mb respectively. Despite this draw, US commercial oil inventories remained 46 mb above the five-year average. European total oil inventories (EU plus Norway) rose 1.9 mb in December. A substantial build in products was partially offset by a draw in crude. European inventories now stand at 12.3 mb above the five-year average.
- The **demand for OPEC crude** in 2009 is estimated at 28.7 mb/d, around 0.1 mb/d higher than the previous report. This still represents a decline of around 2.3 mb/d compared to the previous year. In 2010, the demand from OPEC crude is expected to average 28.6 mb/d, broadly unchanged from the previous assessment and representing a decline of 0.1 mb/d from the previous year.

Fundamentals not behind recent market behaviour

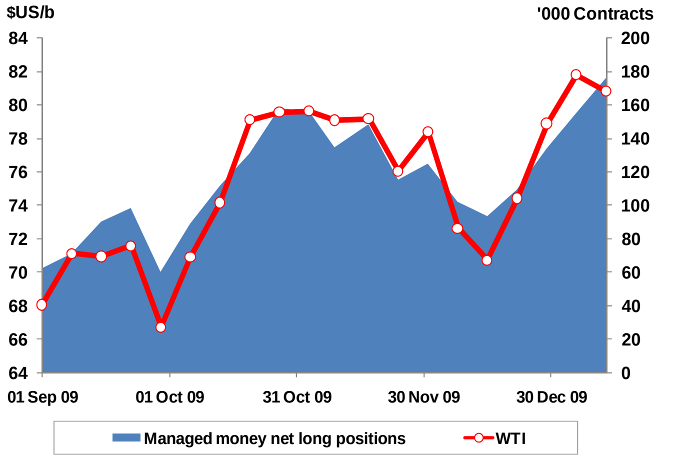
- A recent surge saw crude oil prices gaining more than $10 since mid-December to break above the $80/b mark. As a result of this upward push, the price of WTI averaged $82.48/b in the first week of 2010. With the exception of 2008, this is the highest starting point in recent years (*see **Graph 1***). As the market had been expected to continue to moderate, the jump in prices came as a surprise. Although prices have receded in recent days, this raises the question as to whether there are any new factors in the market that would support a higher price level or if the surge in prices represented only a temporary increase.

- Looking back at the oil price developments in 2009, one recalls that the sharp downward slide in prices was halted in early 2009 following the OPEC decision to adjust production at the Oran meeting in December. Later, the G-20 summit in April was instrumental in calming financial markets and supporting the emerging recovery in equities which had already taken hold in early March. Massive government fiscal and monetary support on a global scale was able to steady economic output and gradually optimism began to spread on signs pointing to a recovery before the end of the year. Oil prices were supported by the resulting improvement in sentiment as well as US dollar weakness and renewed activity in the paper market.

Graph 1: Nymex WTI crude oil price



Graph 2: Nymex WTI price vs Managed money net long positions



- While the upward move in prices at the start of the year can be partially attributed to a global cold snap, it cannot fully explain such a sharp increase, especially as inventories remain high enough to cope with any sudden jump in winter demand. Although higher seasonal demand led to stock draws in crude and heating oil, inventories remain at very high levels of 6% and 23% above the five-year average respectively, and floating storage for crude and products continues to be high at more than 140 mb, the bulk of which is comprised of distillates.

- The other factor contributing to the recent rally was a surge in investment flows in the commodities markets, including oil (see ***Graph 2***). The combination of both bullish economic news and the colder weather has increased the financial sector's exposure to energy. Since the start of December, money managers have boosted net positions by more than 70% to stand at 175,620 contracts in the week ending 12 January.

- In the coming months, oil market direction will mainly depend on a continuation of the current relatively positive outlook for the global economy, especially in key countries such as the US and China. Should developments turn out to be less positive than expected, market attention will revert back to weak oil fundamentals. Prices are likely to be particularly vulnerable to economic developments during the upcoming low-demand second quarter.

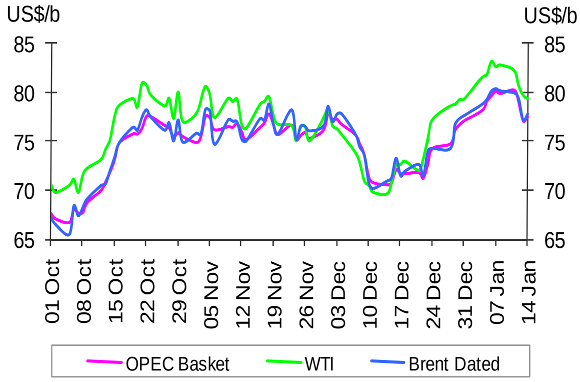
- Although the overall situation is much improved compared to the same time last year, given the uncertainties surrounding the strength and durability of the economic recovery and weaker seasonal demand, the OPEC Conference decided to keep current oil production levels unchanged for the time being. The persisting stock overhang, low seasonal demand and start of refining maintenance point to the need for continued caution over the coming months as market volatility is expected to remain.

Crude Oil Price Movements

A strong recovery in the second half of the month helped the OPEC Reference Basket stand at its second highest monthly level in December 2009

OPEC Reference Basket

Graph 1: Crude oil price movement



Contrary to November, when the OPEC Reference Basket remained almost stable fluctuating between $74.95/b and $77.86/b, two distinct trends were seen in December. In the first two weeks, the OPEC Reference Basket displayed a steep downward trend with a decline of $7.24 after having moved from $77.88/b on the first day to a two-month low of $70.64/b on 14 December. The seven consecutive sessions of decline seen during this period were the longest since early July 2009 when the Basket lost $9.90 over nine consecutive days.

The downward trend in the first half of December was driven by bearish sentiment in the futures market, supported by high levels of US oil inventories and rising concerns about the economic recovery and hence oil demand. All Basket components saw an overall downward trend, particularly Middle East crudes.

Middle East crude market sentiment remained bearish in December, particularly during the first three weeks of the month. The pressure was due to ample supply within the region, particularly after Saudi Arabia allocated full contract volumes and Qatar offered ten cargoes of Al Shaheen crude for February loading, the highest tendered volume in more than six years. Russia's offer of several cargoes of its new ESPO crude for January loading added more pressure to the market. West African crudes were also under pressure during the first half of December due to poor refining margins and weaker demand for January loadings. Furthermore, a rising premium of North Sea crude versus WTI also contributed to the pressure by undermining interest among US buyers for West African crude.

However, the OPEC Reference Basket reversed this downward trend to increase during the second half of the month, resulting in an accumulated gain of $6.42/b after prices moved from $70.64/b on 14 December to close the final day of the month and year at $77.16/b, slightly below the level of the first day of December. The upward trend in the OPEC Reference Basket was driven by a sudden recovery in the futures market, attributed to cold weather in the Northern Hemisphere. Basket components saw mixed trends during the second half of December. In the third week, the Basket got support from Brent-related crudes while Middle Eastern crudes remained under pressure. West African crudes improved during the second half of December amid stronger demand from the US and Asian buyers as well as by improving margins for naphtha.

As a result of these mixed movements, the **OPEC Reference Basket averaged $74.01/b in December, the second highest monthly level in 2009 after November's $76.29/b. For the whole year, the OPEC Reference Basket averaged $61.06/b in 2009 for a decline of 35% compared to $94.45/b in 2008.** Nevertheless it is worth noting that in 2008, the OPEC Reference Basket moved from an average of $88.35/b in January to reach $131.22/b in July before plunging to $38.60/b in December, or less than half of January's average. In contrast, the OPEC Reference Basket followed an overall upward trend in 2009 to move steadily from an average of $41.54/b to $74.01/b in December.

The OPEC Reference Basket maintained its momentum in early 2010 to move above $80/b on 7 January following ten-consecutive sessions of gains. The surge in the OPEC Reference Basket was driven by bullish sentiment in the market resulting from cold weather in the Atlantic Basin. The second week of January saw a mixed pattern allowing the Basket to hit $80.29/b, the highest level since early October 2008. Afterwards, the Basket dropped to $75.79/b on 18 January. Prices moved down as bearish sentiment in the futures market emerged again after temperatures improved along with a build in the main components of US oil inventories — crude oil, gasoline and distillates — through the previous week. All components contributed to the rise in the OPEC Reference Basket in the first week of January while the second week saw mixed trends among components. Middle Eastern crude market sentiment improved within the second week of January as reflected in the February Brent/Dubai exchange for swaps (EFS) – the price spread between ICE Brent futures and Dubai swaps – which dropped to just 8¢/b on 14 January, supported by stronger middle distillate cracks. Middle Eastern crudes were also supported by strong middle-distillate cracks and a cut in ADNOC and Qatar allocations.

Table 1: OPEC Reference Basket and selected crudes, US$/b

	Nov 09	Dec 09	Change Dec/Nov	2008	2009
OPEC Reference Basket	**76.29**	**74.01**	**-2.28**	**94.45**	**61.06**
Arab Light	76.54	74.38	-2.16	95.16	61.38
Basrah Light	75.55	73.03	-2.52	92.08	60.50
Bonny Light	77.96	75.68	-2.28	100.60	63.25
Es Sider	76.61	74.23	-2.38	96.65	61.45
Girassol	76.89	74.53	-2.36	95.64	61.81
Iran Heavy	76.72	74.34	-2.38	91.49	60.62
Kuwait Export	76.54	74.03	-2.51	91.16	60.81
Marine	77.78	75.36	-2.42	94.86	62.38
Merey	70.09	68.63	-1.46	-	55.90
Murban	79.00	76.84	-2.16	99.03	63.78
Oriente	70.05	68.93	-1.12	85.43	55.84
Saharan Blend	77.16	74.98	-2.18	98.96	62.35
Other Crudes					
Minas	80.51	78.67	-1.84	100.65	64.90
Dubai	77.69	75.42	-2.27	93.85	61.83
Isthmus	75.99	73.05	-2.94	95.22	60.85
T.J. Light	74.85	71.81	-3.04	92.25	59.69
Brent	76.66	74.28	-2.38	97.37	61.68
W Texas Intermediate	77.84	74.41	-3.43	100.00	61.88
Urals	76.32	73.88	-2.44	94.87	61.22
Differentials					
WTI/Brent	1.18	0.13	-1.05	2.63	0.19
Brent/Dubai	-1.03	-1.14	-0.11	3.52	-0.15

Source: Platt's, Direct Communication and Secretariat's assessments.

The oil futures market

Bullish market sentiment from cold weather pushed WTI to its 15-month high in early January 2010

The crude oil futures market remained bearish in first half of December as ample oil inventories and persistent concerns about the pace of the economic recovery continued to weigh on oil demand prospects, particularly in OECD countries.

In the US market, front month **WTI crude futures** on the Nymex lost almost $9 between 1 December and 14 December following nine consecutive declines to settle at $69.51/b, the lowest level since late September, but then began to recover in the following days. Cold weather across the Northern Hemisphere alongside with positive economic indicators — such as an increase in US industrial output and investment flows into the oil market — pushed WTI to $79.36/b on the last day of December, implying an increase of almost $10 within two weeks. Additionally, concerns about a dispute between Russia and Ukraine regarding transit fees for crude destined for Europe added more bullishness to the market.

In January, the WTI future contract strengthened further to hit a 15-month high of $82.75/b on 8 December. This level came after a ten-session increase, which was the longest since February 1996, driven by colder weather across the Atlantic Basin which pushed up demand for heating oil and diesel, as well as increased activity from money managers in the paper market and an unexpected rise in Chinese crude oil imports. WTI declined over the next days on the back of expectations of warmer weather, US inventory builds and profit-taking in the paper market. China's decision to raise bank reserve requirements in order to keep the economy from overheating, alongside with data for US retail sales and jobless claims which revived concerns about the global economic outlook, supported the bearish sentiment.

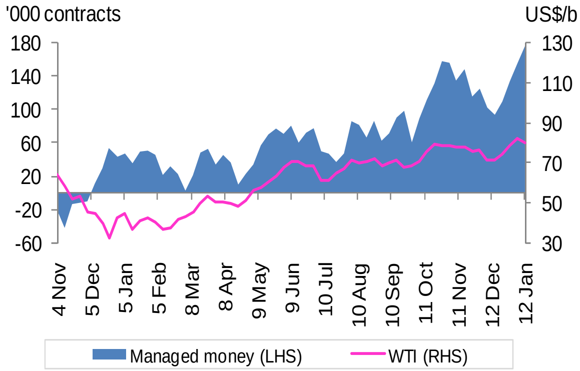
For the remainder of January, the futures market is likely to continue to be supported by investment money, as the first month of the year is typically an active one, although the persistent supply overhang will continued to weigh on the market.

US dollar value contributed to some extent to WTI movement, but the relationship between WTI and the US dollar weakened significantly in December. Similarly, the correlation between WTI and equities weakened, implying that prices were being driven by other factors such as cold weather and investment flows, particularly by money managers.

With the improvement in market sentiment, **money managers increased net long positions in December and early January.** Money managers increased net long crude oil futures positions by almost 16,000 lots to more than 109,000 contracts in the week through 22 December, which helped support the recovery in prices. They continued to increase net long positions over the following weeks to more than 133,000 lots in the week ending 29 December, before adding a further 20,000 lots to move beyond a high level of 154,000 contracts in the week to 5 January 2010 (*see **Graph 2***). In the week ending 12 January, managed money has boosted net positions to stand at 175,620 contracts.

Open interest on the Nymex WTI climbed to 1,300,867 contracts on 12 January 2010, the highest level since 24 June 2008, a few days before the front-month price surged to a record-high of $147.27/b.

Graph 2: Managed money net positions: Nymex WTI futures and options

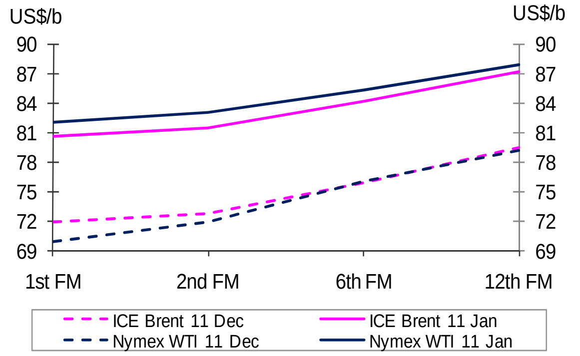


In Europe, ICE Brent followed almost the same trend as WTI in the first half of December after falling $7.46/b compared to $8.86/b for WTI. However, in the second half of the month WTI posted a higher gain of $9.85/b compared to just $6.04/b for Brent.

The smaller gain in Brent compared to WTI contributed to a recovery in the WTI-Brent spread. As a result, WTI now stands at a premium to Brent after more than a month of negative spreads. The differential between WTI and Brent reached as low as minus $2.57/b on 8 December before turning positive at 94¢/b for the first time since the third week of November and then widening to more than $1.7/b on 24 December. To recall, the spread WTI-Brent was also negative in most of July and August, particularly in the first quarter when it hit more than $10/b. The weakness in WTI compared to Brent can be mainly attributed to weak demand in the US and a surge in stocks at Cushing, Oklahoma, the delivery point for WTI. The recent improvement in the WTI-Brent spread was due to a combination of stronger US demand as the weather was colder than on the other side of the Atlantic as well as the increase in Cushing storage capacity.

The futures market for both WTI and Brent remained in contango in December 2009 and early January 2010. However, the contango has narrowed due to a surge in front-month prices following cold weather. For instance, the spread between 1st month WTI and 12th month narrowed to $5.38/b compared $9.36/b a month earlier, implying a decline of 42%. The drop in the 1st and 3rd month spread was even higher at 58%. This reflects bullish expectations for the near term, triggered by cold weather. Similarly, the Brent 1st to 12th month spread dropped to $6.55/b from $7.55/b. The softness in the contango also led to a decline in floating storage.

Graph 3: Nymex WTI and ICE Brent forward curve, 2009



FM = future month

Table 2: Nymex WTI and ICE Brent forward price, US$/b

Nymex WTI

	1st FM	2nd FM	3rd FM	6th FM	12th FM
11 Dec 2009	69.87	71.95	73.54	75.99	79.23
11 Jan 2010	82.03	83.01	83.55	85.24	87.86

ICE Brent

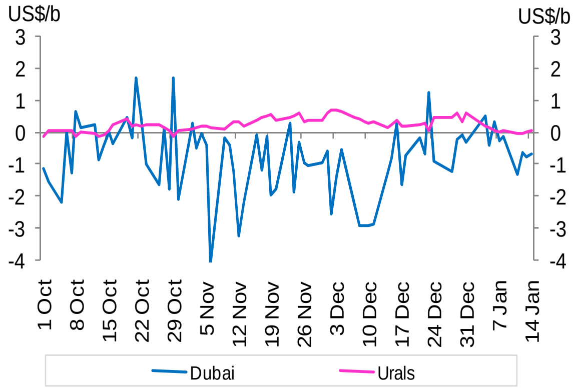
	1st FM	2nd FM	3rd FM	6th FM	12th FM
11 Dec 2009	71.88	72.70	73.57	75.87	79.43
11 Jan 2010	80.64	81.54	82.20	84.13	87.14

FM = future month

The sour/sweet crude spread

Strong demand from Asian buyers compared to European and US buyers continued to support Middle East crude. In addition, the reduced availability of Middle East crudes due to OPEC cuts gave more support to Dubai grades versus Brent. However, Brent prices remained below Dubai for all but two days in December. The Brent/Dubai spread widened further in December to average minus $1.14/b compared to minus $1.03/b in November and minus 40¢/b in October. The widening discount should increase arbitrage opportunities to move Brent-related crudes such as West African grades eastward, particularly in light of weak demand and high inventories in the US. However, this has been hindered by the recovery in freight rates from very low levels. The Brent/Dubai discount narrowed in January to average minus 20¢ up to 11 January compared to an average of more than minus $2.0/b a month ago. The spread even turned positive for some days *(see **Graph 4**).* The strong drop in the discount is attributed to the combination of several factors such as support for Brent prices on the back of bullish sentiment within the region due to a cold snap as well as ample supply of Middle East crudes. This level of discount should discourage exports to Asia, particularly in the context of increasing freight rates.

Graph 4: Brent Dated vs. Sour grades (Urals and Dubai) spread



Ample supply, lower refinery runs and poor refining margins exerted further pressure on Russian Urals crude in December. The Urals crude differential with Brent averaged 40¢/b in December, up 6¢ from a month earlier. However, the Urals crude differential strengthened in January supported by improving refining margins and tight supply due to shipping delays in the Black Sea because of bad weather. In addition, a recent increase in Saudi Arabia’s official selling price gave further support to Urals crude.

Commodity Markets

Trends in selected commodity markets

Commodity prices continued to decline in December

The declining trend growth in the IMF commodity price index seen in November continued further in December experiencing a 0.4% fall m-o-m. The index was particularly affected by the declining in crude and food prices, as industrial metals recorded relatively strong price gains. On a quarterly basis, commodity prices increased by 8.4% in 4Q09 compared to 9.6% in 3Q09 and 15.8% in 2Q09.

Commodity prices as a whole benefited from the second quarter of 2009, driven by some positive macroeconomic news as well as bullish supply-side news in the industrial metal complex and agricultural products. Dollar weakness versus the euro also added to this. It seems that the rising trend in commodity prices is almost over, but strong growth for the US and Europe in 1Q10 encouraged observers to expect further upward price movement in crude oil and industrial metals in the short term. Nevertheless, the existence of some question marks on the sustainability of global growth and the continued dependence on Chinese demand may lead to slower commodity price increases in 2010, despite the fact that the price downside is limited in most of the markets. It is estimated that in absence of the Chinese effect, industrial metal price levels may have been half their current levels. Of particular interest for commodity prices are concerns over tighter monetary policy in China, especially in demand for industrial metals.

Table 3: Monthly changes in selected commodity prices, 2008-2009

		% Change		% Change
	Oct/Sep	Nov/Oct	Dec/Nov	Dec 09/Dec 08
Commodity	5.5	4.2	-0.4	40.4
Non-Energy	1.3	3.8	3.2	27.2
Energy	8.0	4.5	-2.4	49.6
Crude Oil	8.3	4.7	-3.5	80.3
US Natural Gas	33.9	-8.1	45.4	-8.4
Food	0.9	3.6	1.8	16.6
Corn	11.1	2.6	-4.1	4.1
Wheat	4.1	6.1	-2.3	-6.3
Soybean Oil	6.4	7.1	1.5	27.4
Soybeans	-4.0	2.8	2.4	18.0
Sugar	-2.6	4.3	-2.5	8.9
Industrial Metals	2.6	2.6	5.3	44.5
Aluminium	2.2	4.3	11.5	45.0
Copper	1.8	6.0	4.4	124.7
Nickel	6.2	-8.5	1.2	73.9
Zinc	10.2	6.1	8.1	113.3
Gold*	4.7	8.0	0.7	na

na Not available

Sources: IMF; Estimations based on data provided by the IMF.

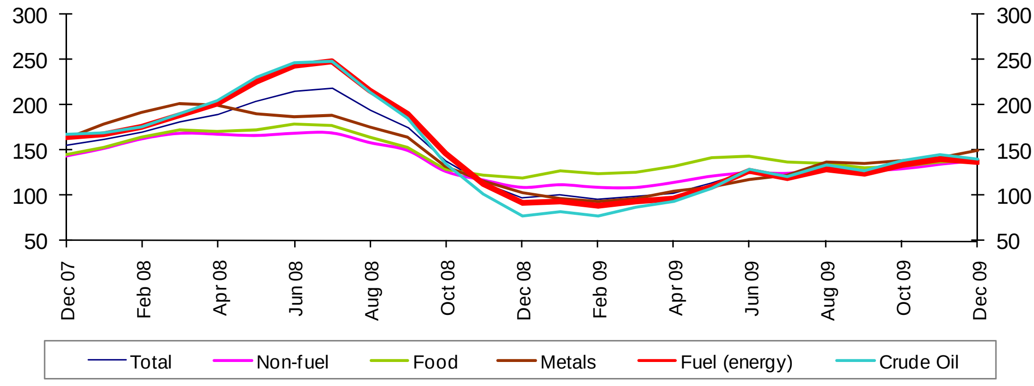
** World Bank Index*

Energy prices lost 2% in December

The **IMF energy price commodity index** (crude oil, natural gas and coal) plummeted 2.4% m-o-m in December on negative growth of crude oil prices (minus 3.5%). The **Henry Hub (HH) gas price** jumped 45% m-o-m over December due to **colder-than-normal temperatures.**

HH natural gas experienced one of the worst performances in 2009 but soared 45% m-o-m in December owing to the tightening of the physical markets driven by colder-than-expected weather and large inventory withdrawals.

Graph 5: Major commodity price indexes, 2007-2009



Commodity Price Index, 2005 = 100

Total	-	Includes both fuel and non-fuel.
Non-fuel	-	Includes food and beverages and industrial inputs.
Food	-	Includes cereal, vegetable oils, meat, seafood, sugar, bananas and oranges.
Metals	-	Includes copper, aluminum, iron ore, tin, nickel, zinc, lead and uranium.
Fuel (energy)	-	Includes crude oil (petroleum), natural gas and coal.
Crude oil	-	Is the simple average of three spot prices: Dated Brent, West Texas Intermediate and Dubai Fateh.

The non-fuel commodity price index rose at a slower pace in December

The non-energy commodity price grew 3.2% in December compared to 3.8% a month earlier. The slower growth in food prices was counterbalanced by the accelerated growth in industrial metals which expanded 5.3% m-o-m in December compared to 2.6% in the previous month. The improvement in December followed positive manufacturing data from the US and China, including the stronger-than-expected December US ISM, US durable goods orders and Chinese PMI. Perspectives on loose monetary policy in China and the US in December together with favourable US auto sales also contributed to encourage industrial metal price gains over December.

Aluminium seems to have experienced a bubble with prices at the LME increasing 11.5% m-o-m in December compared to 4% a month earlier. As already highlighted in the previous month, aluminum prices are at odds with weak fundamentals that characterize the market. Production should surpass consumption by 97,000 tonnes in 4Q09. According to the International Aluminum Institute, Chinese output increased 8% in November. However, on the demand side, higher auto sales in the US in October, continuing imports into China and expectations of a demand recovery in line with a promising macroeconomic climate may have contributed to the price bubble in aluminium.

Copper prices rose 4% m-o-m in November, supported by positive Chinese data. Industrial production in this country achieved the strongest growth rate in the year in October (16% y-o-y) and imports of copper augmented 10% m-o-m in November, with a surge of 67% during the first eleven months of the year. Additionally, there was a m-o-m increase in the US Purchasing Manager's Index in October.

On the supply side, prices felt the negative impact of the restarting of mines and the end of a labour conflict in Chile translated into a 10% m-o-m output expansion in Chile during November, according to the National Statistic Office. Copper output in China also rose for the fourth consecutive month, with a growth rate of 6% m-o-m in November.

After a hefty fall of 8.5% m-o-m in November, nickel prices recovered to increase by 1.2% m-o-m in December. This was essentially sustained by supply tightness in major producing economies due to strike actions. It must be noted that the demand from China appears to have improved since last October, when imports were 70% lower than the peak experienced in July.

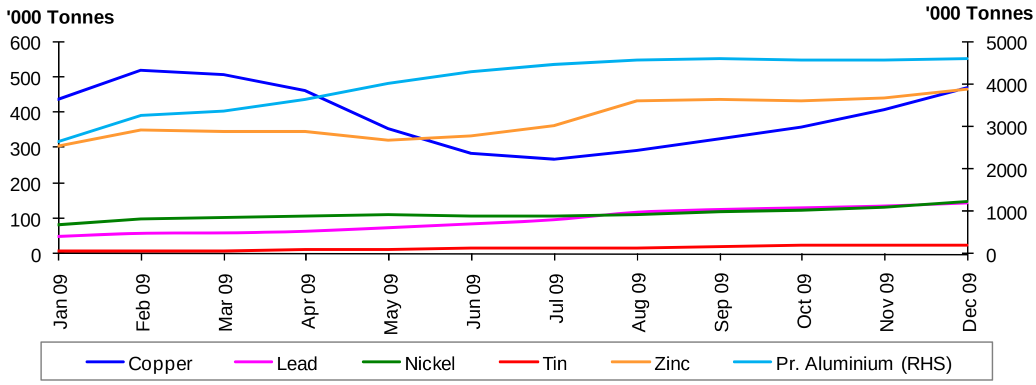
Zinc prices increased further in December by 8% m-o-m compared to 6% in

November. Nevertheless, in the wake of other base metals, fundamentals remain weak with a surplus expected in the last quarter of 2009 according to Brook Hunt. Prices also responded to relatively strong apparent demand in China and some supply constraints in the region due to bad weather.

The IMF food price index decelerated m-o-m in December as drops in major oil seeds and grains offset the price rise in some other items. The fall in major price crops was accelerated following the January US Department of Agriculture release of the World Agricultural Supply and Demand Estimates (WASDE) that was substantially bearish for corn, soybean and wheat.

Gold prices grew by only 1% m-o-m in December compared to 8% in November due to the rise in US bond yields and the US real interest rate.

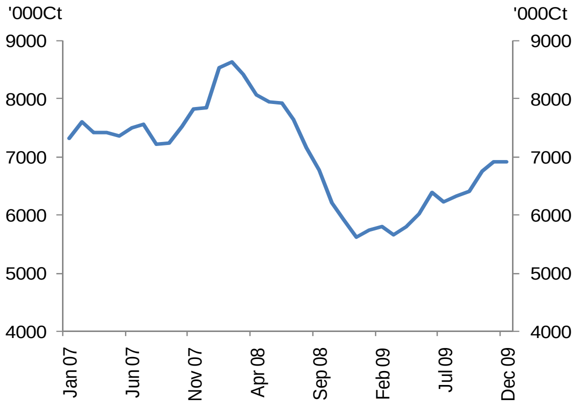
Graph 6: Inventories at the LME



Investment flow into commodities

The **open interest volume** (OIV) in major commodities (agriculture, copper, natural gas, WTI, livestock and precious metals) in the US declined slightly by **0.03%** m-o-m in December compared to **2.5**% the previous month to stand at **6,916,980** contracts. Precious metals, WTI and some agricultural commodities experienced major losses in OIV.

Graph 7: Total open interest volume



Source: CFTC

Table 4: CFTC data on non-commercial positions, '000 contracts

	Open interest	Swap positions Net length		Money positions Net length		Other positions Net length		Non-commercials Net length	
	Dec 09	Dec	% OIV	Dec	% OIV	Dec	% OIV	Dec	% OIV
Crude Oil	1198	154	13	112	9	-39	-3	227	19
Natural Gas	716	716	19	-113	-16	-38	-5	-14	-2
Agriculture	3571	789	22	630	18	53	1	1,471	41
Precious Metals	630	-104	-16	235	37	53	8	185	29
Copper	149	58	39	12	8	-1	-1	69	46
Livestock	477	146	31	61	13	-7	-1	200	42
Total	**6741**	**1,181**	**18**	**938**	**14**	**21**	**0**	**2,140**	**32**

	Open interest	Swap positions Net length		Money positions Net length		Other positions Net length		Non-commercials Net length	
	Nov 09	Nov	% OIV	Nov	% OIV	Nov	% OIV	Nov	% OIV
Crude Oil	1,215	114	9	138	11	-50	-4	202	17
Natural Gas	716	138	19	-140	-20	-20	-3	-22	-3
Agriculture	3,541	792	22	575	16	22	1	1,389	39
Precious Metals	657	-91	-14	249	38	36	6	195	30
Copper	147	52	36	11	8	-2	-1	61	42
Livestock	469	146	31	58	12	-25	-5	179	38
Total	**6,745**	**1,151**	**17**	**891**	**13**	**-38**	**-1**	**2,004**	**30**

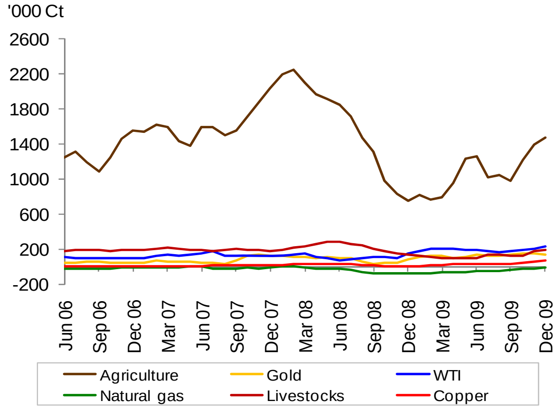
According to disaggregated CFTC data, non-commercial net length pace of growth slowed in December rising 6% compared to 13.4% the month before. A rise of 3.2% in non-commercial long positions in December combined with a milder 1.8% drop in shorts resulted in non-commercial net length as percentage of OIV to increase from 57.9% in November to 59.9% in December.

Money-managed positions in volume increased by 5.8% m-o-m in December compared to 11.9% m-o-m a month earlier.

Agricultural OIV increased by only 0.8% m-o-m to 3,571,122 contracts which compared unfavourably to a 3.7% rise in November. Losses in soybean oil, corn, cotton, wheat etc., counterbalanced the gains in other items such as soybean and sugar.

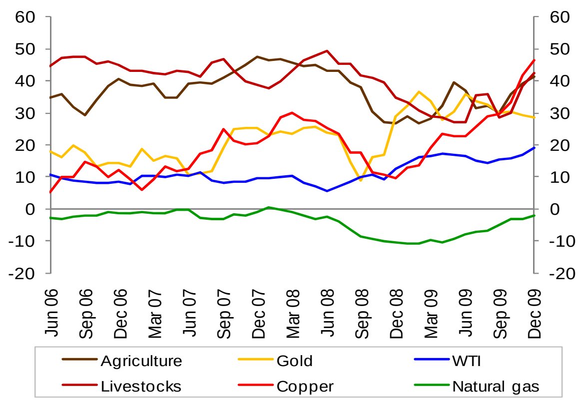
Non-commercial net length in agriculture increased 5.9% m-o-m to 1,471,391 contracts in December compared to a gain of 13.6% a month earlier. Longs went up 3.4% m-o-m in December while a drop of 2.9% in shorts caused the net length as percentage of OIV to stand at 41% in December up from 39.2% the previous month.

Graph 8: CFTC net length by commodity group



Source: CFTC

Graph 9: CFTC net length as % of open interest



Source: CFTC

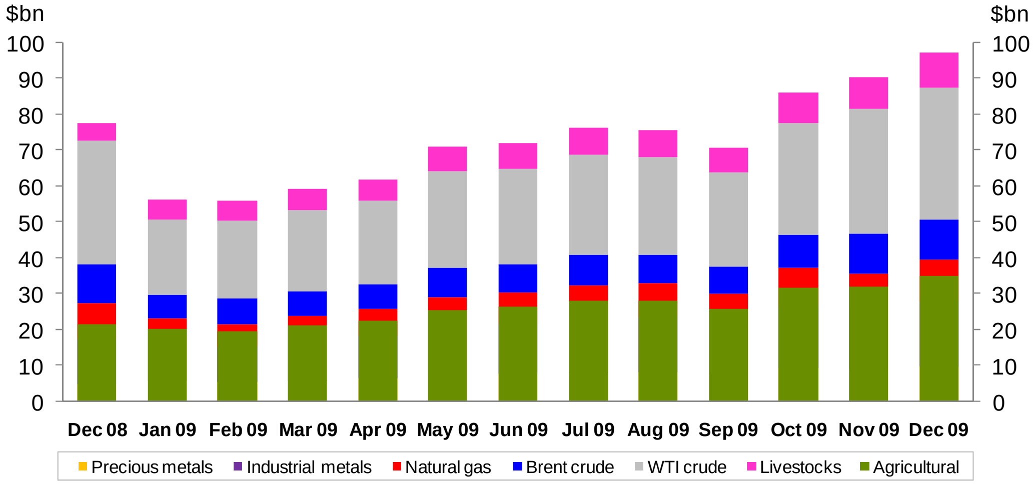
An increase in money positions for agriculture of 8.7% m-o-m was reported in December, compared to 15.5% m-o-m in November. A 1% drop took place in swaps in December.

Precious metals OIV saw a contraction of 4% m-o-m to 629,743 contracts in December. A 2% rise in non-commercial longs combined with a 11% growth in shorts led the non-commercial net length as percentage of OIV at 29.5% in December, down 1% from a month earlier.

Nymex natural gas futures OIV remained almost the same at 716,199 contracts in December compared to the previous month. A 4% decline in shorts amid a 1% drop in longs resulted in the net length as percentage of OIV at minus 2%.

Copper open interest volume rose only 1.3% m-o-m to 148,929 contracts following a 14.7% m-o-m gain the previous month. Non-commercial net length climbed 12.6% in December. A 3% decline in shorts and a 6% rise in longs put the net length as a percentage of OIV in 46.5% in December.

Graph 10: Inflow of investment into commodities



Source: CFTC

The dollar value of investment flow into commodities increased by 7.9% m-o-m in December 2009 for all subsectors of commodities. Investment accrued to natural gas in December due to higher prices linked to colder-than-expected temperatures.

Highlights of the World Economy

Economic growth rates 2009-2010,%							
	World	OECD	USA	Japan	Euro-zone	China	India
2009	-1.1	-3.4	-2.6	-5.3	-3.9	8.0	6.2
2010	3.1	1.4	1.9	1.1	-0.6	8.8	6.7

Industrialised countries

USA

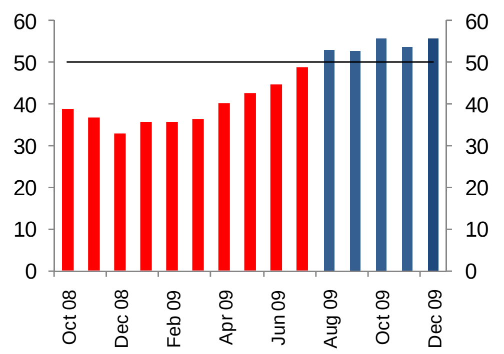
The US economy showed improvement supported by government policies, but unemployment continued high while retail sales weakened

The story-line for 2010 has not changed dramatically over the last four weeks. Economic growth in 2010 will still depend on government support following the massive stimulus that has already been provided by the US Administration over the course of 2009. This raises the question of the sustainability of growth if the government lifeline is removed. Amid the massive stimulus seen in the third quarter, households were the main contributors to GDP growth to the tune of almost 2 percentage points. This was the first quarter in almost three years that private consumption contributed significantly to GDP growth. While cheered by investors and triggering a jump in equities, this development needs to be put into perspective.

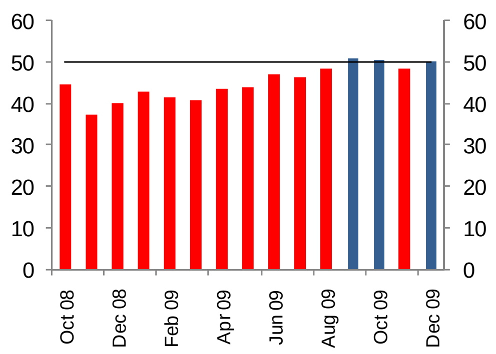
First, the initial announcement of the Bureau of Economic Analysis (BEA) for 3Q GDP growth has been revised down two times since October's first release. The first release was a solid number of 3.5% q-o-q at a seasonally adjusted annualised rate (saar). In November, a downward revision led to 2.8%, and in December the third revision indicated an estimate of only 2.2%, a relatively large reduction from the initial value. Within these same three months, equity markets rose by almost 9%, continuing their positive momentum and obviously incorporating some solid quarters going forward or ignoring the still weak underlying growth pattern.

Supported by incentive measures such as tax credits, car scrappage schemes and other stimulus policies, households had begun to spend again, as shown by solid retail numbers. However, this trend was interrupted in December as sales declined 0.3% m-o-m. This surprisingly weak result followed an upwardly revised number for November of 1.8% growth. The positive aspect is that at least on a yearly comparison the December numbers show growth of 5.4% and for the whole 4Q09 retail sales grew 5.2% on a y-o-y basis. The relative success of the stimulus measures might continue to support the economy and consumer spending in the coming months, but this remains far from certain.

Graph 11a: ISM Manufacturing Index



Graph 11b: ISM Non-Manufacturing Index



Source: Institute for Supply Management

The ISM indices have again improved reflecting the positive growth trend. The ISM manufacturing index rose to 55.9 in December, 2.3 Index-points above November, to a level usually associated with solid economic growth. But again, here the development is relatively volatile as the index had already reached a similar level in October (55.7). The non-manufacturing index which fell below the expansion threshold of 50 in November when it stood at 48.7, rose to just above the 50-level again in December. The volatility of the numbers can be observed as well in this most important sector. Furthermore, at a level of 50.1, it is still almost stagnant, while it accounts for almost 90% of US GDP. It remains to be seen if, in the coming months, the leading manufacturing sector can pull the service-sector significantly above the 50-level.

The unemployment rate in December remained unchanged at the high level of 10%, with 85,000 non-farm jobs shed. Given the weak employment market in an economy that is still dependent on the government-led stimulus and in which the housing market has again come under pressure, one has to be careful in judging the sustainability of this recovery as obvious challenges remain. Pending home sales, a leading indicator, declined for the first time in 10 months by 16% m-o-m in November.

It then seems even more surprising that despite all those challenges, the US equity market continues to experience relatively healthy growth. According to Gluskin Sheff and Associates, the S&P 500 index is currently pricing in 4.6% GDP growth for 2010, while the consensus view is currently at around 3%. Not only has the stock market risen significantly in 2009, it continued to do so in the first two weeks of January — up by more than 2% — and has moved above its recent trading range of between 1090 and 1130, a clear indication that the market is of the opinion that this positive momentum in economic growth might continue. At the same time, this renders equity markets very vulnerable. Any substantial negative news flow could lead to a sharp market correction.

Taking these challenges into consideration, the GDP forecast for 2010 was increased only slightly by 0.3 percentage points to 1.9% for 2010 but was adjusted to minus 2.6% for 2009, from minus 2.5% in the previous month, given the downward revision to 3Q09.

Japan

Fiscal stimulus, inventory restocking and exports supported the Japanese economy, but domestic demand remains weak

Japan is still facing many challenges and the slightly positive momentum that has been observed since 2Q09 is only expected to continue to a certain extent in 2010. The economy remains dependent on government support. In December, the Japanese government issued a large fiscal stimulus package. For the time being, the pillars of the current expansion remain this government's lifeline along with restocking of inventories and improving exports. There are currently not a lot of positive developments in the domestic economy and the near future is still relatively uncertain.

The unemployment rate has risen for the first time in the last four months. It moved to 5.2% in November, which is 0.1% higher than the previous month. The only bright spot is that the widely watched jobs-to-application ratio has increased for the third straight month to 0.45. New job-openings, being viewed as a leading indicator, rose by 0.3% m-o-m, but this positive trend is on the decline if one compares it to the increase of 1.1% in October and 3.6% in September. So it seems that companies are again getting more cautious about hiring and it is not expected that the employment situation will improve significantly in the near future.

Based on a still relatively high unemployment rate by Japanese standards, retail sales were correspondingly weak. Sales dropped 1.0% y-o-y in October, although these numbers are deflated by declining price levels in the retail sector in Japan. The consumer price index fell 2.5% y-o-y in October and continued to drop by 1.9% in November. However, on a m-o-m basis, prices increased somewhat by 0.2% in November, after declining in October by 0.9%. A key-element for private household consumption going forward will be the further development in prices, which continues to be one of the main issues for the Bank of Japan (BoJ). The BOJ called for an emergency meeting in December to announce a new short-term funding facility and underlined its commitment to fight deflation by announcing it would tolerate nothing but price growth.

Japanese industrial production increased by a healthy 2.6% m-o-m in November. Moreover, it is projected that the index will continue to rise in December and January by 3.4% and 1.3%, respectively. This reflects the sharp rebound in exports, positive policy measures and inventory restocking. However, this positive trend contrasts sharply with the latest November machinery orders data which recorded a drop of 11.3% m-o-m. Orders from manufacturing fell by 18.2% after 25.4% growth in October whereas non-manufacturing orders recorded a double-digit decline for a second consecutive month at minus 10.6% in November, after October's 17.3% decline. Manufacturing orders underpin the still relatively weak domestic economy and its continued high reliance on exports. External machinery orders, which are a leading indicator for capital goods exports, were down 7.3% m-o-m. However, export orders recorded their first y-o-y increase of 0.7% since June 2008.

The decline in exports on a y-o-y basis continues to show signs of improvement. Exports declined 6.2% y-o-y in November. This compares to minus 23.2% recorded in October. Exports to Asia turned positive for the first time in 14 months rising 4.7% y-o-y. This solid improvement in the export market is reflected in manufacturing PMI which stood at 53.8 in December.

All in all, the domestic economy continues to face many challenges. Taking the relatively weak domestic economic situation into consideration, the forecast was kept unchanged at a modest growth rate of 1.1% in 2010 following an estimated contraction of 5.3% in 2009.

Euro-zone

The Euro-zone economy still suffers from high unemployment, muted exports and sovereign debt issues within the region

Similar to the other major OECD economies the economic situation has not changed dramatically in the Euro-zone during the past month. The region emerged from recession in the second half of 2009 and appears to be making slow progress. However, there are several aspects that are challenging the sustainability of the current recovery.

To start with, the positive news is that the recovery in the 3Q has been confirmed with GDP rising 0.4% q-o-q, a figure unchanged from the previously announced readings. Compared to the downward revisions in 3Q09 both in the US and Japan, this can be viewed as a positive sign. However, on a y-o-y basis, the third quarter GDP was still 4.1% below year ago levels. The figure for Greece was revised down to show a 0.4% decline from a previously announced 0.3% q-o-q fall.

Euro-zone-wide GDP growth in 3Q09 reflects positive momentum, but it has to be put into perspective as 3Q09 GDP was strongly supported by measures that might be short-term in nature, like the car-scrappage schemes, labour programs etc., introduced in the second quarter. Looking into the future there is little reason for optimism.

Unemployment rates moved up to new levels. The Euro-zone unemployment rate stood at 10.0% in November, following 9.9% in October. Again, Spain takes the lead at 19.4%, although the figure represents the smallest percentage point increase over the last 7 months, so there is hope that these levels — supported by governmental employment programmes — might at least stabilize. Germany still seems to be relatively effective in fighting unemployment as the level remained at 7.6% for the third consecutive month. The former peak-level was recorded in August at a level of 7.7%, only slightly higher than the current level. Youth unemployment continues to be an area of big concern. It increased to 21.0% for the Euro-zone, led by Spain which recorded youth-unemployment at a level of 43.8%. This compares — on a yearly basis — with an already high number in November 2008 of 29.3%.

The weak labour markets have led to sluggish retail numbers in the Euro-zone. They were down 1.2% m-o-m in November. Sales have not managed to substantially turn around over the last 6 months and November's sharp decline marks the highest drop in over half a year. While in recent months, sales were around the 0%-level, this number is marking a significant deterioration. The seasonally-adjusted turnover for retail sales has now almost constantly declined over the last year to reach a level of minus 4% on a yearly base.

Inflation in December has turned positive at a level of 0.9% on a yearly basis, after a bout of deflation in September and October 2009. This can be seen as a positive development as long as price rises remain at around those low levels. The ECB will not be tempted to raise rates if inflation remains far below its target of around 2%. The ECB confirmed this view and a rate rise in the near future seems unlikely.

But the ECB continues to raise the issue of Greece's public finances. December inflation came in at 2.6% y-o-y in Greece, the highest level in the Euro-zone. Combined with the high sovereign debt-level, Greece's public finances might become an even more important issue going forward. Moreover, the European Commission has recently warned that budget numbers issued by the Greek government may be understating the country's debt woes, a worrying factor that may continue to weigh on the Euro.

The positive trend in industrial production that started in the 2Q09 is continuing. Euro-zone industrial production was up 1.0% m-o-m in November 2009, following a decline of 0.3% in October, the only negative number registered over the last six months. Meanwhile, exports have fared less positively. Seasonally-adjusted Euro-zone exports fell almost 0.4% m-o-m in November and their growth trend is deteriorating. In August they had risen by 4.5% m-o-m and in September they were recorded at minus 0.1% m-o-m.

Taking the above challenges into consideration, the forecast remained unchanged. GDP for 2010 is forecast to rise at a pace of 0.6% following an estimated decline of 3.9% last year.

Former Soviet Union

Inflation in Russia in 2010 is expected in around 7%, a record low

The Ministry for Economic Development of Russia forecasts 2010 inflation in the range of 6.5 – 7.5% (December estimates), while GDP will grow, under the Ministry's most likely moderate optimistic scenario by 3.1% this year if oil trades at $65/b. In addition, for the time being, the Russian budget includes an annual average crude price assumption of $58/b, while official GDP growth forecast is 1.6%. Before the financial crisis intensified last autumn, inflation was Russia's chief economic problem. During the 1990s, the country saw double- and even triple-digit price increases amid drastic economic changes and currency devaluation.

Russian Central Bank is expected to continue lowering interest rate

In an attempt to stimulate the country's weak economy, Russia's central bank announced another cut in interest rates and more gradual trims are expected in the coming months. The most recent cut took the benchmark refinancing rate to 8.75% from 9.00%. The minimum one-day repo rate will be cut to 6.00% from 6.25%. Lower inflation last year has allowed the central bank to cut the refinancing rate by 4.25 percentage points to a current record low of 8.75% to stimulate lending and stem the appreciation of the ruble. The central bank has said that rate cuts will continue into this year as long as inflation remains under control. It has also kept prices from rising on key consumer goods, averting the social unrest feared at the start of the crisis.

Developing Countries

Reserve ratio in China was lifted by the Central Bank to 16%

China's central bank lifted the ratio of reserves that banks must set aside by half a percentage point earlier in the month. The move, which will boost the reserve ratio for most commercial banks to 16%, is estimated to drain 200 billion yuan to 300 billion yuan from the banking system. Chinese banks extended 379.8 billion yuan ($55.6 billion) of loans in December, bringing total loan growth for the year to 9.6 trillion yuan. That represents a rise of 95.3% from a year earlier, according to the People's Bank of China. Money supply as measured by M2 was up 27.7% in December, easing slightly from November's 29.7% rise. China's foreign-exchange stockpile climbed to $2.4 trillion at the end of December 2009, up $126.4 billion from the end of the third quarter. The bank-lending figures indicate that for the six months through December, lending grew at a slower pace compared to the first half of the year. Also, China's exports were particularly strong in December 2009, rising 17.7% after 13 months of annual declines. If the GDP growth in the last quarter proves to be stronger than expected, Beijing could move even more aggressively to manage inflation.

Rising inflation in India might force end to stimulus

Between September 2008 and April 2009, the government of India injected fiscal and monetary stimuli worth more than 12% of gross domestic product, helping Asia's third-largest economy to grow 7.9% in the three months ending September 2009, the fastest pace in one-and-a-half years. Wholesale prices rose faster in more than a year, strengthening the case for the central bank to withdraw monetary stimulus. The benchmark wholesale-price index climbed 7.31% in December from a year earlier, following a 4.78% gain in November, according to the Commerce Ministry. Industrial production increased 11.7% in November, the fastest pace of growth in more than two years.

OPEC Member Countries

Saudi Arabia expected to return to growth in 2010

The recovery in Saudi Arabia's economy this year is expected to follow a gradual and steady track. After a difficult 2009, economic growth could accelerate while inflation remains at manageable, albeit historically high levels. Expansion of the private sector is set to take a turn for the better along with credit expansion at Saudi banks. The government is expected to continue playing a major stimulatory role through the public spending programmes, which will assist the national economy. This is a feasible option given the low levels of government debt. A higher oil price environment could enable Saudi Arabia to experience comfortable budget and current account surpluses.

Public sector in Ecuador is a key contributor to recovery in 2010

Ecuador's unemployment rate stood at 7.9% in December according to the government. Public spending has limited the figure from further rising. Public sector investments will be key to economic growth because it will boost the construction activities and help the housing sector. Inflation in the country is expected to reach 3.5% this year, after 3.1% in 2009. The government expects to receive external financing of about $2.18 bn and to raise domestic financing of $1.9 bn in 2010.

Oil prices, the US dollar and inflation

The US dollar strengthened against all major currencies due to positive US economic indicators

After having weakened since March 2009, the US dollar started to gather strength again in December and rose against all four major currencies in the basket. On an average monthly basis, the US currency rose 2% against the euro and pound sterling, 1.5% vis-à-vis the Swiss-franc and 0.3% versus the Japanese yen.

The US dollar averaged $1.4618/€ over the whole month of December. It had already reached $1.5120 at the beginning of December – its weakest level since August 2008 – but made a sharp reversal of almost 5% to close at $1.4406/€ at the end of the month. This appreciation was mostly due to the positive economic indicators in contrast to relatively weaker data from the Euro-zone and Japan. The rise in the US dollar took off following the surprisingly positive employment report on 4 December.

In December, the OPEC Reference Basket declined by $2.28/b or 3.0% to $74.01/b from $76.29/b in November. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price fell by 77¢/b or 1.6% to $46.10/b from $46.87/b. The dollar rose by 1.2%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation was negative with prices falling 0.2%.*

* *The 'modified Geneva I+US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

World Oil Demand

The world financial crisis negatively affected oil demand in 2009, leading to a contraction of 1.4 mb/d or 1.6%

World oil demand in 2009

A cold winter, improved economic activity and a low base in the previous year pushed up December oil demand, mainly in North America. December was cold in most of the northern hemisphere, which positively affected heating and fuel oil consumption. Improved demand in China, India and the US pulled world oil demand from out of the red to show growth of 0.9% or 0.76 mb/d in December. Most OECD December oil demand growth was in heating and fuel oil. Resulting from improved US consumption, OECD December oil demand narrowed losses to only 0.3%.

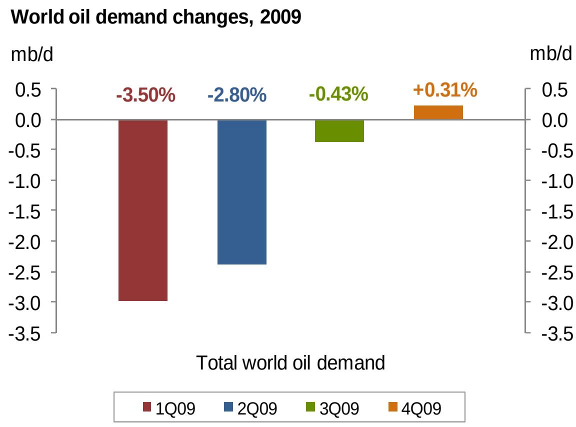


Table 5: World oil demand forecast for 2009, mb/d

							Change 2009/08	
	2008	**1Q09**	**2Q09**	**3Q09**	**4Q09**	**2009**	**Volume**	**%**
North America	24.17	23.52	22.92	23.27	23.43	23.28	-0.89	-3.67
Western Europe	15.33	14.91	14.23	14.79	14.95	14.72	-0.61	-3.96
OECD Pacific	8.07	8.14	7.30	7.33	7.88	7.66	-0.40	-5.02
Total OECD	**47.56**	**46.57**	**44.45**	**45.39**	**46.26**	**45.66**	**-1.90**	**-3.99**
Other Asia	9.39	9.41	9.73	9.50	9.71	9.59	0.20	2.15
Latin America	5.80	5.61	5.82	6.01	5.95	5.85	0.04	0.77
Middle East	6.89	6.96	7.07	7.30	7.03	7.09	0.19	2.81
Africa	3.18	3.26	3.23	3.16	3.27	3.23	0.04	1.38
Total DCs	**25.27**	**25.24**	**25.85**	**25.96**	**25.95**	**25.75**	**0.48**	**1.92**
FSU	4.11	3.82	3.70	4.14	4.18	3.96	-0.15	-3.54
Other Europe	0.79	0.77	0.73	0.77	0.76	0.76	-0.03	-4.18
China	7.97	7.61	8.38	8.56	8.20	8.19	0.22	2.73
Total "Other Regions"	**12.87**	**12.20**	**12.82**	**13.46**	**13.14**	**12.91**	**0.04**	**0.31**
Total world	**85.70**	**84.00**	**83.12**	**84.81**	**85.36**	**84.33**	**-1.38**	**-1.61**
Previous estimate	85.70	84.02	83.11	84.76	85.33	84.31	-1.39	-1.62
Revision	0.00	-0.01	0.00	0.05	0.03	0.02	0.02	0.02

Totals may not add due to independent rounding.

Table 6: First and second quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				**Change 2009/08**	
	1Q08	**1Q09**	**Volume**	**%**	**2Q08**	**2Q09**	**Volume**	**%**
North America	24.77	23.52	-1.25	-5.05	24.42	22.92	-1.51	-6.17
Western Europe	15.32	14.91	-0.41	-2.69	15.06	14.23	-0.83	-5.50
OECD Pacific	8.91	8.14	-0.77	-8.60	7.86	7.30	-0.56	-7.16
Total OECD	**49.00**	**46.57**	**-2.43**	**-4.96**	**47.34**	**44.45**	**-2.90**	**-6.12**
Other Asia	9.49	9.41	-0.08	-0.85	9.55	9.73	0.18	1.86
Latin America	5.60	5.61	0.01	0.12	5.84	5.82	-0.02	-0.34
Middle East	6.77	6.96	0.19	2.84	6.87	7.07	0.20	2.96
Africa	3.22	3.26	0.04	1.13	3.18	3.23	0.04	1.36
Total DCs	**25.08**	**25.24**	**0.15**	**0.62**	**25.45**	**25.85**	**0.40**	**1.59**
FSU	4.17	3.82	-0.35	-8.49	3.79	3.70	-0.09	-2.27
Other Europe	0.83	0.77	-0.06	-6.98	0.76	0.73	-0.03	-3.68
China	7.97	7.61	-0.37	-4.58	8.17	8.38	0.22	2.67
Total "Other Regions"	**12.98**	**12.20**	**-0.78**	**-5.99**	**12.72**	**12.82**	**0.10**	**0.82**
Total world	**87.06**	**84.00**	**-3.05**	**-3.51**	**85.50**	**83.12**	**-2.39**	**-2.79**

Totals may not add due to independent rounding.

Table 7: Third and fourth quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				Change 2009/08	
	3Q08	3Q09	Volume	%	4Q08	4Q09	Volume	%
North America	23.57	23.27	-0.31	-1.29	23.93	23.43	-0.50	-2.09
Western Europe	15.52	14.79	-0.72	-4.67	15.41	14.95	-0.47	-3.02
OECD Pacific	7.54	7.33	-0.21	-2.73	7.97	7.88	-0.09	-1.18
Total OECD	**46.63**	**45.39**	**-1.24**	**-2.65**	**47.32**	**46.26**	**-1.06**	**-2.24**
Other Asia	9.27	9.50	0.23	2.46	9.23	9.71	0.48	5.14
Latin America	5.97	6.01	0.04	0.75	5.80	5.95	0.15	2.52
Middle East	7.09	7.30	0.21	2.96	6.86	7.03	0.17	2.48
Africa	3.11	3.16	0.04	1.35	3.21	3.27	0.05	1.68
Total DCs	**25.44**	**25.96**	**0.53**	**2.06**	**25.11**	**25.95**	**0.85**	**3.37**
FSU	4.22	4.14	-0.09	-2.01	4.24	4.18	-0.06	-1.41
Other Europe	0.79	0.77	-0.03	-3.40	0.78	0.76	-0.02	-2.56
China	8.10	8.56	0.45	5.58	7.65	8.20	0.56	7.26
Total "Other Regions"	**13.12**	**13.46**	**0.34**	**2.59**	**12.67**	**13.14**	**0.48**	**3.75**
Total world	**85.18**	**84.81**	**-0.37**	**-0.43**	**85.10**	**85.36**	**0.26**	**0.31**

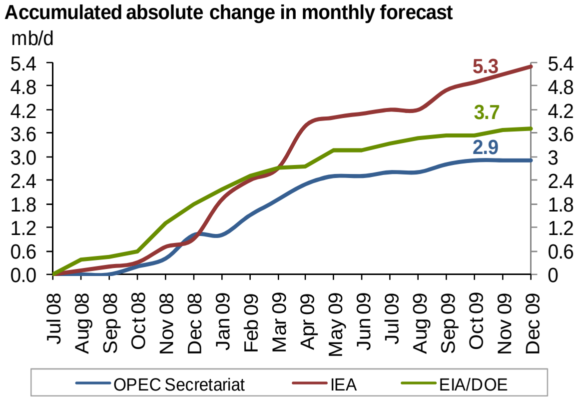
Totals may not add due to independent rounding.

The world financial crisis negatively affected 2009 oil demand, resulting in a decline of 1.4 mb/d or 1.6 %. Nevertheless, the world managed to consume more oil in the second half of the year with 0.25% growth in the fourth quarter. As a result of the financial turmoil, the quarterly distribution and seasonality of the growth in world oil demand deviates significantly from the historical pattern in which the maximal growth typically occurs during the first and fourth quarters.

Forecasting Review

The world financial crisis took everyone by surprise and made it difficult to forecast not only its impact on the world economy but also the impact on world oil demand as well. Most of the forecasters went to the extreme in forecasting world oil demand; however, they carried out major revisions later on when the picture became clearer. The IEA and EIA forecast painted a very dim picture with world oil demand contracting by minus 2.6 mb/d and minus 1.8 mb/d for the year. OPEC forecast world oil demand to decline by minus 1.7 mb/d. In total, the accumulative monthly absolute change forecast by the IEA and EIA stands at 5.3 mb/d and 3.7 mb/d, while OPEC's total revision was 2.9 mb/d.

World oil demand in 2009
Accumulated absolute change in monthly forecast



Comparison of forecasting changes: World oil demand in 2009, y-o-y growth

mb/d	Initial Forecast	Lowest Forecast	Report January 2010	Accumulated
OPEC	0.9	-1.7 (July 2009)	-1.4	2.9
EIA	1.4	-1.8 (May 2009)	-1.7	3.7
IEA	0.8	-2.6 (May 2009)	-1.3	5.3

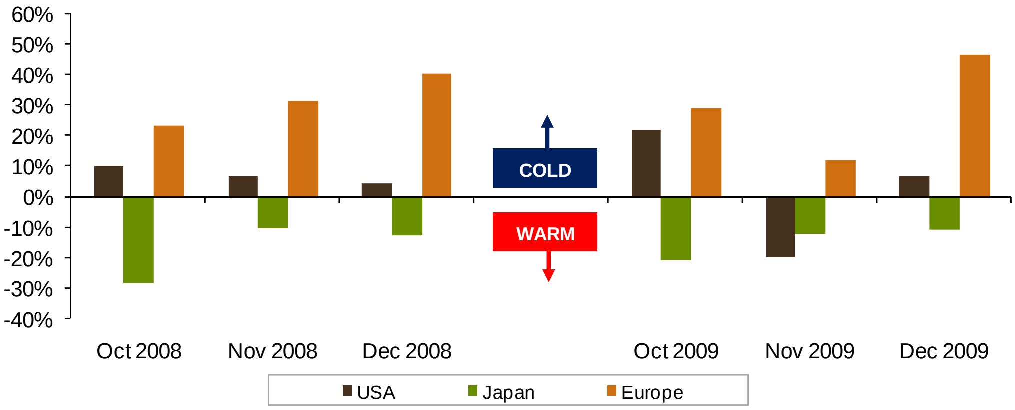
OECD – North America

North America forecast to decline by 0.9 mb/d in 2009

Cold weather along with improved economic activities pushed US oil demand to reduce the loss in December to an almost flat level. December data indicated that strong heating and fuel oil consumption put the whole month's y-o-y demand at a flat rate. Transportation fuel showed minor growth as well. Given the holiday season, gasoline continued its previous month's trend showing growth of 0.4% in December. US oil demand is highly affected by the country's economic situation. Should the economy continue its recovery, then oil demand should quickly follow suit. December oil demand only showed a contraction of minus 0.03 mb/d y-o-y. Most of the petroleum products either reduced their losses or even experienced growth. Bad weather slightly affected driving; consequently, it shaved monthly gasoline growth to half.

As a result of the financial crisis, US oil demand plunged in the first half and then shrunk its loss in the second half to settle at minus 0.8 mb/d for the whole year. Low driving mileage affected gasoline consumption in the first three quarters; however, it moved to the positive side in the second half of the year.

Graph 12: Heating Degree Days, % of Normal



Furthermore, cold weather affected oil demand in Canada. Canada oil demand was flat in November; however, early data points to minor y-o-y growth in December. The majority of the growth was in gasoline and winter products.

North America oil demand is forecast to decline by 0.9 mb/d in 2009 to average 23.3 mb/d.

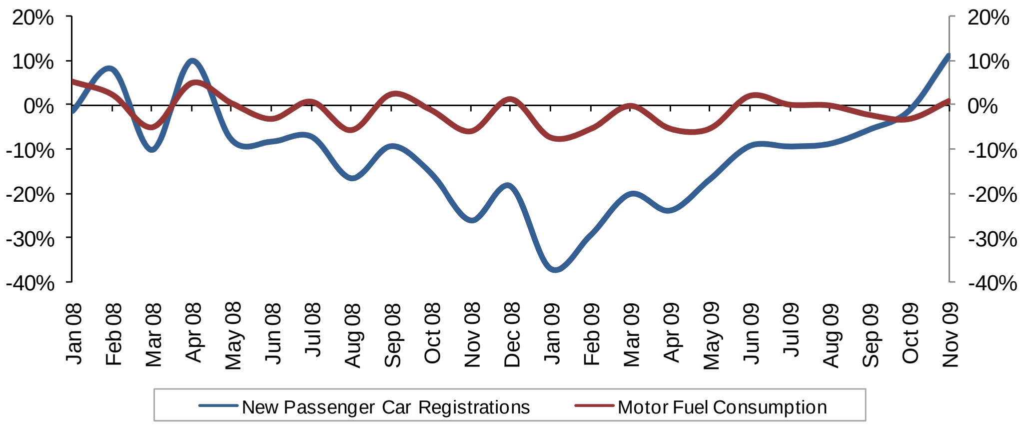
OECD - Europe

OECD Europe oil demand forecast to decline by 0.6 mb/d in 2009

In anticipation of the expiration of most government financial incentives, Western Europe registered more than 1,100,000 new passenger cars in November 2009; that is 31% more than in the same month a year earlier, according to *European Automobile Manufacturer's Association (ACEA).* The main bulk of the increase was registered in the European Big Four consumers: Germany (20%), France (48%), Italy (31%) and the UK (58%). On average, the West-European market remained relatively stable during the first eleven months of the year, showing only a marginal decline 1% over the same period the year before. The trends observed recently, and especially the outcome of the financial turmoil during 2008, continued with the average car size/power ratio, along with SUVs and diesel-powered cars, on the decline. The auto industry will be forced to adapt in 2010 without any financial state support.

This recent increase in new car sales did not push for more gasoline usage across OECD Europe.

Graph 13: European New Passenger Car Registrations & Motor Fuel Consumption, y-o-y %changes



The European Big Four (Germany, France, Italy, and the UK) account for the majority of the decline in Europe's oil consumption in 2009. The contraction in the Big Four oil demand represents 50% of the total decline in the region. The largest loss is associated with Germany, the largest oil consuming country in Europe. Germany's oil demand is forecast to show a decline of 115 tb/d in 2009. Italian oil demand is forecast to decline by 5% in 2009. Most of the decline is associated with waning economic activity.

OECD Europe's fourth quarter oil demand decline shrunk and is estimated at 60% of the third quarter loss. This improved performance is related to weather and the slight improvement in economic activity. Oil demand for the region in the fourth quarter is forecast to be at minus 0.46 mb/d. OECD Europe oil demand is forecast to decline by 0.6 mb/d in 2009 to average 14.7 mb/d.

Table 8: Italian Oil Consumption (tb/d)

	Nov 09	Nov 08	Change to Nov 08	Change to Nov 08 (%)
LPG	104	99	5	5.5
Gasoline	224	233	-8	-3.6
Jet Fuel	74	71	3	3.6
Diesel Oil	625	620	5	0.8
Fuel Oil	264	327	-63	-19.2
Other Products	172	185	-13	-6.8
Total Oil	**1,464**	**1,534**	**-70**	**-4.6**

OECD - Pacific

OECD Pacific oil demand forecast to decline by 0.4 mb/d in 2009

Japan oil demand is continuing its negative trend. November oil demand dipped 5.5% y-o-y and the same is expected for December. Winters are mild in the Pacific in December, which has led to a decline in heating fuel usage of 35 tb/d in December, y-o-y. On the other hand, South Korea is consuming more oil than in the previous year. Recovery in economic activity has led to strong consumption in almost all products. Transportation fuel has been growing since last June. Furthermore, the country's recovering industrial production resulted in an increase in the use of petroleum products by 9.5% in October and by 5% in both November and December. South Korea's oil demand recovered very quickly as opposed to other OECD countries. In fact, South Korea is the only major OECD country that has seen higher oil demand in 2009. The country's oil demand is forecast to grow by 3.2% in 2009. Gasoline alone is forecast to grow by 8.3% in 2009.

As a result of better-than-expected oil demand in South Korea, OECD Pacific fourth quarter oil demand was revised up by 0.05 mb/d. OECD Pacific oil demand is forecast to decline by 0.4 mb/d in 2009 to average 7.7 mb/d.

Developing Countries

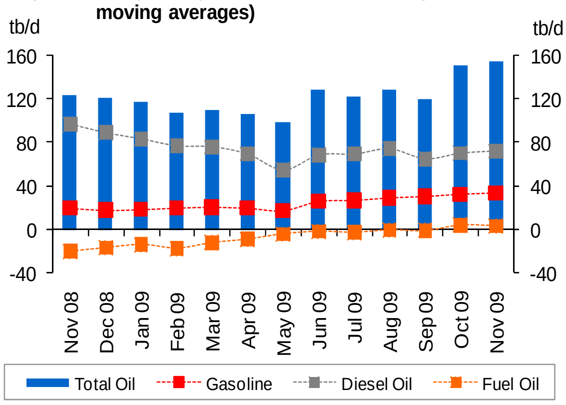
Demand in the Developing Countries to grow at 0.5 mb/d in 2009

Other Asia economy has been on a strong and rapid recovery across the continent, estimated at 2.7% growth. India led the region with 6.2% GDP growth; consequently, the region's oil demand is forecast to consume 200 tb/d more in 2009 than in the previous year. Taiwan and other major countries within Asia used more oil in the fourth quarter; hence, the region's fourth quarter oil demand was revised up by 150 tb/d to show growth of 475 tb/d y-o-y. This growth is almost twice as much as in the third quarter.

India forecast to grow by 0.15 mb/d in 2009

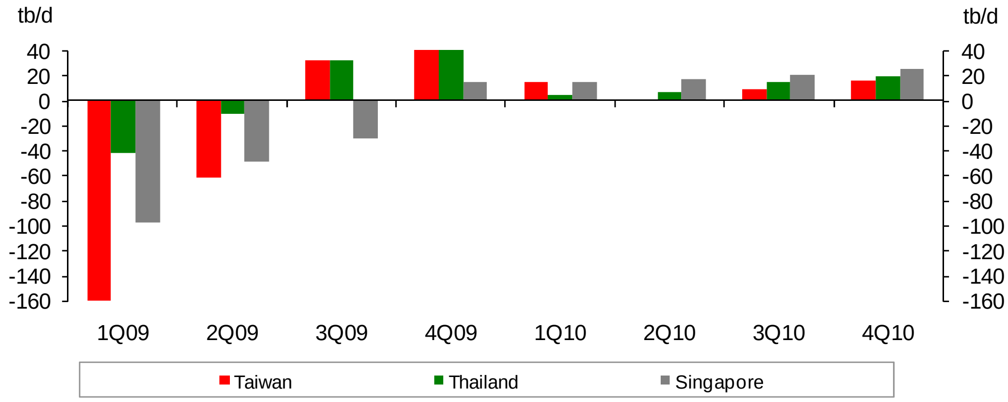
India's November oil demand grew by a considerable 4.7% y-o-y. The country's strong growth in new vehicle registration along with an increase in mileage driven led to a substantial increase in gasoline demand, which reached 11.1% in November y-o-y. The industrial and agricultural sectors demanded more diesel usage, bringing about an extra 56 tb/d in the Indian diesel consumption. Unexpectedly, use of alternative fuel led to a 7% decline in India's fuel oil usage in November.

Graph 14: Yearly changes in Indian oil demand (12 month moving averages)



Given the healthy Indian economy, the country's oil demand is forecast to grow by 0.15 mb/d y-o-y in 2009 to average 3.0 mb/d.

Graph 15: Oil consumption in selected Asian countries, y-o-y growth



Graph 16: Changes in Indian oil demand, y-o-y

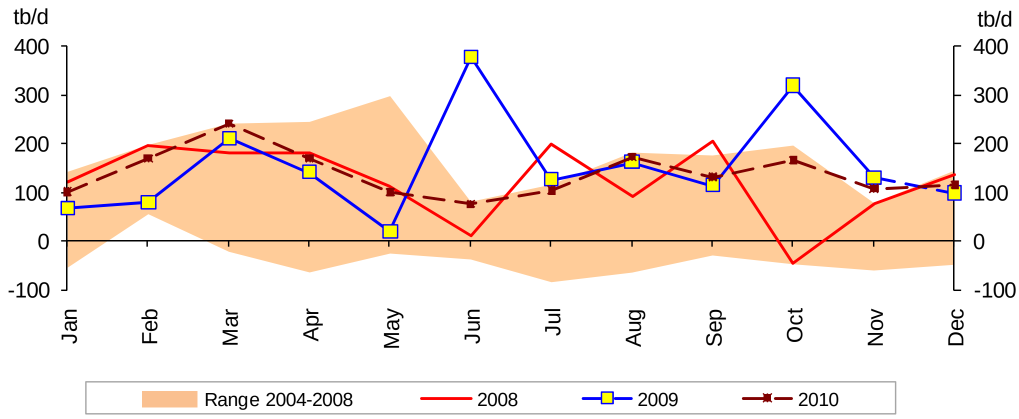


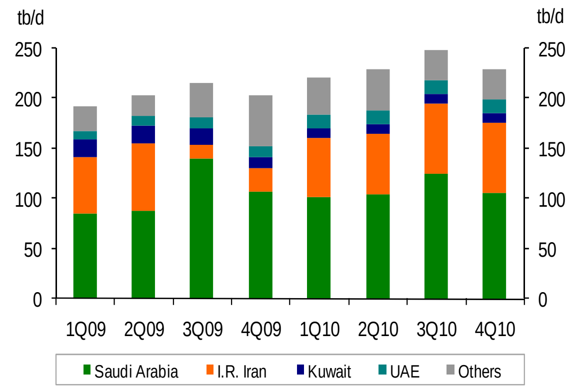
Table 9: Taiwan oil demand, tb/d

	Oct 09	Oct 08	Change from Oct 08	Change from Oct 08 (%)
LPG	89	57	32	36.2
Gasoline	174	150	24	13.9
Jet/Kerosene	43	39	5	10.6
Gas/Diesel Oil	96	106	-10	-10.9
Fuel Oil	146	153	-7	-4.8
Other Products	440	295	145	33.0
Total	**989**	**800**	**189**	**19.1**

Source: JODI

Slowing oil demand in certain countries within the Middle East put pressure on the region's total oil demand. Hence, Middle East oil demand was revised down by a minor 30 tb/d in 2009.

Graph 17: Yearly oil demand growth in the Middle East



In spite of the 2% downward decline in the Brazilian economy, the country's oil demand is forecast to grow slightly in 2009. Brazilian November gasoline and diesel demand grew by 6% and 7% respectively.

As a consequence of strong Asian oil demand, oil demand in the Developing Countries is forecast to grow by 0.5 mb/d in 2009 to average 25.8 mb/d.

Graph 18: Yearly oil demand growth in Latin America

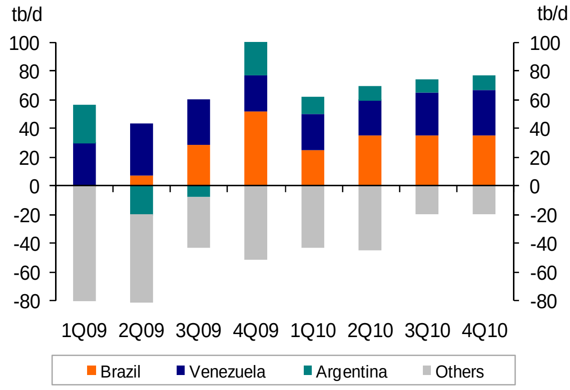


Table 10: Ecuadorian oil demand, tb/d

	Dec 09	Dec 08	Change from Dec 08	Change from Dec 08 (%)
LPG	29	31	-2	-6.9
Gasoline	44	40	4	9.1
Jet/Kerosene	8	8	0	0.0
Gas/Diesel Oil	87	69	18	20.7
Fuel Oil	30	24	6	20.0
Other Products	24	12	12	50.0
Total	**222**	**184**	**38**	**17.1**

Source: JODI

Other regions

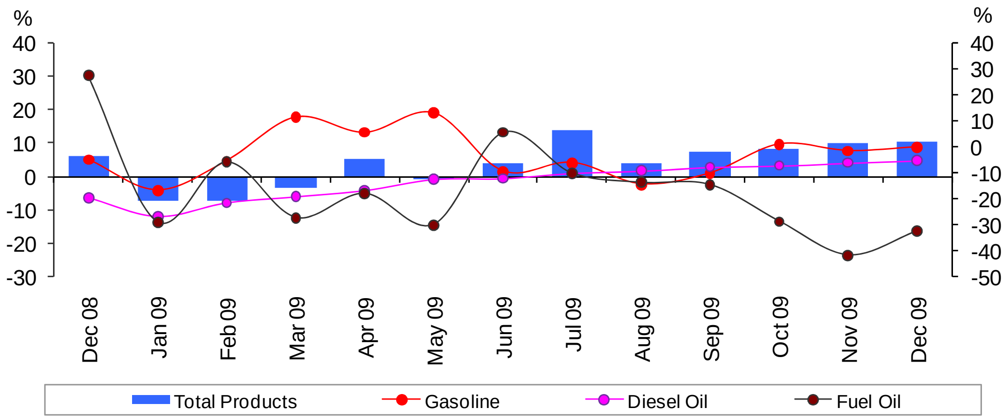
Chinese oil demand continued its rally, hitting 7.4% growth excluding oil that is used for stocking. This is 1% lower than last October's growth; however, it is the third consecutive month with growth above 7%. This occurred because not only did economic activity show a strong performance but also the base for fourth quarter oil demand was low due to the plunge in oil demand in the fourth quarter of 2008. China's stimulus plan has kept the transport sector growing even during the peak of the financial crisis. Double-digit new car registrations pushed up transport fuel usage. Chinese highway driving has been growing this year. Total passenger kilometers on the highways grew by 9% in November y-o-y. China's apparent oil demand, which includes stocking oil, has grown strongly for the past three months resulting from healthy imports.

Chinese fourth quarter apparent oil demand growth forecast at 0.55 mb/d

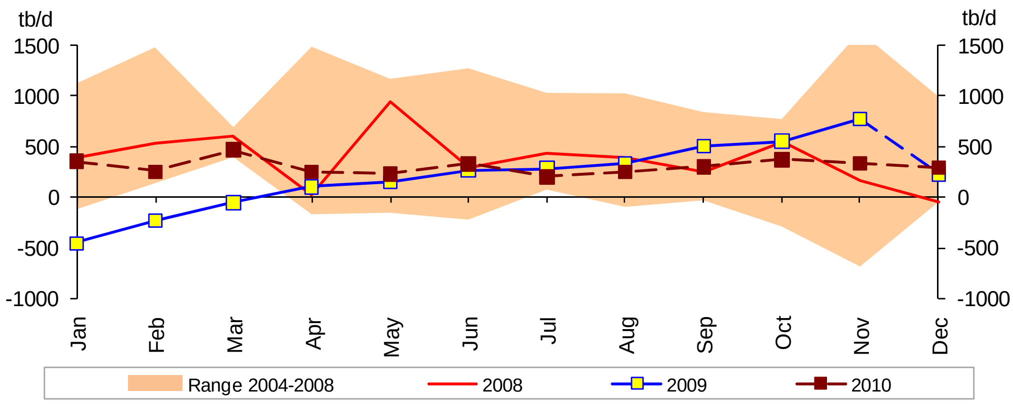
Despite the downturn in the world economy, China's power generation's new expansion reached 90 GW in 2009. Furthermore, the country's power consumption rose by an average of 5% in 2009. Nevertheless, as a result of new capacity expansion, power generation utilization rate dropped by 2.5%. The new capacity expansion was fueled by various kinds of energy, dominated by coal.

Chinese fourth quarter apparent oil demand is exceeding all expectations. Taking into consideration the buildup of strategic oil storage, Chinese fourth quarter apparent oil demand growth is forecast at 0.55 mb/d y-o-y, averaging 8.2 mb/d.

Graph 19: Changes in Chinese main oil products apparent consumption, y-o-y



Graph 20: Changes in Chinese apparent oil demand, y-o-y



World oil demand in 2010

World oil demand growth forecast for 2010 unchanged at 0.8 mb/d

The world economic outlook gives a semi-rosy picture for the year 2010 following two years of devastating financial crisis. World GDP is forecast to be in the black by 3.1% with changes in all world regions. Low manufacturing production negatively affected the region's industrial fuel consumption resulting in a decline of 1.5 mb/d in OECD demand in 2009.

The expected economic recovery is forecast to reduce the loss in the OECD oil demand to only 0.12 mb/d y-o-y in 2010. Most of the recovery is anticipated in the US. The US, which consumes less than one fourth of the total oil consumed worldwide, is a key country to world oil demand changes.

Furthermore, non-OECD countries are forecast to experience some recovery in all economic activities leading to smooth growth in oil demand estimated at 1.0 mb/d. Cold weather is affecting the northern hemisphere which has led to additional demand for winter petroleum products.

In 2010, OECD oil demand is forecast to bounce back, reducing its decline by 93%. Most of the recovery will be attributed to the US; nevertheless, an improvement is forecast in all OECD regions.

World oil demand is forecast to grow by 0.8 mb/d to average 85.1 mb/d, representing no major change from last month.

Table 11: World oil demand forecast for 2010, mb/d

							Change 2010/09	
	2009	1Q10	2Q10	3Q10	4Q10	2010	Volume	%
North America	23.28	23.67	23.12	23.54	23.73	23.51	0.23	0.99
Western Europe	14.72	14.56	14.05	14.63	14.83	14.52	-0.20	-1.37
OECD Pacific	7.66	8.01	7.11	7.16	7.76	7.51	-0.15	-2.01
Total OECD	**45.66**	**46.23**	**44.27**	**45.33**	**46.33**	**45.54**	**-0.13**	**-0.28**
Other Asia	9.59	9.63	9.87	9.71	9.90	9.78	0.19	1.98
Latin America	5.85	5.67	5.89	6.10	6.04	5.93	0.08	1.34
Middle East	7.09	7.18	7.30	7.52	7.26	7.32	0.23	3.24
Africa	3.23	3.31	3.29	3.22	3.31	3.28	0.05	1.67
Total DCs	**25.75**	**25.79**	**26.35**	**26.55**	**26.51**	**26.30**	**0.55**	**2.14**
FSU	3.96	3.85	3.72	4.17	4.22	3.99	0.03	0.77
Other Europe	0.76	0.75	0.73	0.77	0.78	0.76	0.00	0.02
China	8.19	8.08	8.69	8.91	8.54	8.56	0.37	4.50
Total "Other Regions"	**12.91**	**12.69**	**13.14**	**13.85**	**13.54**	**13.31**	**0.40**	**3.09**
Total world	**84.33**	**84.71**	**83.75**	**85.73**	**86.38**	**85.15**	**0.82**	**0.98**
Previous estimate	84.31	84.72	83.75	85.69	86.36	85.13	0.82	0.98
Revision	0.02	-0.01	0.01	0.05	0.03	0.02	0.00	0.00

Totals may not add due to independent rounding.

Table 12: First and second quarter world oil demand comparison for 2010, mb/d

			Change 2010/09				Change 2010/09	
	1Q09	1Q10	Volume	%	2Q09	2Q10	Volume	%
North America	23.52	23.67	0.15	0.62	22.92	23.12	0.20	0.87
Western Europe	14.91	14.56	-0.35	-2.35	14.23	14.05	-0.18	-1.29
OECD Pacific	8.14	8.01	-0.14	-1.67	7.30	7.11	-0.19	-2.62
Total OECD	**46.57**	**46.23**	**-0.34**	**-0.73**	**44.45**	**44.27**	**-0.17**	**-0.39**
Other Asia	9.41	9.63	0.21	2.27	9.73	9.87	0.14	1.46
Latin America	5.61	5.67	0.07	1.16	5.82	5.89	0.07	1.12
Middle East	6.96	7.18	0.23	3.24	7.07	7.30	0.23	3.26
Africa	3.26	3.31	0.05	1.50	3.23	3.29	0.06	1.83
Total DCs	**25.24**	**25.79**	**0.55**	**2.19**	**25.85**	**26.35**	**0.50**	**1.92**
FSU	3.82	3.85	0.03	0.89	3.70	3.72	0.02	0.51
Other Europe	0.77	0.75	-0.02	-2.59	0.73	0.73	-0.01	-0.68
China	7.61	8.08	0.48	6.24	8.38	8.69	0.30	3.61
Total "Other Regions"	**12.20**	**12.69**	**0.49**	**4.01**	**12.82**	**13.14**	**0.32**	**2.47**
Total world	**84.00**	**84.71**	**0.70**	**0.84**	**83.12**	**83.75**	**0.64**	**0.77**

Totals may not add due to independent rounding.

Table 13: Third and fourth quarter world oil demand comparison for 2010, mb/d

			Change 2010/09				Change 2010/09	
	3Q09	3Q10	Volume	%	4Q09	4Q10	Volume	%
North America	23.27	23.54	0.27	1.17	23.43	23.73	0.30	1.28
Western Europe	14.79	14.63	-0.16	-1.08	14.95	14.83	-0.12	-0.80
OECD Pacific	7.33	7.16	-0.17	-2.37	7.88	7.76	-0.11	-1.45
Total OECD	**45.39**	**45.33**	**-0.06**	**-0.13**	**46.26**	**46.33**	**0.07**	**0.14**
Other Asia	9.50	9.71	0.22	2.27	9.71	9.90	0.19	1.94
Latin America	6.01	6.10	0.09	1.50	5.95	6.04	0.09	1.55
Middle East	7.30	7.52	0.23	3.12	7.03	7.26	0.23	3.33
Africa	3.16	3.22	0.06	1.93	3.27	3.31	0.05	1.41
Total DCs	**25.96**	**26.55**	**0.59**	**2.29**	**25.95**	**26.51**	**0.56**	**2.16**
FSU	4.14	4.17	0.03	0.75	4.18	4.22	0.04	0.91
Other Europe	0.77	0.77	0.01	0.65	0.76	0.78	0.02	2.62
China	8.56	8.91	0.36	4.15	8.20	8.54	0.34	4.18
Total "Other Regions"	**13.46**	**13.85**	**0.39**	**2.91**	**13.14**	**13.54**	**0.40**	**3.05**
Total world	**84.81**	**85.73**	**0.93**	**1.09**	**85.36**	**86.38**	**1.03**	**1.20**

Totals may not add due to independent rounding.

OECD

OECD oil demand forecast to contract by 0.3% in 2010

Freezing weather in the US put pressure on heating and fuel oil for the month of January. Most of the country experienced colder-than-normal weather which halted movements and affected gasoline demand. This cold weather does not apply to the US alone but to most of the OECD regions as well. Europe and the Pacific also experienced a colder-than-normal winter in January. It is forecast that the demand for winter fuels will be higher; however this is not expected to push up total oil consumption as other products are expected to slide. Although the first quarter showed minor growth in US oil demand, the down risk is high. The country's economy is still in shock, industrial production is low, new car registration is below normal, despite the stimulus plan — and the same could be said for the rest of the OECD as well.

US weekly data showed a massive drop in oil demand in the first week of January and a strong buildup in oil stocks. Although the US is much colder in January, which led to consumption of an extra of 0.1 mb/d of heating oil, usage of petroleum products is not expected to exceed the forecast.

Should this trend continue, then total OECD oil demand forecast might fall short of initial estimates. Should US oil demand fall on the negative side in the first quarter, then the expected growth in world oil demand might be cut in half from the current estimate.

A decline in Japanese oil consumption is forcing the oil industry to further reduce its refining capacity. Excess capacity is pushing the refining margins down to a limit that is not feasible any more. Japan dismantled some refining capacity last year; however, the country still has more to eliminate. Pacific weather has been colder than expected in January; however, it has led to a minor increase in heating fuel y-o-y.

Both OECD Europe and Pacific oil demand are forecast to decline by 1.4% and 2.0% in 2010. The Big Four and Japan are the cause behind this expected decline in oil usage.

OECD oil demand is forecast to contract by 0.3% in 2010 to average 45.5 mb/d.

Non-OECD

Given healthy growth in India and the Middle East, demand in the Developing Countries is forecast to grow by 2.1% in 2010

Strong economic growth in China, India, the Middle East and Latin America is pushing the world to consume more oil in 2010 in comparison to last year. Chinese new vehicle sales are expected to be strong resulting from the stimulus plans that started last year. China's oil demand is expected to grow the most this year reaching 5.4%.

The Middle East's long-term, energy-intensive projects along with subsidized transport fuel will keep the region's oil demand growth within the range of 3.3%. However, the upward risk is high due to expected strength in economic activities in part of the region.

Given the healthy growth in India and the Middle East, Developing Countries oil demand is forecast to grow by 2.1% in 2010. This is leading to total non-OECD growth of 1.0 mb/d in 2010.

World Oil Supply

Non-OPEC supply rose 0.51 mb/d in 2009, broadly unchanged from the previous report

Non-OPEC

Estimate for 2009

Non-OPEC supply in 2009 is estimated to have averaged 50.96 mb/d, representing growth of 0.51 mb/d over the previous year. The current figure is broadly unchanged from the previous assessment, despite a number of adjustments which offset one another as well as minor historical revisions to 2008 figures. The revisions affected all quarters with downward adjustments introduced to the first three quarters, while the fourth quarter experienced an upward revision. On a country basis, supply estimates for the US, UK, Australia, Colombia, Chad and Azerbaijan were revised up, while estimates for Canada and Brazil were revised down. In terms of volume, the revision in the fourth quarter was the largest. On a quarterly basis, non-OPEC supply is estimated at 50.92 mb/d, 50.60 mb/d, 50.81 mb/d and 51.49 mb/d respectively.

Graph 21: Regional Non-OPEC supply growth, y-o-y

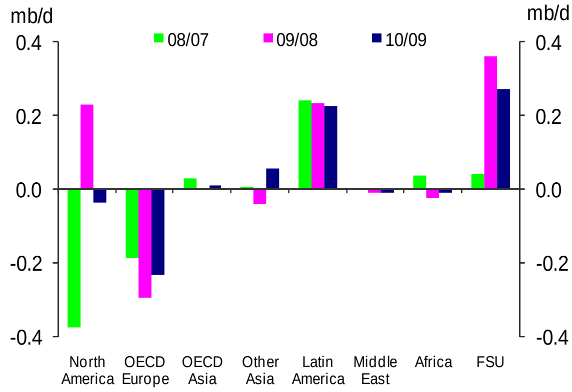


Table 14: Non-OPEC oil supply in 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	13.92	14.16	13.98	14.18	14.27	14.15	0.22
Western Europe	5.05	5.11	4.70	4.48	4.82	4.77	-0.27
OECD Pacific	0.63	0.64	0.61	0.66	0.66	0.64	0.01
Total OECD	**19.60**	**19.91**	**19.29**	**19.32**	**19.74**	**19.56**	**-0.04**
Other Asia	3.74	3.70	3.69	3.70	3.71	3.70	-0.04
Latin America	4.19	4.36	4.38	4.39	4.51	4.41	0.22
Middle East	1.67	1.65	1.65	1.67	1.65	1.66	-0.01
Africa	2.74	2.73	2.73	2.72	2.67	2.71	-0.03
Total DCs	**12.34**	**12.44**	**12.44**	**12.48**	**12.54**	**12.48**	**0.13**
FSU	12.56	12.64	12.90	13.00	13.19	12.93	0.37
Other Europe	0.15	0.14	0.13	0.14	0.14	0.14	-0.01
China	3.85	3.80	3.86	3.89	3.88	3.86	0.01
Total "Other regions"	**16.56**	**16.59**	**16.89**	**17.04**	**17.22**	**16.93**	**0.38**
Total Non-OPEC production	**48.50**	**48.94**	**48.62**	**48.83**	**49.50**	**48.97**	**0.47**
Processing gains	1.95	1.98	1.98	1.98	1.98	1.98	0.03
Total Non-OPEC supply	**50.45**	**50.92**	**50.60**	**50.81**	**51.49**	**50.96**	**0.51**
Previous estimate	50.46	50.95	50.64	50.83	51.42	50.96	0.50
Revision	-0.01	-0.03	-0.03	-0.02	0.06	0.00	0.01

The 2009 non-OPEC supply forecast has experienced numerous revisions since the initial projection in 2008. Market conditions were the main driver behind these adjustments due to factors such as the impact of the economical turmoil and the decline in oil prices among others. Forecasts have had to respond to a mix of general and specific issues to determine the extent to which these have impinged on actual conditions on the ground. Then again, the vast number of dynamic variables associated with production operations, as well as political, geological and economical distinctiveness of not only each country but the regions within the individual countries creates enormous challenges to which forecasters have to respond. The success of these efforts will only be known as actual data becomes available.

In 2009, the FSU contributed the most to supply growth based on the current estimate of 0.37 mb/d, while Developing Countries supply showed a healthy increase of 0.13 mb/d. In contrast, OECD supply indicated a minor decline of 40 tb/d, despite including the US oil supply which experienced the highest growth among all non-OPEC countries. On a regional basis, after the FSU, North- and Latin America regions experienced the highest growth of 0.22 mb/d each. In terms of decline, OECD Western Europe experienced the biggest decline, followed by Other Asia and Africa.

Revisions to the 2009 estimate

Non-OPEC supply estimates in the first three quarters of 2009 were revised down by 27 tb/d, 33 tb/d and 15 tb/d respectively. The downward revisions were introduced to Canada, UK, Denmark, Brunei, India, Argentina, Brazil, Colombia, Other Latin America, Chad, Egypt and Azerbaijan mainly to adjust to updated production data as well as historical revisions that date back to 2007. Supply estimates for the fourth quarter encountered an upward revision of 63 tb/d, supported by supply revisions to the US, Mexico, Norway, UK, Australia, New Zealand, Vietnam, Argentina, Colombia, Chad, Russia and Kazakhstan. There were downward revisions in the fourth quarter to supply estimates of Canada, India, Thailand, Brazil, Syria, Egypt, Sudan and China that partially offset the upward revisions in the fourth quarter. Similarly, the revisions to the fourth quarter were made to adjust for actual and provisional production data. The US oil supply estimate for 2009 encountered an upward revision of 22 tb/d supported by a revision in the fourth quarter on the back of strong production data for both crude and natural gas liquid. Canadian production experienced a downward revision of 32 tb/d on the back of lower-than-expected output in the fourth quarter, mainly due to a fire at Suncor's Fort McMurry facility that is reported to have reduced production by 120 – 150 tb/d. Actual production data for Brazil indicated lower-than-expected growth, which required a minor downward revision of 13 tb/d. Russia oil supply in December showed a slight decrease from the November level, yet remained well above the 10 mb/d mark, necessitating an upward revision in the fourth quarter.

Forecast for 2010

Non-OPEC supply expected to grow by 0.35 mb/d in 2010

Non-OPEC supply in 2010 is forecast to grow by 0.35 mb/d over the previous year to average 51.31 mb/d, displaying an upward revision of 42 tb/d from a month earlier. The upward revision was due to various updates to countries' supply profiles in addition to carrying over some of the revisions introduced to 2009 supply estimates. On a quarterly basis, non-OPEC supply is expected to average 51.42 mb/d, 51.19 mb/d, 51.03 mb/d and 51.61 respectively.

Table 15: Non-OPEC oil supply in 2010, mb/d

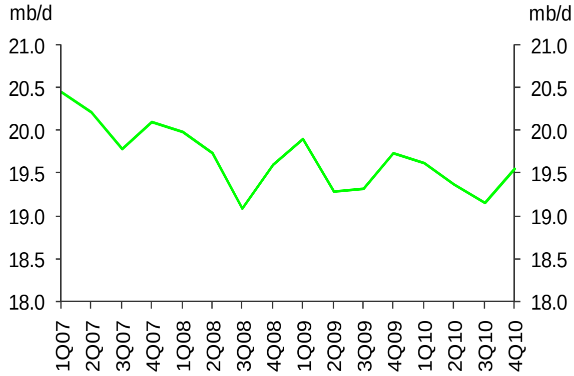
	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
North America	14.15	14.28	14.22	14.15	14.35	14.25	0.10
Western Europe	4.77	4.69	4.52	4.34	4.53	4.52	-0.26
OECD Pacific	0.64	0.65	0.64	0.67	0.68	0.66	0.02
Total OECD	**19.56**	**19.62**	**19.38**	**19.16**	**19.56**	**19.43**	**-0.13**
Other Asia	3.70	3.72	3.71	3.69	3.69	3.70	0.00
Latin America	4.41	4.51	4.57	4.63	4.73	4.61	0.20
Middle East	1.66	1.64	1.64	1.63	1.62	1.64	-0.02
Africa	2.71	2.68	2.68	2.68	2.66	2.68	-0.03
Total DCs	**12.48**	**12.56**	**12.60**	**12.64**	**12.71**	**12.63**	**0.15**
FSU	12.93	13.20	13.21	13.17	13.29	13.22	0.28
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	3.86	3.91	3.88	3.94	3.93	3.91	0.05
Total "Other regions"	**16.93**	**17.25**	**17.23**	**17.25**	**17.35**	**17.27**	**0.34**
Total Non-OPEC production	**48.97**	**49.43**	**49.21**	**49.04**	**49.62**	**49.33**	**0.35**
Processing gains	1.98	1.98	1.98	1.98	1.98	1.98	0.00
Total Non-OPEC supply	**50.96**	**51.42**	**51.19**	**51.03**	**51.61**	**51.31**	**0.35**
Previous estimate	50.96	51.39	51.05	51.02	51.62	51.27	0.31
Revision	0.00	0.02	0.15	0.01	-0.01	0.04	0.04

OECD supply is forecast to decline by 0.13 mb/d in 2010

OECD

Total OECD oil supply in 2010 is foreseen to average 19.43 mb/d, a drop of 0.13 mb/d compared to the previous year and an upward revision of 0.15 mb/d from the previous report. The upward revision came mainly from North America, while other regions within OECD experienced minor revisions. Within the OECD, supply in the North American and Asia-Pacific regions are anticipated to show growth in 2010, while OECD Western Europe is expected to decline. On a quarterly basis, total OECD supply is seen to stand at 19.62 mb/d, 19.38 mb/d, 19.16 mb/d and 19.56 mb/d respectively. Preliminary data indicates that OECD supply stood at 19.71 mb/d in December, down slightly from the previous month.

Graph 22: OECD's quarterly production



OECD North America oil supply in 2010 is projected to increase by 0.10 mb/d over the previous year to average 14.25 mb/d, indicating an upward revision of 0.13 mb/d compared to the previous assessment. Both the US and Canadian oil supply are seen to show growth in 2010, while Mexico is expected to continue to decline. On a quarterly basis, North American oil supply is forecast at 14.28 mb/d, 14.22 mb/d, 14.15 mb/d and 14.35 mb/d respectively.

USA

US oil supply expected to average 8.16 mb/d in 2010 for growth of 0.15 mb/d

Total **US** oil supply is expected to increase by 0.15 mb/d over the previous year to average 8.16 mb/d in 2010, an upward revision of 0.10 mb/d from the previous month. The healthy level of production in the fourth quarter of 2009 supported the upward revision. Additionally, adjustments to various project startups and ramp-ups further supported the revision. US oil supply is anticipated to continue building up during 2010, after a strong level of growth in 2009. Among the projects supporting growth in the Gulf of Mexico is the Droshky field, which is expected to peak at 45 tb/d. Similarly, the Perdido Hub is seen to further support the forecast with a capacity of 100 tb/d as well as the Cascade-Chinook project with a capacity of 80 tb/d. Furthermore, biofuels are expected to enhance US supply coupled with expected improvements in NGL production on the back of the startup of various gas projects. US oil production stood at 8.09 mb/d in December, according to preliminary data — lower than in the previous month.

Canada and Mexico

Oil sand projects to boost Canadian supply to by 90 tb/d in 2010

Canada's oil production is predicted to average 3.26 mb/d in 2010, an increase of 90 tb/d over the previous year, indicating an upward revision of almost 30 tb/d over the previous assessment. The upward adjustment came on the back of historical revisions carried over to 2010 estimates as well as expectation of normal operation at Suncor's Fort McMurry facility. The expected healthy growth level is supported by the startups and ramp-ups of various oil sand projects, while conventional oil production is seen to decline. Projects such as Foster Creek and Muskeg are seen to increasing Canadian oil supply in 2010.

Mexico supply to average 2.83 mb/d in 2010

Oil production from **Mexico** is predicted to decline by 0.14 mb/d compared to the previous year to average 2.83 mb/d in 2010, broadly unchanged from the last report. However, there were minor changes to the quarterly supply that offset one another. The decline trend is expected to continue to impact Mexico supply; however, the extent of the decline is very difficult to assess. Hence, uncertainty remains high on the forecast for Mexico as ongoing efforts to stabilize production could bear the desired result, as it was reported that Pemex has recently reallocated budgets from one project to another to help support production. However, the outcome of these efforts has yet to have an impact on the forecast.

Western Europe

OECD Western Europe supply is foreseen to drop by 0.26 mb/d over the previous year to average 4.52 mb/d in 2010, unchanged from last month. Despite the steady state, there were minor offsetting upward and downward revisions to individual countries. OECD Western Europe supply is expected to have quarterly supply of 4.69 mb/d, 4.52 mb/d, 4.34 mb/d and 4.53 mb/d respectively.

Norway to average 2.22 mb/d in 2010

Oil production from **Norway** is seen to decline by 0.12 mb/d compared to the previous year to average 2.22 mb/d in 2010, flat from last month's evaluation. The decline in production in mature areas remains the main factor affecting the supply forecast as the new volumes coming from project startups and ramp-ups are not believed to be sufficient to offset the lost volume from mature fields. According to preliminary data, Norway production stood at 2.36 mb/d in December, lower than the previous month.

UK to decline by 0.13 mb/d in 2010

UK oil supply is seen to average 1.36 mb/d in 2010, representing a decline of 0.13 mb/d over the previous year and unchanged from last month's estimate. However, the quarterly estimates have changed, mainly to update for recent production estimates in the fourth quarter of 2009. Furthermore, the announced shutdown of the Buzzard field in the second quarter of 2010 for several days partially affected the quarterly distribution. Yet, the changes did not influence the annual supply figure of the UK.

Oil supply from **Denmark** is seen to remain relatively steady in 2010 with a minor decline of 10 tb/d over the previous year to average 0.26 mb/d in 2010. The supply figure indicates a minor upward revision of 10 tb/d compared to the previous month, mainly to cater for the restart of output at several North Sea fields in the Siri area that were shutdown unexpectedly in August.

Asia Pacific

OECD Asia Pacific oil supply is estimated to increase by 20 tb/d over the previous year to average 0.66 mb/d in 2010, an upward revision of 20 tb/d compared to last month. The revision affected Australia supply forecast, while New Zealand supply forecast remained relatively flat from a month earlier. On a quarterly basis, total oil supply is estimated to average 0.65 mb/d, 0.64 mb/d, 0.67 mb/d and 0.68 mb/d respectively.

Australia's Van Gogh field is closer to operation

Australia oil production is forecast to remain relatively flat in 2010 compared to the previous year to average 0.55 mb/d, following an upward revision of 20 tb/d to the most recent assessment. The upward revision came on the back of reports that the FPSO vessel to be utilized at the 63-tb/d Van Gogh field has already sailed from the shipyard to the field after a long delay. Additionally, the Woollybutt field is expected to resume operation in the first quarter of 2010 after being shut down for several months.

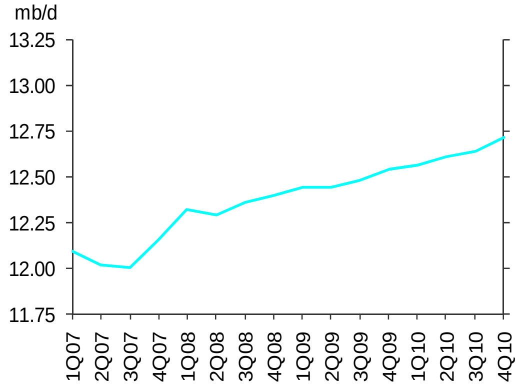
New Zealand oil supply is believed to average 0.11 mb/d in 2010, an increase of 20 tb/d over the previous year, unchanged from the previous month. The expected growth is supported by the Maari project that is moving toward full capacity of 35 tb/d.

Developing Countries

Vietnam to decline by 20 tb/d in 2010 due to natural decline

Developing Countries (DCs) oil supply is predicted to grow by 0.15 mb/d over the previous year to average 12.63 mb/d in 2010, representing a downward revision of 0.14 mb/d from the previous month. A handful of historical revisions affecting DC supply as far back as 2007 were carried over into the 2010 forecast along with other changes. The downward revisions were introduced to all DC regions with Other Asia showing the largest revision. On a quarterly basis, total oil supply in DCs is seen to average 12.56 mb/d, 12.60 mb/d, 12.64 mb/d and 12.71 mb/d respectively.

Graph 23: Developing Countries' quarterly production



Oil production from **Other Asia** in 2010 is expected to remain relatively flat over the previous year to average 3.7 mb/d, a downward revision of 60 tb/d from the last assessment. The downward revisions were made to the supply forecasts of Indonesia, Thailand and Vietnam. There was no upward revision to offset any of these negative adjustments. Indonesia supply forecast came on the back of adjustment to actual production figures in the fourth quarter that came below expectation and hence were partially carried over to 2010. Oil production from Indonesia is forecast to average 1.02 mb/d in 2010 for a minor decline of 10 tb/d compared to the previous year, as expected new volumes are not seen to offset the anticipated decline in mature fields. Similarly, the forecast for Thailand encountered a downward revision of 20 tb/d to average 0.35 mb/d in 2010, representing a decline of 10 tb/d from 2009. Vietnam oil supply is expected to average 0.32 mb/d in 2010, a decline of 20 tb/d from the previous year and a downward revision of 30 tb/d. The downward revision came on the back of reports that Vietnam's largest operator is expecting production to decline in 2010 due to natural decline while new fields will bring in only a small volume that would not offset the decline in mature areas. On a quarterly basis, Other Asia supply is anticipated to average 3.72 mb/d, 3.71 mb/d, 3.69 mb/d and 3.69 mb/d respectively.

Brazil and Colombia to drive Latin America supply growth of 0.27 mb/d in 2010

Total oil production in **Latin America** is projected to average 4.61 mb/d in 2010, an increase of 0.20 mb/d over the previous year, following a downward revision of 40 tb/d. The downward revisions were affected by Brazil as well as Trinidad and Tobago. Brazil oil production is expected to average 2.72 mb/d in 2010, for growth of 0.19 mb/d, which remains the largest anticipated growth among all non-OPEC countries in 2010. The growth is supported by the continuing ramp-up of the Roncador, Albacora and Marlim fields, as well as the expected startup of full production from the first subsalt pilot at the giant Tupi field. The forecast of Brazil oil supply experienced a downward revision of 30 tb/d, which came mainly as a historical revision that was carried over to 2010 as well as reduced biofuels production forecast. Colombia oil production is expected to increase by 80 tb/d over the previous year to average 0.76 mb/d supported by the Rubiales developments. The recent report of an increase in spending by the state-controlled company further supports the expected growth. Trinidad and Tobago forecast experienced a minor downward revision of less than 10 tb/d, mainly to adjust for recent production data. On a quarterly basis, Latin American supply is expected to stand at 4.51 mb/d, 4.57 mb/d, 4.63 mb/d and 4.73 mb/d respectively.

Middle East supply to decline slightly in 2010

Oil supply from the **Middle East** is forecast to decline slightly by 20 tb/d from the previous year to average 1.64 mb/d in 2010, indicating a downward revision of around 10 tb/d from the previous report. The revision was introduced to Syria oil supply, while other countries in the region remain unchanged. The revision came on the back of recently updated production data in the fourth quarter of 2009 that was carried over to the 2010 forecast. Oman remains the only country in the region where supply is expected to grow in 2010 supported by the Mukhaizana developments. On a quarterly basis Middle East supply is seen to average 1.64 mb/d, 1.64 mb/d, 1.63 mb/d and 1.62 mb/d respectively.

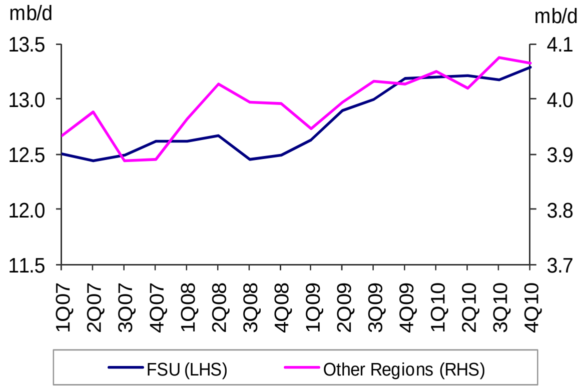
Hasdrubal field starts up in Tunisia

Africa is expected to average 2.68 mb/d in 2010, representing a drop of 30 tb/d over the previous year, and a downward revision of 30 tb/d from last month's assessment. The downward revision affected Congo, Gabon and Sudan. The revisions came mainly to adjust to actual production figures in 2009 which were carried over to 2010. Among Other Africa, Tunisian supply is expected to increase slightly as the Hasdrubal gas field started up operation and is expected to add around 16 tb/d of condensate. The quarterly distribution average now stands at 2.68 mb/d, 2.68 mb/d, 2.68 mb/d and 2.66 mb/d respectively.

FSU, Other Regions

FSU forecast to grow by 0.28 mb/d in 2010, the largest growth among all non-OPEC regions

Graph 24: FSU and other region's quarterly production



FSU oil supply is projected to grow by 0.28 mb/d in 2010 to average 13.22 mb/d, the highest growth among all non-OPEC groups. The current supply forecast represents an upward revision of 20 tb/d. Russia oil supply forecast experienced a positive revision while the supply forecast for Other FSU saw a downward revision. However, the positive revision to Russia oil supply more than offset the negative adjustment in Other FSU. On a quarterly basis, total oil supply from the FSU is seen averaging 13.20 mb/d, 13.21 mb/d, 13.17 mb/d and 13.29 mb/d respectively.

China oil supply is anticipated to increase by 50 tb/d in 2010 to average 3.91 mb/d and **Other Europe** is seen to remain steady in 2010 at 0.14 mb/d.

Russia

Russia oil supply expected to grow by 50 tb/d in 2010

Russia oil supply is expected to increase by 50 tb/d in 2010 to average 9.98 mb/d, representing an upward revision of 34 tb/d from last month. The revision was experienced due to the continuing strong production figures in 4Q09. Additionally, the continuing ramp-up of the Vankor oil project is seen to offset the decline in mature producing areas. Furthermore, the startup of new projects will further support Russian output this year. A blend of factors such as the improvement in oil prices as well as the devaluation of the Russian rouble and decline of operational costs coupled with the proactive government policy regarding taxation and export duties are expected to set the stage for a stabilization in Russia oil supply in 2010. However, risks remain, especially during the second half of 2010 as the performance of mature areas is likely to determine the shape of the Russian oil supply in 2010. On a quarterly basis, Russian oil supply is foreseen to average 10.04 mb/d, 10.00 mb/d, 9.95 mb/d and 9.91 mb/d respectively. Preliminary figures indicate that Russia oil production stood at 10.06 mb/d in December, slightly lower than in the previous month.

Caspian

Oil supply from **Kazakhstan** is forecast to increase by 90 tb/d over the previous year to average 1.63 mb/d in 2010, unchanged from the previous month. The healthy level of production in 4Q09 in addition to indications from the steady export programme from various ports indicates that the expected increase in 2010 is on track. The growth in Kazakh's supply is supported by continuing developments at the Tengiz field, with the completion of the sour gas project that will help maintain supply above 0.50 mb/d over the short term.

Azeri supply to grow by 0.12 mb/d in 2010

Azerbaijan oil production is estimated to increase by 0.12 mb/d over the previous year to average 1.16 mb/d in 2010, unchanged from previous month. Anticipated growth is supported by the development at the ACG field, such as the water injection project at the Guneshli field. Quarterly supply is seen to stand at 1.09 mb/d, 1.13 mb/d, 1.17 mb/d and 1.23 mb/d respectively.

China

Bohai Bay startup supports China oil supply in 2010

China oil supply is believed to increase by 50 tb/d over the previous year to average 3.91 mb/d in 2010, indicating an upward revision of around 10 tb/d from the previous month. The startup of four fields in the Bohai Bay area, some ahead of schedule, supported the annual forecast. On a quarterly basis, China oil supply is seen to average 3.91 mb/d, 3.888 mb/d, 3.94 mb/d and 3.93 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to average 4.72 mb/d in 2009, representing growth of 0.39 mb/d over the previous year. In 2010, OPEC NGLs are projected to average 5.25 mb/d, an increase of 0.53 mb/d over the previous year.

Table 16: OPEC NGLs + non-conventional oils, 2007-2010

			Change						Change		Change
	2007	**2008**	08/07	1Q09	2Q09	3Q09	4Q09	**2009**	09/08	**2010**	10/09
Total OPEC	**4.03**	**4.32**	0.29	4.49	4.58	4.84	4.95	**4.72**	0.39	**5.25**	0.53

OPEC crude oil production

OPEC crude output averaged 29.1 mb/d in December, representing an increase of 78 tb/d

According to secondary sources, OPEC total crude oil production averaged 29.14 mb/d in December, an increase of 78 tb/d over the previous month. Supply from most OPEC Member Countries remained relatively steady with Nigeria and the UAE showing individual increases of more than 40 tb/d, while Venezuela and Angola crude production displayed declines of more than 20 tb/d. OPEC production, not including Iraq, stood at 26.68 mb/d, an increase of 68 tb/d from the November level.

Table 17: OPEC crude oil production based on *secondary sources*, 1,000 b/d

	2008	**2009**	**2Q09**	**3Q09**	**4Q09**	**Oct 09**	**Nov 09**	**Dec 09**	***Dec/Nov***
Algeria	1,382	1,274	1,266	1,273	1,289	1,283	1,289	1,296	*6.8*
Angola	1,871	1,787	1,743	1,828	1,874	1,888	1,877	1,856	*-21.7*
Ecuador	503	476	479	472	470	472	471	469	*-1.1*
Iran, I.R.	3,892	3,728	3,730	3,749	3,740	3,726	3,746	3,748	*2.2*
Iraq	2,341	2,424	2,406	2,507	2,454	2,455	2,448	2,459	*10.7*
Kuwait	2,554	2,266	2,247	2,254	2,285	2,274	2,288	2,295	*7.1*
Libya, S.P.A.J.	1,718	1,559	1,554	1,557	1,550	1,552	1,548	1,550	*1.7*
Nigeria	1,947	1,809	1,748	1,739	1,930	1,866	1,941	1,984	*42.8*
Qatar	840	777	769	780	796	790	795	804	*9.0*
Saudi Arabia	9,113	8,057	8,009	8,123	8,131	8,126	8,133	8,135	*1.3*
UAE	2,557	2,255	2,244	2,253	2,253	2,259	2,228	2,272	*43.7*
Venezuela	2,487	2,312	2,300	2,323	2,295	2,315	2,297	2,273	*-24.0*
Total OPEC	**31,206**	**28,722**	**28,495**	**28,859**	**29,069**	**29,005**	**29,062**	**29,140**	***78.3***
OPEC excl. Iraq	**28,865**	**26,299**	**26,088**	**26,352**	**26,615**	**26,549**	**26,613**	**26,681**	***67.7***

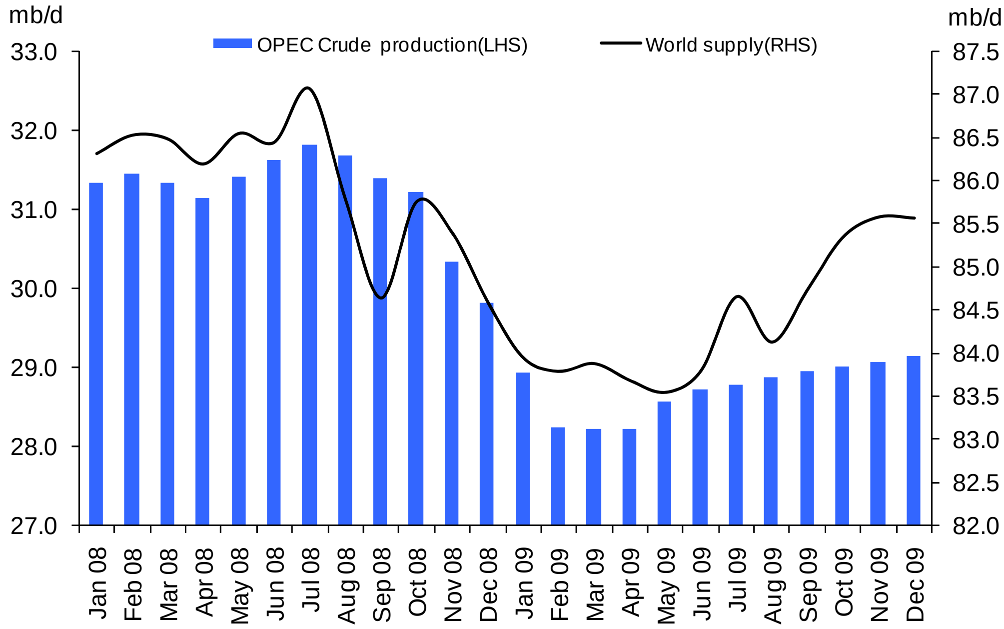
Totals may not add due to independent rounding.

World Oil Supply

Global supply estimated at 85.57 mb/d in December

Preliminary figures indicate that world oil supply remained steady in December from the previous month to averaged 85.57 mb/d. Non-OPEC supply experienced a minor decline of 90 tb/d while OPEC crude increased slightly. The share of OPEC crude oil in global production remained relatively steady at 34% in December, with a minor increase from the previous month. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 25: OPEC and World oil supply

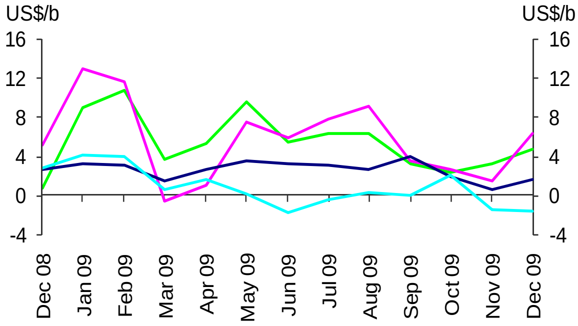


Product Markets and Refinery Operations

Refining margins improved in the Atlantic Basin in December

A cold snap along with increasing seasonal demand and stock draws have underpinned product market sentiment and lifted the crack spread and refining margins, especially in the US and Europe. Given the forecast for persistent cold weather, it appears that the overhang of barrels of middle distillates will mitigate and provide some relief for refiners in the coming months. However, the sustainability of recent positive developments in the product markets, and their impact on crude fundamentals and prices, would largely depend on economic growth in the future.

Graph 26: Refining margins



Furthermore, considering huge distillate volumes being stored off-shore, increasing gasoline stocks and uncertainty about the degree of economic recovery, the current bullish sentiment in the product markets is not expected to remain after the winter season and could result in less support for crude fundamentals in the future.

As **Graph 26** shows, the performance of the US refining industry improved in the last weeks and refining margins for WTI crude oil at the US Gulf Coast surged by $1.41/b to reach $4.57/b in December from $3.16/b the previous month. In Europe, the refining industry followed suit and operating profits switched from the previous downward trend. Refining margins for Brent crude oil in Rotterdam rose to $1.59/b from about 60¢/b in November.

In Asia, due to ample supply from new refineries and less arbitrage opportunities for excess barrels, refining economics remained unhealthy and Dubai crude oil margins in Singapore extended previous losses, falling to minus $1.64/b in December from minus $1.51/b a month earlier.

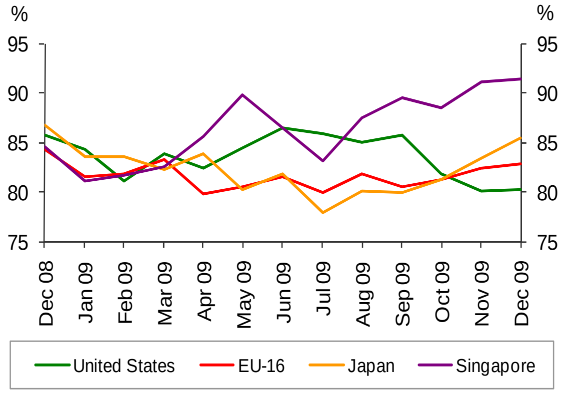
Looking ahead, the continuation of cold weather could provide further support for product markets and lift the bearish sentiment in the next month. However, due to sufficient product stocks and idle refining capacity, product markets are not likely to take the lead in the market and lift crude prices in future.

Refinery operations

Refinery operations in the Atlantic Basin did not follow the typical trend in December

Due to contracting demand in tandem with the economic recession, the refining industry has faced considerable problems in 2009. In light of these circumstances, some unprofitable refinery units were closed down for good and others tried to reduce their throughput levels in order to cope with declining margins. With the start of the winter season and improving economic conditions, refiners were expected to lift operation levels substantially, but a huge overhang of product barrels dampened throughput levels and they have not raised their utilization rates drastically.

Graph 27: Refinery utilization rates



As Graph 27 indicates, refinery utilization rates in the US increased marginally by 0.2% to reach 80.3% in December from 80.1% the previous month, whereas typically they exceed 90%. Ample product stocks also influenced European utilization rates which stayed around 82% in December. In Asia, Chinese refiners are still running at maximum capacity, as they benefit from government-guaranteed margins. But poor regional margins have affected other Asian refinery operations. Refinery utilization rates in Japan rose by 2% to record 85.4% in December from 83.4% in November, much lower than seasonal levels.

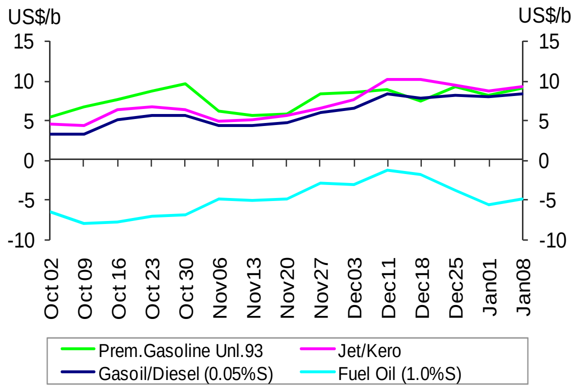
Looking ahead, given the cold weather across the globe and improving demand from industrial sectors, refinery utilization rates may improve further next month, although due to an overhang of barrels for different products, especially distillates, refinery utilization rates are not expected to increase sharply over the coming months.

US market

Product stock draws and cold weather boosted US product market sentiment in December

The high distillate inventories were a major burden on the US downstream industry in the last months forcing American refiners to reduce their operation levels drastically over the same period. Following heavy snow in the Northeast, distillate inventories started to decline, falling by 10 mb in December. This situation lifted heating oil prices both in the spot and paper markets. The crack spread for gasoil on the US Gulf Coast against WTI crude oil surged to $8/b in December from about $5/b last month. Speculators, especially money managers, also boosted net long positions substantially in the Nymex heating oil market. Managed money net long positions soared from 13,944 lots in early December to over 35,000 lots in early January.

Graph 28: US Gulf crack spread vs. WTI, 2009 - 2010



However, the US distillate market lost part of its earlier strength in the second week of January following a reverse of the de-stocking trend, lower-than-expected demand growth and forecasts for normal weather temperature over the short term in the main heating-fuel consuming areas.

Improving gasoline demand along with slowing stock builds in December also lent some support to gasoline prices. As **Graph 28** shows, the gasoline crack spread on the US Gulf Coast rose to around $9/b from $8/b in late November. Market players have also increased net long positions in the gasoline futures market. Managed money net long positions in the Nymex gasoline market rose to 66,000 lots on 5 January from 52,000 lots on 1 December. Gasoline stock builds gained more ground again in the first week of January. The continuation of this situation may undermine gasoline market sentiment over the coming weeks and encourage traders to liquidate positions which would result in pressure on gasoline prices.

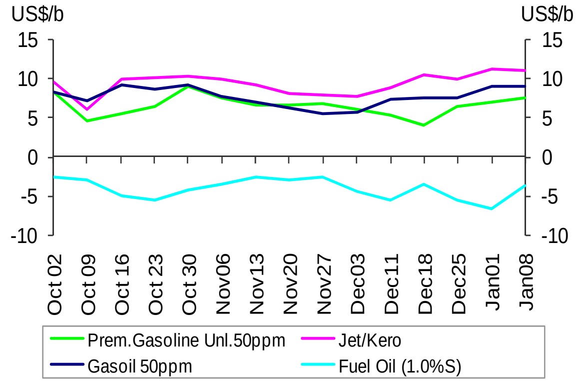
The low sulfur fuel oil market in the US was relatively lackluster in December due to lower demand from utilities and a more competitive price of natural gas. High sulfur fuel oil was also weak amid limited arbitrage opportunity to Asia. The low sulfur fuel oil crack spread against WTI crude at the US Gulf Coast widened from about minus $2/b early December to around minus $5/b early January *(see **Graph 28**)*. The continuation of cold weather may provide some support to low sulfur fuel oil in the future, but due to ample availability of natural gas, fuel oil market circumstances in the US are not expected to improve significantly in the near future.

European market

European product markets benefited from a cold snap and export opportunities to other regions

European product market sentiment strengthened following the freezing weather across the Atlantic Basin and surging arbitrage opportunities for gasoline to the US and West Africa. The gasoline spread against Brent crude oil at Rotterdam rose to above $7/b in early January from about $6/b in the same period of the previous month *(see Graph 29)*. Recent bullish developments in the European gasoline market may be undermined in the near future due to rising gasoline stock builds in the US and the adverse impact on the regional arbitrage window.

Graph 29: Rotterdam crack spreads vs. Brent, 2009 - 2010



Naphtha prices also increased along with crude prices and increasing exports to Asia. The naphtha price in Europe reached parity level with the gasoline price sometime in the last weeks. The European naphtha market may remain strong over the next months amid persisting arbitrage opportunities to Asia and improving economic growth prospects.

The European distillates market also gained further momentum following freezing weather in the region, increasing seasonal demand and fewer import cargoes. These developments led to stock draws in the region, narrowing the contango in the gasoil market. The narrowing contango level may encourage traders to reduce off-shore distillate stocks which still stood around 100 mb. The crack spread of gasoil against Brent crude at Rotterdam rose to nearly $9/b in late December from around $6/b in November. Given the persistent overhang in distillate stocks in Europe, which are still far above the five-year average, European distillate prices are not expected to improve significantly next month.

European fuel oil market performance was relatively weak in early December, due to fewer arbitrage flows to Asia and higher regional supply. This situation changed later on after heavy snowfall in the region which led to higher demand from utility plants and increasing arbitrage opportunity to Asia. The low sulfur fuel oil crack spread versus Brent crude oil narrowed to minus $3.85/b in early January from about minus $6/b in the same period of the previous month.

Asian market

Freezing weather in leading heating-fuel consuming areas has given support to Asian product markets

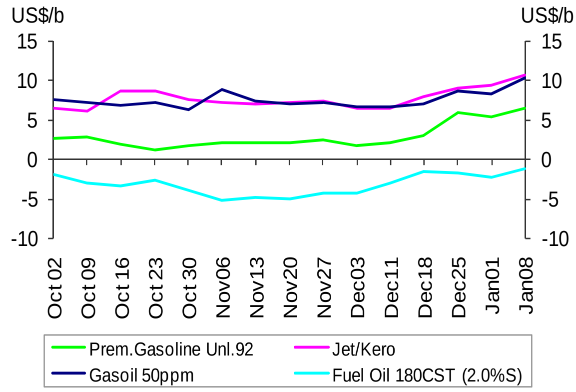
The Asian market, which has been challenged with extra supplies from new refineries, found some support from regional demand and export opportunities to western markets following recent freezing weather in the US, Europe and Northern Asia.

Among the middle-of-the-barrel components, jet/kerosene market sentiment gained further amid increasing heating demand from Japan and China, as well as surging demand from the aviation industry. The spread between jet fuel and gasoil hit a 10-month high, as sentiment for jet fuel firmed after a pick-up in air travel.

The gasoil market, which was suffering from huge exports from China and India, also improved after the start of cold weather across the globe. The gasoil crack spread versus Dubai crude rose around $10/b in early January from about $6.5/b in early December *(see **Graph 30**)*. However, due to ample stocks, the distillates market is not expected to gain much over the coming months.

The light distillates market, especially the naphtha market, was also strong amid refinery outages in Northern Asia and high demand from regional crackers. A delay in the arrival of western arbitrage cargoes also contributed to higher prices for the Asian naphtha market. Following these developments, naphtha cracks versus crude surged significantly in December. The persistent bullish sentiment for the Asian naphtha market has encouraged traders to fix a large number of cargoes and export them from Europe to Asia.

Graph 30: Singapore crack spreads vs. Dubai, 2009 - 2010



The gasoline price and crack spread increased in December due to higher demand from Vietnam and the resumption of spot gasoline imports by Indonesia after a technical glitch in the Bulongan refinery. Costly petrochemical blend stocks such as MTBE could have contributed to higher gasoline prices. The gasoline crack spread against Dubai crude oil in Singapore soared to around $6/b in late December from around $2/b over the same period in November *(see **Graph 30**)*.

Asian fuel oil market sentiment strengthened in December following stock draws in Singapore, increasing regional bunker demand, less arbitrage cargoes from the West and lower exports from the Middle East. These positive developments have caused the Asian fuel oil market to flip into backwardation, both in cash and swaps, after two months in contango. The fuel oil crack spread against Dubai crude narrowed to minus $2/b in December from minus $5/b the previous month. Due to limited arbitrage cargoes from Europe, the fuel oil market in Asia is expected to remain firm in the coming month.

Table 18: Refined product prices, US$/b

		Oct 09	Nov 09	Dec 09	Change Dec/Nov
US Gulf (Cargoes):					
Naphtha		75.66	78.83	79.06	0.23
Premium gasoline	*(unleaded 93)*	83.89	84.46	82.52	-1.94
Regular gasoline	*(unleaded 87)*	79.77	81.55	79.93	-1.62
Jet/Kerosene		81.92	83.59	83.60	0.01
Gasoil	*(0.05% S)*	80.81	82.90	82.07	-0.82
Fuel oil	*(1.0% S)*	68.58	73.43	71.27	-2.17
Fuel oil	*(3.0% S)*	67.08	71.23	69.07	-2.17
Rotterdam (Barges FoB):					
Naphtha		69.17	74.91	71.93	-2.98
Premium gasoline	*(unleaded 10 ppm)*	79.33	83.45	76.06	-7.39
Premium gasoline	*(unleaded 95)*	73.43	77.26	70.41	-6.84
Jet/Kerosene		82.53	85.33	79.76	-5.57
Gasoil/Diesel	*(10 ppm)*	81.60	83.24	77.91	-5.33
Fuel oil	*(1.0% S)*	68.35	73.51	65.88	-7.63
Fuel oil	*(3.5% S)*	66.93	70.96	65.26	-5.71
Mediterranean (Cargoes):					
Naphtha		67.10	71.32	69.71	-1.61
Premium gasoline	*(50 ppm)*	62.14	66.04	61.85	-4.19
Jet/Kerosene		81.30	83.84	78.51	-5.32
Gasoil/Diesel	*(50 ppm)*	79.30	84.29	77.15	-7.13
Fuel oil	*(1.0% S)*	68.18	72.91	66.74	-6.17
Fuel oil	*(3.5% S)*	67.11	70.90	65.10	-5.81
Singapore (Cargoes):					
Naphtha		69.20	76.77	78.28	1.52
Premium gasoline	*(unleaded 95)*	77.71	82.00	81.85	-0.15
Regular gasoline	*(unleaded 92)*	76.05	79.96	78.95	-1.01
Jet/Kerosene		80.07	84.98	83.24	-1.74
Gasoil/Diesel	*(50 ppm)*	81.95	85.26	82.69	-2.57
Fuel oil	*(180 cst 2.0% S)*	68.85	73.04	72.79	-0.25
Fuel oil	*(380 cst 3.5% S)*	68.86	73.09	72.65	-0.43

Table 19: Refinery operations in selected OECD countries

	Refinery throughput mb/d				Refinery utilization %			
	Oct 09	**Nov 09**	**Dec 09**	**Dec/Nov**	**Oct 09**	**Nov 09**	**Dec 09**	**Dec/Nov**
USA	14.38	14.11	14.20	0.10	81.9	80.1	80.3	0.2
France	1.53	1.51	1.52	0.00	81.2	82.1	81.8	-0.3
Germany	1.94	1.90	1.88	-0.01	84.2	84.6	85.2	0.6
Italy	1.63	1.66	1.65	-0.01	75.8	76.5	76.9	0.3
UK	1.46	1.41	1.46	0.05	75.9	76.3	77.6	1.3
Euro16	10.67	10.60	10.78	0.18	81.2	82.5	82.9	0.4
Japan	3.03	3.71	3.87	0.16	81.3	83.4	85.4	2.0

Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Tanker Market

Crude freight rates increased by 18% for the VLCC sector, 23% for Aframax, but were down by 5% for Suezmax

The tanker market continued to show strength in December, and freight rates grew further from November levels. This was the case for both segments of the market, crude and product tankers, and for most vessel sizes in each segment. Most of the losses in freight rates during the first half of this year had been gained back by the continued and gradual strength of the market during the last four months and freight rates in December were very close to levels at the beginning of the year. Average freight rates for crude tankers in December were about 25% lower when compared to December 2008, a big improvement in compression to last July when the y-o-y drop was above 70%. For the product tankers, the improvement is even better, from minus 60% in July to about minus 9% in December. **The continued tying-up of tankers in floating storage operations for both crudes and petroleum products, China's growing crude imports for most of this year, the approaching phasing out of single-hull tankers from the market and expectations of higher traded volumes of crude oil and petroleum products in 2010 have all added support to freight rates over the last few months and are expected to continue to do so over the coming months.**

On average, freight rates for the **VLCC** segment of the market gained 8 WS points in December compared to the previous month, the Suezmax segment lost 5 WS points and the Aframax segment gained 20 points. Clean freight rates in December, both to the East and West of Suez, gained about 30 WS points compared to the previous month.

The number of VLCCs engaged in crude oil storage operations were almost steady at the end of December compared to a month earlier, despite the widening of the contango structure in crude oil futures over the same period. Estimates put the volume of crude oil stored on VLCCs by the end of the month at about 50 mb, engaging about 25 VLCCs in non–transportation operations. About 50% of this volume was taking place on the US Gulf Coast and most of the remainder was in Europe. On the other hand, estimates put the volume of middle distillates in floating storage at the end of December at about 100 mb, almost steady compared to the end of November, but by the end of the month there was a surge of about 25 to 30 mb of middle distillates stored on tankers in Europe offsetting declines in Asia-Pacific and West Africa. Reports also indicated that there were about 16 mb of fuel oil in floating storage in Asia-Pacific at the end of December.

OPEC spot fixtures and sailings from OPEC were 6% and 1% higher in December compared to the previous month

According to preliminary data, **OPEC spot fixtures increased in December** by about 6% to average 11.9 mb/d, compared to 11.25 mb/d in November. Fixtures from the Middle East averaged 6.12 mb/d, indicating an increase of 2% compared to the previous month, while fixtures from outside the Middle East increased by 0.53 mb/d or 10% compared to the previous month. On a y-o-y basis, OPEC spot fixtures in December were 5% higher compared to December 2008. **Global spot fixtures in December averaged 18.99 mb/d, 3% higher compared to a month earlier and were 2.59 mb/d, or 16% higher compared to the same month a year ago.**

Sailings from OPEC in December were at 22.97 mb/d, compared to 22.77 mb/d the previous month, and were 4% lower than a year earlier. Middle East sailings were at 16.89 mb/d compared to 16.6 mb/d the previous month and were 4% lower than a year earlier. Crude oil arrivals in North America in December were at 8.31 mb/d compared to 8.41 mb/d a month earlier. Crude oil arrivals in Europe and the Far East averaged 11.77 mb/d and 8.32 mb/d, 4% lower for Europe and 2% higher for the Far East, both compared to a month ago.

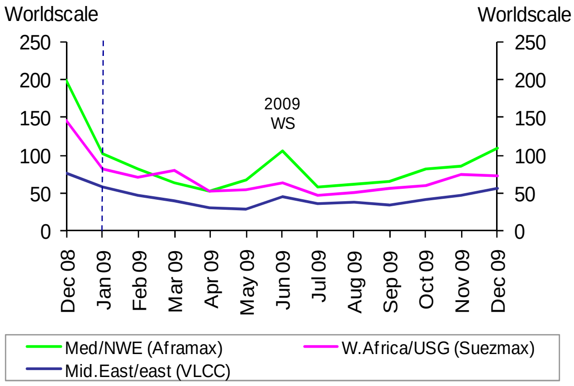
Table 20: Tanker chartering, sailings and arrivals, mb/d

	Oct 09	Nov 09	Dec 09	Change Dec/Nov
Spot Chartering				
All areas	18.49	18.47	18.99	0.52
OPEC	11.46	11.25	11.90	0.65
Middle East/ East	4.94	5.16	4.80	-0.36
Middle East/ West	0.90	0.84	1.32	0.48
Outside Middle East	5.62	5.25	5.78	0.53
Sailings				
OPEC	22.64	22.77	22.97	0.20
Middle East	16.46	16.60	16.89	0.29
Arrivals				
Noth America	8.55	8.41	8.31	-0.10
Europe	12.39	12.30	11.77	-0.53
Far East	8.04	8.13	8.32	0.19
West Asia	4.75	4.80	4.90	0.10

Source: "Oil Movements" and Lloyd's Marine Intelligence Unit.

Taking the top three vessel sizes into consideration, average spot freight rates for crude oil tankers were 12% higher in December compared to the previous month, and yet were 25% lower compared to a year ago, taking into consideration the changes in WS flat rates as of January 2009. On average, the VLCC segment gained another 8 WS points in December, the Suezmax segment lost 4 points and Aframax gained 20 points, all from November average rates.

Graph 31: Monthly averages of crude oil spot freight rates



VLCC freight rates continued to strengthen throughout December for all reported routes and at the fourth week of the month reached levels not seen since the beginning of the year. Average VLCC freight rates increased in December by 18% compared to the previous month, and y-o-y, rates were almost identical to their levels in December 2008. VLCC freight rates on the Middle East Gulf to East route were at WS59 on Christmas day and ended the month at an average of WS57 compared to WS47 in November. This was the second highest monthly average in 2009.

In westbound directions, freight rates on the VLCC tankers gained 19% in December compared to the previous month. Freight rates for VLCCs trading on the Middle East Gulf to North West Europe (NWE) started the month at about WS34 and peaked at WS 40 by the end of the month lifting the monthly average to WS38, slightly below February's average. On the other hand, freight rates for the West Africa to East VLCC route were over WS60 throughout the month, reaching as high as WS64 by the end of December, the highest rate in 2009. The monthly average of freight rates on this route was at WS62, indicating a monthly gain of 15% compared to November.

Freight rates in the **Suezmax market** were more modest in December than in November and were fluctuating within the WS70-range throughout the month. This segment of tankers lost 5% on average in December compared to the previous month and was the only segment that incurred losses this month compared to all other segments of the tanker market. For the West Africa to US route, freight rates were declining during the first half of the month reaching as low as WS66 from more than WS80 at the beginning of the month but increased afterwards to reach WS75 by the end of the month. Freight rates on this route ended the month at an average of WS 74, compared to WS76 the previous month. On the NWE to the US Suezmax route, freight rates followed almost the same pattern, losing 5 WS points or 7% in December compared to November. Y-o-y, average Suezmax freight rates in December were 32% lower compared to a year ago.

Freight rates in the **Aframax segment** increased the most in December, especially in the Far East and Mediterranean markets. To the East of Suez, Aframax freight rates on the Indonesia to East route gained 29% in December compared to the previous month, driven by increased overall market activity, while in the Caribbean; Aframax freight rates gained 13% on exceptionally good performance during the first week of the month driven by bad weather. Average monthly freight rates in the Caribbean were WS105, the highest since February this year. Aframax freight rates in the Mediterranean were fluctuating between WS100 and WS118 throughout December, benefiting from the lengthy delays in the Turkish straits. Freight rates on the cross-Med route ended the month achieving a 23% gain compared to the previous month to reach as high as WS118 by the end of the fourth week of the month, the highest rate since July 2009. Freight rates for the Med-NWE route followed the same trend, gaining 28% compared to November. On average, Aframax freight rates increased by 23% in December compared to November, but on y-o-y they were about 30% lower compared to December 2008.

Table 21: Spot tanker crude freight rates, Worldscale

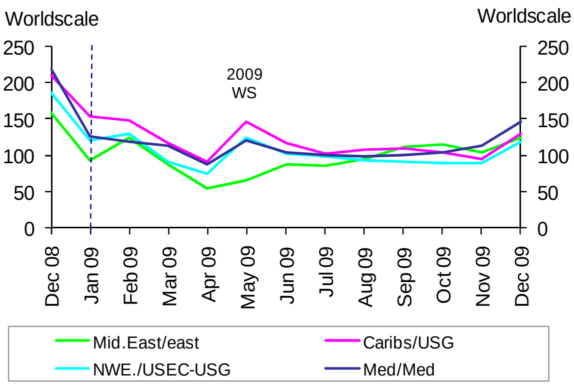
	Size 1,000 DWT	Oct 09	Nov 09	Dec 09	Change Dec/Nov
Crude					
Middle East/east	230-280	42	47	57	10
Middle East/west	270-285	29	32	38	6
West Africa/east	260	47	54	62	8
West Africa/US Gulf Coast	130-135	61	76	74	-2
NW Europe/USEC - USGC	130-135	61	73	68	-5
Indonesia/US West Coast	80-85	64	77	99	22
Caribbean/US East Coast	80-85	70	93	105	12
Mediterranean/Mediterranean	80-85	84	92	113	21
Mediterranean/North-West Europe	80-85	82	86	110	24

Source: Galbraith's Tanker Market Report and Platt's.

Product tanker spot freight rates increased by 30% in December with good performances on both sides of Suez

December had been a good month for the **product tanker market** for all vessel sizes and the monthly average of freight rates on both sides of the Suez Canal indicated a gain of 30% compared to November. The highest monthly gain took place in the East of Suez route where the market benefited from good activity and higher trade of light products, especially naphtha. Freight rates in this market ended the month at a monthly gain of 43% compared to November. The Middle East to East route was also very active during the first half of the month, but rates softened towards the end of December and ended at a 18% monthly gain. As a result, clean spot freight rates to the East of Suez were 30% higher in December compared to the previous month and on a y-o-y basis, the market managed to retain December 2008 levels of freight rates after being more than 60% lower a few months ago.

Graph 32: Monthly averages of clean spot freight rates



To the West of Suez, the clean tanker market was equally firm and freight rates made substantial gains on most of the reported routes. The highest monthly gain was reported in the Caribbean market where freight rates exceeded WS140 during the third week of the month, a level not seen since last May. Average monthly freight rates in this market were at WS130, indicating 35% gain compared to the previous month. On the trans-Atlantic clean route, freight rates were increasing steadily throughout the month and average monthly freight rates were at WS119 compared to WS90 in November.

Similarly, product freight rates increased in the Mediterranean market by 27% for both the cross-Med and Med-Northwest routes. On average, clean spot freight rates to the West of Suez were 30% higher in December compared to the previous month and were 13% lower y-o-y.

Table 22: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Oct 09	Nov 09	Dec 09	Change Dec/Nov
Products					
Middle East/east	30-35	116	104	124	20
Singapore/east	30-35	98	93	133	40
Caribbean/US Gulf Coast	38-40	105	96	130	34
NW Europe/USEC - USGC	33-37	90	90	119	29
Mediterranean/Mediterranean	30-35	105	114	146	32
Mediterranean/North-West Europe	30-35	115	124	156	32

Source: Galbraith’s Tanker Market Report and Platt's.

Oil Trade

Global net oil import patterns mixed at end of year

Global net oil import patterns were mixed at the end of the year, according to the latest available data. US net oil imports in December declined by 0.8 mb/d compared to the previous month and were 1.13 mb/d lower year-to-date. In Japan, net crude imports in November reached an eight-month high on increased crude imports and lower product exports. Year-to-data, net crude imports in Japan fell 0.4 mb/d. In China, net crude imports decline by 10% in November on lower net crude imports, but rose 0.25 mb/d year-to-date. India's net oil imports rose 8% in November as product exports declined and increased 0.1 mb/d year-to-date. In the FSU, crude oil exports were steady in November, with Russian exports averaging 3.8 mb/d, representing a decline of 100 tb/d from the previous month. Year-to-date, total exports rose 0.54 mb/d.

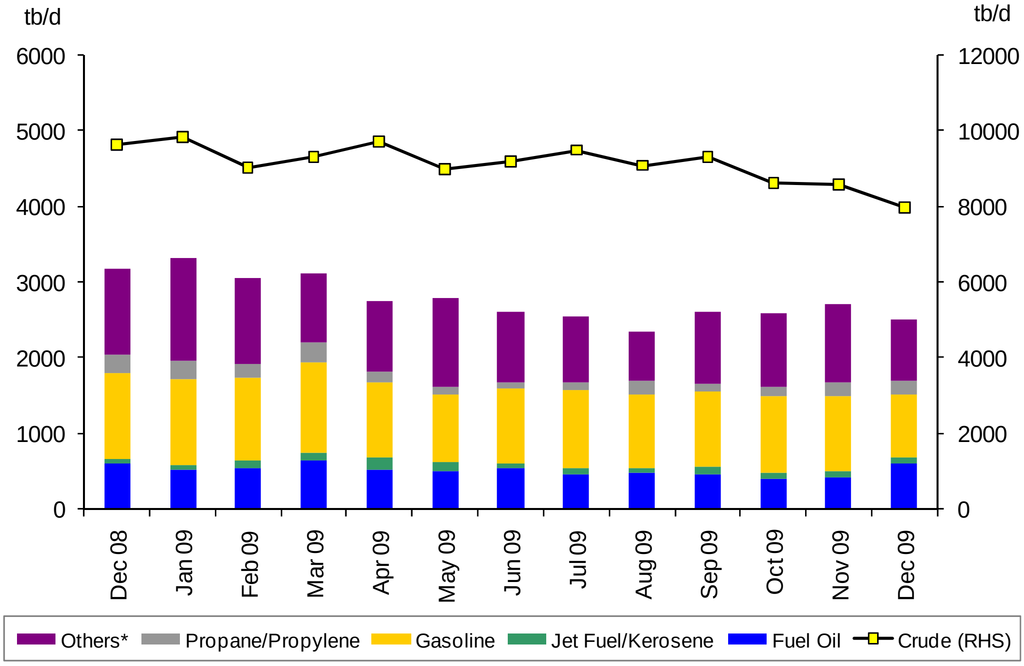
USA

US net oil imports declined by 0.8 mb/d in December backed by lower crude and product imports

According to latest official data, **US crude oil imports declined further in December** to average 7.98 mb/d, the lowest monthly average in years, about 0.6 mb/d lower than the previous month and about 17% or 1.66 mb/d lower compared to the same month last year. December crude oil imports bring US average imports for the year 2009 to about 9.1 mb/d, 7% or 0.7 mb/d lower than the average of the previous year.

US product imports declined in December by 7% or 197,000 b/d compared to the previous month to average 2.51 mb/d, about 21% or 0.67 mb/d lower than the same month a year ago. Finished motor gasoline imports were at 201,000 b/d compared to 162,000 b/d in November and were 36% higher compared to the same month last year. Average gasoline imports in 2009 were at 0.22 mb/d, 27% lower compared to a year earlier. Distillate fuel oil imports in December were at 264,000 b/d compared to 176,000 b/d the previous month and 262,000 b/d a year earlier. Average distillate fuel oil imports in 2009 were at 229,000 b/d, 8% higher compared to the previous year. Residual fuel oil imports in December were at 349,000 b/d compared to 299,000 b/d in the previous month and 383,000 b/d in the same month last year. Average residual fuel oil imports in 2009 were at 0.35 mb/d, steady compared to a year ago. Jet fuel imports in December averaged 77,000 b/d, steady compared to the previous month. Average jet fuel imports in 2009 were 84,000 b/d compared to an average of 103,000 b/d in 2008.

Graph 33: USA's imports of crude and petroleum products

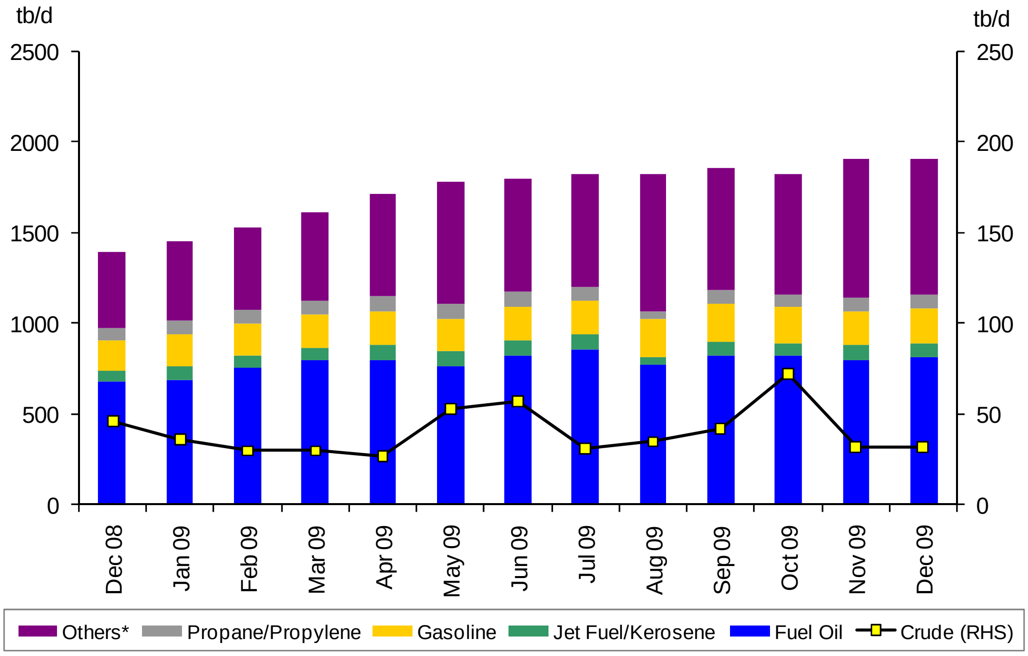


*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

On the export side, **US product exports were steady in December** compared to the previous month, averaging 1.95 mb/d. On a y-o-y basis, this volume of product exports is about 42% or 579,000 b/d higher compared to a year earlier. US product exports in 2009 averaged 1.79 mb/d compared to 1.75 mb/d the previous year.

As a result, **US net oil imports in December were 9% or about 0.8 mb/d lower compared to the previous month to average 8.51 mb/d, the lowest in many years. This was the result of declines of 0.6 mb/d in net crude oil imports and of 0.2 mb/d in net product imports, both compared to the previous month. December net oil imports were 26% lower compared to a year earlier and average net oil imports in 2009 were at 10.02 mb/d, 10% or about 1.13 mb/d lower compared to a year ago.**

Graph 34: USA's exports of crude and petroleum products



*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

Canada was the top crude oil supplier to the US in October 2009, supplying about 1.86 mb/d, down from 1.94 mb/d the previous month. For the first ten months of 2009, average exports of Canadian crudes to the US were at 1.92 mb/d, almost unchanged compared to the same period a year ago. Mexico was next, supplying about 1.02 mb/d, down from about 1.12 mb/d the previous month. Average US imports of Mexican crudes for the first ten months of 2009 were at 1.12 mb/d compared to 1.18 mb/d during the same period in 2008. Saudi Arabia and Venezuela came next with 0.94 mb/d and 0.88 mb/d respectively. OPEC Member Countries supplied about 4.28 mb/d or 49.9% of total US crude oil imports in October, down from 4.6 mb/d the previous month and from 5.31 mb/d the same month a year earlier. OPEC crude exports to the US declined by 1.03 mb/d during the first ten months of 2009 compared to the same period in 2008, from 5.46 mb/d to 4.43 mb/d.

For **product imports**, once again Canada was the top product supplier to the US in October, supplying about 0.50 mb/d, compared to 0.42 mb/d the previous month. Russia was next, supplying 0.23 mb/d, down from 0.32 mb/d a month earlier, followed by the Virgin Islands with 0.22 mb/d, down from 0.28 mb/d in September. For OPEC Member Countries, Algeria supplied the US with 0.16 mb/d of products in October followed by Venezuela with 0.08 mb/d. Altogether, OPEC Member Countries supplied about 305,000 b/d or 13% of total US product imports in October, down from 426,000 b/d the previous month. For US product exports, Mexico was the top importer in October, importing 0.32 mb/d of US products. Singapore was next, importing 0.2 mb/d followed by Canada with 0.16 mb/d. Altogether, OPEC Member Countries imported an average of 110,000 b/d of US products in October compared to 73,000 b/d the previous month.

Table 23: USA crude and product net imports/(exports), tb/d

	Oct 09	Nov 09	Dec 09	Change Dec/Nov
Crude oil	8,598	8,546	7,950	-596
Total products	639	765	564	-201
Total crude and products	**9,237**	**9,311**	**8,514**	**-797**

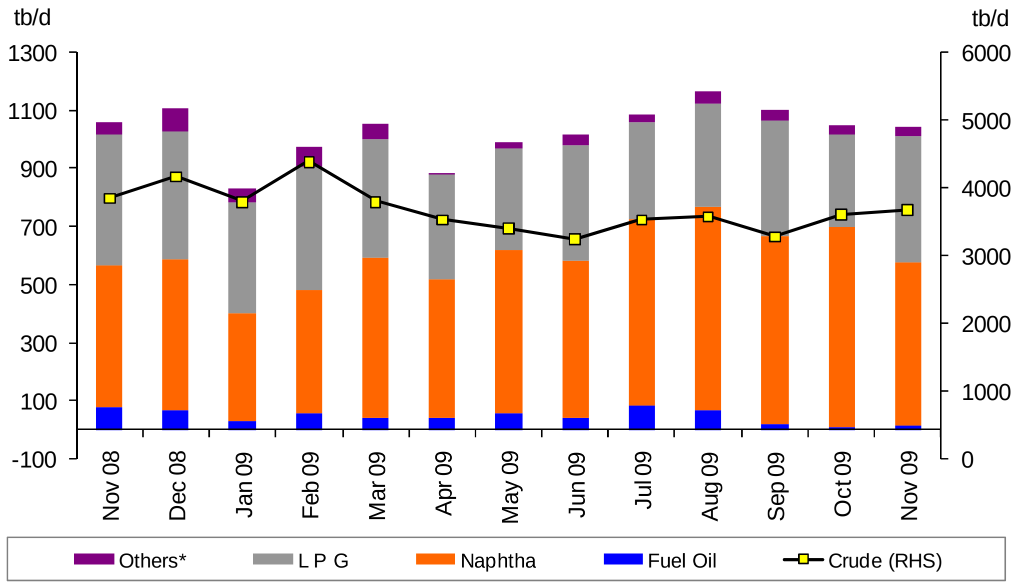
Japan

Japan's net crude oil imports in November reached a six-month high on increased crude imports and lower product exports

According to latest Japanese official data, **Japan's crude oil imports** increased by about 2% or 70,000 b/d in November to average 3.67 mb/d, but yet were 5% lower compared to the same month a year earlier. At the same time, Japan's average crude oil imports for the first eleven months of 2009 were at 3.61 mb/d, 14% or 600,000 b/d lower compared to the country's crude oil imports during the same period a year earlier.

Japan's product imports were steady in November compared to the previous month at about 1.04 mb/d, displaying an annual decline of 2% compared to a year ago. Japan mainly imports naphtha and LPG as fuel oil imports have been declining steadily throughout 2009. Naphtha and LPG imports accounted for about 96% of Japan's total monthly product imports in November. Naphtha imports in November were at 562,000 b/d, down by 19% or 129,000 b/d from the previous month, but up by 15% from a year earlier. Average naphtha imports for the first eleven months of 2009 were at 0.56 mb/d, 4% lower compared to the same period a year ago. LPG imports in November averaged 436,000 b/d, indicating an increase of 37% compared to the previous month and 3% decline compared to a year earlier. Average LPG imports for the first eleven months of 2009 were at 0.38 mb/d, about 58,000 b/d or 13% lower compared to the same period in 2008. Fuel oil imports in November averaged 17,000 b/d compared to 9,000 b/d the previous month and 81,000 b/d a year earlier. Average fuel oil imports for the first eleven months of 2009 were at 43,000 b/d compared to 102,000 b/d during the same period in 2008. Japan also imported about 22,000 b/d of gasoline in November compared to 20,000 b/d in October. Average gasoline imports for the first eleven months of 2009 were at 21,000 b/d compared to 12,000 b/d during the same period in 2008. Naphtha imports counted for 54% of Japan's total product imports in November, LPG 42% and gasoline and fuel oil about 2% each. Japan's average product imports in the first eleven months of 2009 averaged 1.02 mb/d, indicating a decline of 137,000 b/d or 12% compared to average product imports during the same period a year earlier.

Graph 35: Japan's imports of crude and petroleum products

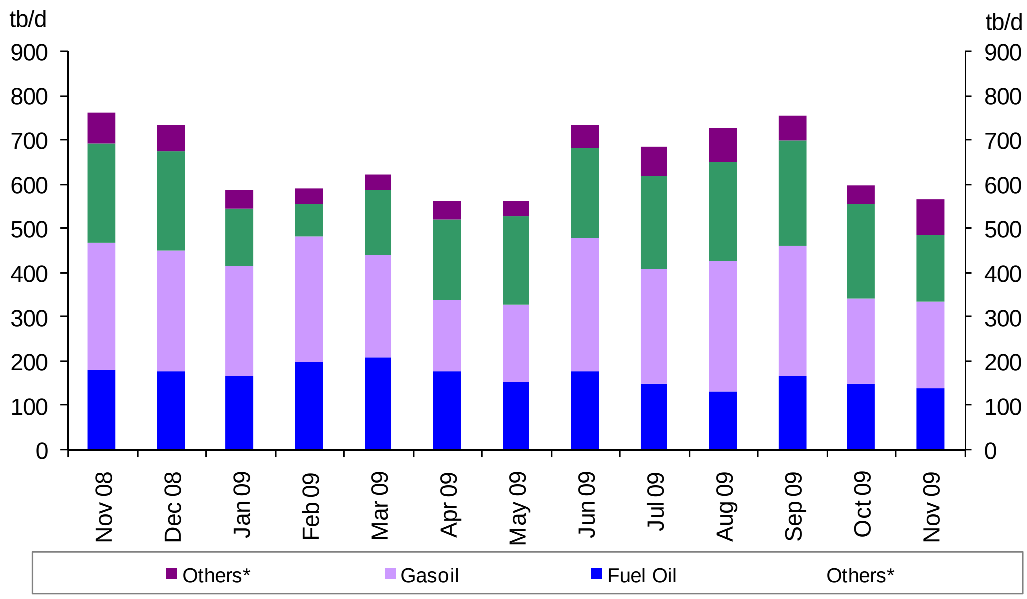


*Others: Contains Gasoline, Jet Fuel, Kerosene, Gasoil, Asphalt and Paraffin Wax.

On the export side, **Japan's product exports** in November were 5% or 32,000 b/d lower compared to the previous month and 27% lower compared to November 2008, averaging 567,000 b/d. Gasoil, fuel oil and jet fuel are Japan's main product exports, which together accounted for about 86% of the country's total product exports in November. Gasoil exports were at about 199,000 b/d, compared to 193,000 b/d the previous month and 289,000 b/d a year ago. Average gasoil exports during the first eleven months of 2009 were at 243,000 b/d, steady compared to the same period a year earlier. Jet fuel exports averaged about 149,000 b/d in November down from 214,000 b/d the previous month and from 222,000 b/d a year earlier. During the first eleven months of 2009, Japan exported an average of 184,000 b/d of jet fuel compared to 230,000 b/d during the same period a year ago. Fuel oil exports in November were at 138,000 b/d compared to 150,000 b/d the previous month and 181,000 b/d the same month a year ago. Japan exported an average of 169,000 b/d of fuel oil during the first eleven months of 2009, steady compared to the same period last year. Gasoil exports counted for 35% of Japan's total product exports in November, jet fuel for 26% and fuel oil 24%. Japan exported about 56,000 b/d of gasoline in November, up from 17,000 b/d in November. Japan's average product exports during the first eleven months of 2009 were at 0.64 mb/d, 8% lower compared to the same period the previous year.

As a result, **Japan's net oil imports in November were at about 4.15 mb/d, the highest since April 2009, indicating an increase of 97,000 b/d or 2% compared to the previous month and steady compared to a year earlier. Net crude imports were higher by 70,000 b/d and net product imports were higher by 27,000 b/d. Japan's net oil imports during the first eleven months of 2009 were at 4.0 mb/d, 14% or 636,000 b/d lower compared to the same period a year ago.**

Graph 36: Japan's exports of petroleum products



*Others: Contains LPG, Gasoline, Naphtha, Kerosene, Lubricating Oil, Asphalt and Paraffin Wax.

Saudi Arabia was **Japan's top crude oil supplier** in November, supplying about 1.28 mb/d or 35% of Japan's total crude oil imports, up from 0.95 mb/d the previous month. The UAE was next, supplying 0.77 mb/d, down from 0.89 mb/d a month earlier. Qatar supplied 0.4 mb/d compared to 0.44 mb/d the previous month. Altogether, OPEC Member Countries supplied 3.40 mb/d or 92.5% of Japan's crude oil imports in November, up from 3.17 mb/d the previous month. Top non-OPEC crude oil suppliers in November include Russia with 0.22 mb/d, up from 0.14 mb/d a month earlier and Oman with 0.12 mb/d, up from 0.1 mb/d the previous month. On the product-side, with the exclusion of LPG imports, preliminary data indicates that Saudi Arabia was Japan's top supplier in November with 187,000 b/d, up from 113,000 b/d the previous month followed by the UAE with 122,000 b/d, down from 143,000 b/d in October. Altogether, OPEC Member Countries supplied about 0.43 mb/d or 71% of Japan's product imports in November, up from 0.37 mb/d the previous month. Top non-OPEC product suppliers in November include Russia with about 26,000 b/d followed by Oman with 23,000 b/d and Indonesia with 13,000 b/d.

Table 24: Japan's crude and product net imports/(exports), tb/d

	Sep 09	Oct 09	Nov 09	Change Nov/Oct
Crude oil	3,276	3,603	3,673	70
Total products	347	449	476	27
Total crude and products	**3,623**	**4,052**	**4,149**	**97**

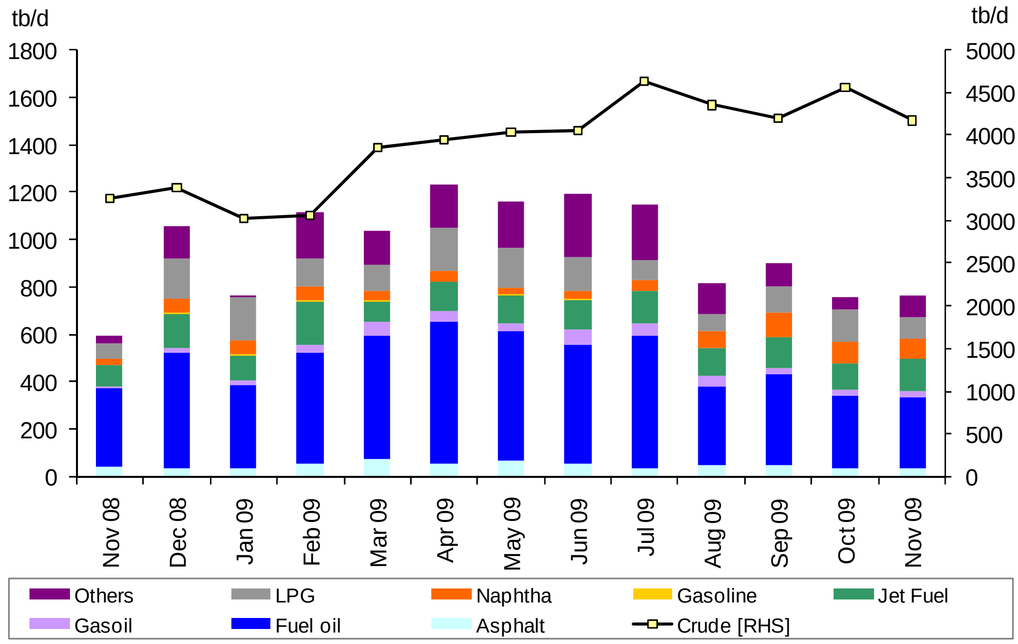
China

China's net oil imports declined in November by 10% compared to October backed by lower net crude imports

According to Chinese official data, **China's crude oil imports** declined in November by about 391,000 b/d or 9% compared to November to average 4.18 mb/d, 28% or 0.92 mb/d higher than the same month a year ago. China's crude oil imports for the first eleven months of 2009 averaged 4.0 mb/d, about 395,000 b/d or 11% higher compared to the same period the previous year.

China's product imports were steady in November compared to the previous month to average 0.77 mb/d, 28% higher than a year ago. Jet fuel imports in November were about 133,000 b/d, compared to 106,000 b/d the previous month. South Korea supplied 61,000 b/d of China's jet fuel imports in November and Japan supplied 26,000 b/d. China imported 127,000 b/d of jet fuel during the first eleven months of 2009, 7% less compared to the same period a year earlier. Naphtha imports in November were 85,000 b/d, up from 77,000 b/d the previous month, with South Korea supplying 17,000 b/d and the UAE 8,000 b/d. China's imports of naphtha during the first eleven months of 2009 averaged about 60,000 b/d compared to 14,000 b/d during the same period a year earlier. Gasoil imports in November averaged 25,000 b/d, steady compared to the previous month. Gas oil imports during the first eleven months of 2009 averaged 40,000 b/d compared to 139,000 b/d during the same period a year ago. South Korea supplied 6,000 b/d of gasoil to China in November, and Russia and Japan about 3,000 b/d each.

Graph 37: China's imports of crude and petroleum products



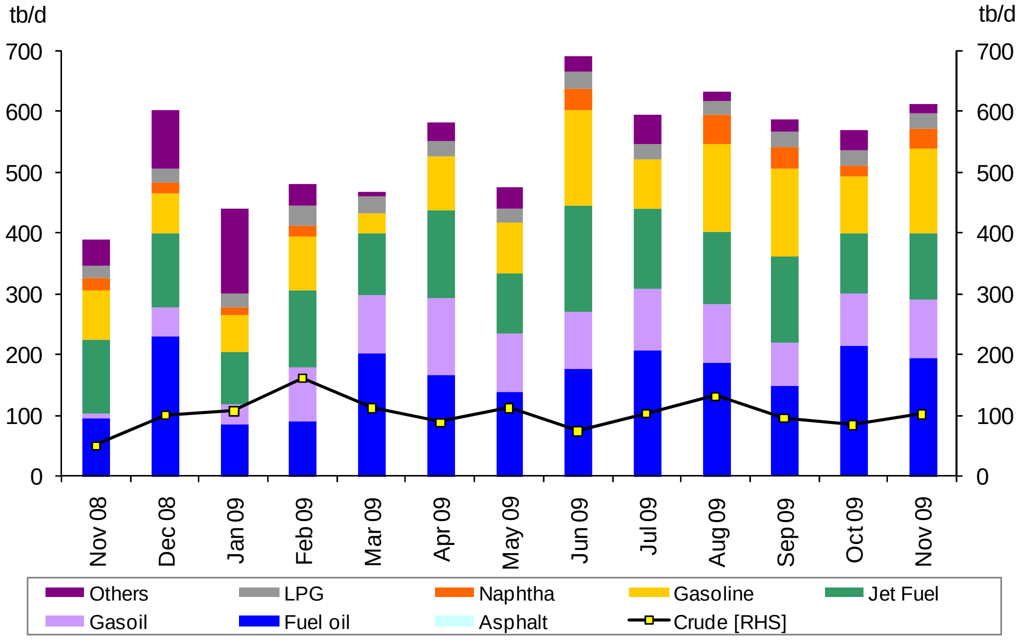
China's fuel oil imports in November averaged 279,000 b/d, compared to 310,000 b/d the previous month. Venezuela supplied 62,000 b/d of China's fuel oil imports in November, followed by Singapore and South Korea with 48,000 b/d and 31,000 b/d respectively. Average imports of fuel oil during the first eleven months of 2009 were at 441,000 b/d, 15% higher compared to the same period a year earlier. Imports of LPG in November averaged 94,000 b/d, up from 86,000 b/d the previous month. Iran supplied about 28,000 b/d of LPG to China in November, the UAE supplied 13,000 b/d and Qatar 11,000 b/d. For the first eleven months of 2009, China's LPG imports averaged 130,000 b/d compared to 76,000 b/d in the same period a year earlier. There were no gasoline imports in November. Altogether, China imported an average of 0.99 mb/d of products in the first eleven months of 2009 compared to 0.94 mb/d during the same period a year ago. In November, fuel oil imports accounted for 36% of China's total product imports, jet fuel 17%, LPG 12%, naphtha 11% and gasoil 3%.

On the export side, **China's crude oil exports** in November were at 102,000 b/d compared to 85,000 b/d the previous month. India imported 23,000 b/d of Chinese crude in November, Indonesia about 21,000 b/d and South Korea about 18,000 b/d. For the first eleven months of 2009, China exported an average of 106,000 b/d of crude oil compared to 73,000 b/d during the same period a year earlier.

On the other hand, **China's product exports** in November were at about 0.61mb/d, 8% higher compared to the previous month and 59% higher compared to November 2008. Average product exports for the first eleven months of 2009 were about 0.56 mb/d compared to 0.4 mb/d during the same period a year earlier. Fuel oil exports in November were at 182,000 b/d compared to 219,000 b/d the previous month. Fuel oil exports during the first eleven months of 2009 averaged 151,000 b/d, 20% higher compared to the same period the previous year. Jet fuel exports in November were at 108,000 b/d, up from 90,000 b/d the previous month. Hong Kong imported 56,000 b/d of this volume and Singapore 11,000 b/d. Jet fuel exports during the first eleven months of 2009 averaged 122,000 b/d, 4% higher compared to the same period a year earlier.

China exported an average of 138,000 b/d of gasoline in November compared to 82,000 b/d the previous month. Indonesia imported about 57,000 b/d of gasoline from China in November and Singapore 50,000 b/d. China's gasoline exports during the first eleven months of 2009 averaged 102,000 b/d compared to 46,000 b/d during the same period a year earlier. Naphtha exports in November averaged 33,000 b/d compared to 14,000 b/d in October. Japan imported about 19,000 b/d and South Korea 13,000 b/d. During the first eleven months of 2009, naphtha exports averaged 18,000 b/d compared to 38,000 b/d during the same period the previous year. Gasoil exports in November were at 97,000 b/d compared to 84,000 b/d the previous month. Main importers of China's gasoil exports in November were Vietnam with 27,000 b/d and Singapore with 26,000 b/d. China exported an average of 91,000 b/d of gasoil during the first eleven months of 2009 compared to only 10,000 b/d during the same period a year earlier. China exported about 26,000 b/d of LPG in November compared to 17,000 b/d the previous month. Fuel oil exports accounted for 30% of China's total product exports in November, gasoline 23%, jet fuel 18%, gasoil 16%, naphtha 5% and LPG 4%.

Graph 38: China's exports of crude and petroleum products



With net crude oil imports of 4.08 mb/d and net product imports of 0.15 mb/d, China's net oil imports in October stood at 4.23 mb/d, 10% or 448,000 b/d lower compared to the previous month but 24% higher compared to the same month a year earlier. Average net oil imports for the first eleven months of 2009 stood at 4.33 mb/d, 6% or 258,000 b/d higher than in the same period in 2008.

Saudi Arabia was China's top crude oil supplier in November, supplying about 1.0 mb/d or 24% of China's total crude imports this month, up from 0.9 mb/d the previous month. Angola supplied 0.62 mb/d, down from 0.9 mb/d in October. Iran supplied 0.36 mb/d, down from 0.39 mb/d a month earlier. Altogether, OPEC Member Countries supplied China with about 3.08 mb/d or 74% of its crude oil imports in November, down from 3.16 mb/d the previous month. Top non-OPEC crude oil suppliers in November include Sudan with 0.29 mb/d, Russia with 0.24 mb/d and Oman with 0.18 mb/d.

Table 25: China's crude and product net imports/(exports), tb/d

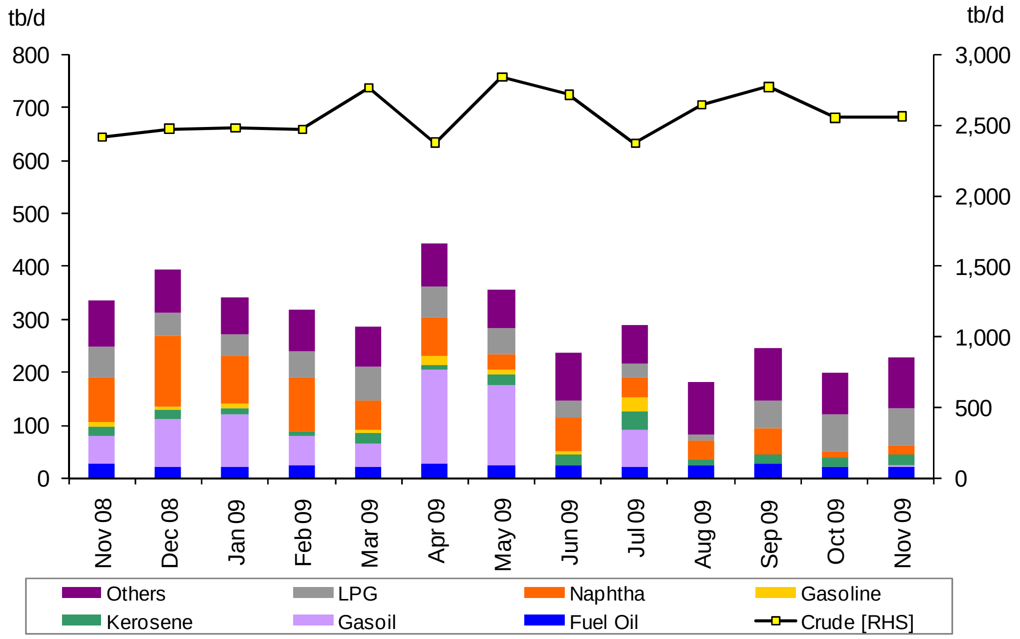
	Sep 09	Oct 09	Nov 09	Change Nov/Oct
Crude oil	4,108	4,489	4,081	-408
Total products	316	194	154	-40
Total crude and products	**4,425**	**4,683**	**4,235**	**-448**

India

India's net oil imports increased in November by 8% compared to the previous month backed by lower product exports

According to preliminary data, **India's crude oil imports were steady in November compared to the previous month at about 2.56 mb/d.** November's crude imports were also 147,000 b/d higher compared to the same month a year earlier. India's crude oil imports during the first eleven months of 2009 averaged 2.6 mb/d, almost unchanged compared to the same period the previous year.

Graph 39: India's imports of crude and petroleum products



India's **product imports** increased in November by about 29,000 b/d compared to the previous month to average 0.23 mb/d, about 32% lower compared to its petroleum products imports in November 2008. For the fourth month in a row, there were no gasoline imports in November. Gasoil imports were very marginal in November after no imports since August. LPG imports in November averaged about 72,000 b/d, compared to 70,000 b/d the previous month and 93,000 b/d a year earlier. India imported an average of 17,000 b/d of naphtha in November, up from about 12,000 b/d the previous month and down from 102,000 b/d in November 2008. Fuel oil imports averaged 20,000 b/d, steady compared to the previous month and down from 28,000 b/d a year earlier. Kerosene imports were about 20,000 b/d, steady compared to the previous month and compared to November 2008. For the first eleven months of 2009, India imported an average of 0.28 mb/d of products compared to 0.43 mb/d during the same period a year earlier, indicating a 34% y-o-y decline.

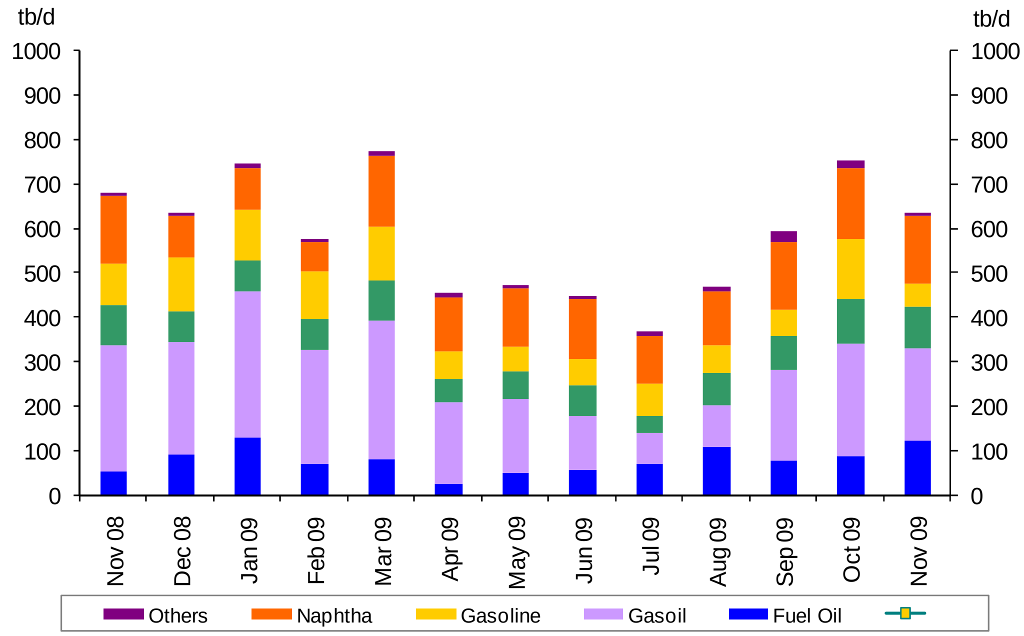
On the export side, India's total product exports of 635,000 b/d in November were 117,000 b/d or 16% lower compared to the previous month and 24% lower compared to a year earlier. Fuel oil exports in November averaged 125,000 b/d, up from 90,000 b/d in the previous month and from 119,000 b/d a year earlier. Jet fuel exports were at 92,000 b/d, down from 99,000 b/d the previous month. Gasoil exports in November averaged 206,000 b/d, down from 253,000 b/d in the previous month and from 306,000 b/d a year earlier. Gasoline exports in November averaged 51,000 b/d, down from 134,000 b/d the previous month and from 127,000 b/d a year earlier. Naphtha exports were at 151,000 b/d in October compared to 158,000 b/d in the previous month and to 198,000 b/d a year ago. For the first eleven months of 2009, India exported an average of 0.57 mb/d of products, down by 230,000 b/d or 29% compared to average product exports of 0.80 mb/d during the same period the previous year.

Table 26: India's crude and product net imports/(exports), tb/d

	Sep 09	Oct 09	Nov 09	Change Nov/Oct
Crude oil	2,771	2,551	2,561	9
Total products	-348	-554	-408	146
Total crude and products	**2,423**	**1,997**	**2,152**	**155**

As a result, **India's net oil imports in November averaged 2.15 mb/d, indicating an increase of 8% or 155,000 b/d compared to the previous month and 13% compared to a year ago. Net crude oil imports were steady but net product imports were higher by 146,000 b/d. India's net oil imports for the first eleven months of 2009 averaged about 2.30 mb/d, 5% or 106,000 b/d higher compared to the same period a year earlier.**

Graph 40: India's exports of petroleum products



FSU

FSU crude oil exports were steady in November at 6.68 mb/d with Russian exports averaging 3.81 mb/d. Product exports were 12% higher

According to preliminary data, **FSU crude oil exports were almost steady in November**, declining by a margin of 57,000 b/d or less than 1% compared to the previous month to average 6.68 mb/d. The decline is mainly attributed to lower exports from Russia and the Caspian, while exports through the BTC pipeline increased by 36,000 b/d compared to October to average 0.89 mb/d.

Russian crude oil exports in November averaged 3.81 mb/d, some 100,000 b/d lower compared to the previous month but about 400,000 b/d higher compared to a year earlier. Russian pipeline crude oil exports declined in November by 56,000 b/d compared to a month earlier to average 3.34 mb/d. Russian Far East crude oil exports were almost steady in November at 0.28 mb/d, while rail exports increased by 63,000 b/d to average 0.28 mb/d. Exports through the Black Sea averaged 1.14 mb/d in November compared to 1.12 mb/d the previous month and to 1.0 mb/d a year ago. Exports through the Baltic Sea declined in November by 104,000 b/d compared to a month ago to average 1.55 mb/d, while exports through Druzhba were steady at 1.13 mb/d.

During the first eleven months of 2009, FSU crude oil exports averaged 6.63 mb/d, about 580,000 b/d or 10% higher compared to the same period the previous year. Caspian exports increased by 98,000 b/d, CPC exports by 67,000 b/d and BTC exports by 154,000 b/d. During the same period, Russian crude oil exports averaged 3.96 mb/d, about 2% higher compared to the same period a year earlier.

On the products side, **FSU product exports** increased in November by 294,000 b/d to average 2.76 mb/d compared to 2.46 mb/d the previous month. Exports of most products were higher with gasoline exports averaging 169,000 b/d in November compared to 87,000 b/d the previous month. Fuel oil exports averaged 1.16 mb/d compared to 1.01 mb/d a month earlier and gasoil exports averaged 0.92 mb/d compared to 0.85 mb/d in October. FSU product exports declined by 44,000 b/d or 2% during the first eleven months of 2009 compared to the same period in 2008 to average 2.88 mb/d.

In total, **FSU crude oil and product exports averaged 9.43 mb/d in November, about 238,000 b/d or 3% higher compared to the previous month. November's FSU total exports were 1.2 mb/d or 15% higher than a year earlier. For the first eleven months of 2009, total FSU crude and product exports averaged 9.51 mb/d, indicating an increase of 0.54 mb/d or 6% compared to the same period a year ago.**

Table 27: Recent FSU exports of crude and products by source, kb/d

	2007	2008	1Q09	2Q09	3Q09	Oct 09	Nov 09*
Crude							
Russian pipeline							
Black Sea	1,361	1,249	1,262	1,170	1,120	1,118	1,135
Baltic	1,631	1,559	1,518	1,591	1,567	1,652	1,548
Druzhba	1,122	1,098	1,139	1,065	1,110	1,143	1,131
Total**	**4,114**	**3,906**	**3,918**	**3,876**	**3,816**	**3,913**	**3,814**
Other routes							
Russian rail	292	283	303	278	291	292	279
Russian - Far East	269	220	277	264	279	296	280
Kazak rail	17	17	18	17	17	17	18
Vadandey	n.a.	n.a.	149	155	148	118	175
Ventspils	n.a.	n.a.	13	13	13	16	0
CPC	692	675	757	729	737	737	735
BTC	617	637	734	794	870	852	888
Atasu-Alashankou	n.a.	n.a.	116	166	185	176	196
Caspian	245	184	277	275	297	315	292
Total crude exports	**6,348**	**6,089**	**6,563**	**6,568**	**6,654**	**6,732**	**6,676**
Products							
Gasoline	n.a.	n.a.	284	216	153	87	169
Naphtha	n.a.	n.a.	338	273	262	241	264
Jet	n.a.	n.a.	54	61	53	48	32
Gasoil	777	810	1,039	946	938	850	915
Fuel oil	1,052	1,069	964	1,193	1,153	1,013	1,156
VGO	n.a.	n.a.	258	243	226	223	220
Total	**2,421**	**2,539**	**2,857**	**2,998**	**2,785**	**2,462**	**2,756**
Total oil exports	**8,769**	**8,628**	**9,420**	**9,566**	**9,439**	**9,194**	**9,432**

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
** Preliminary.*
*** Total incl. exports of minor volumes to China.*
na Not available.

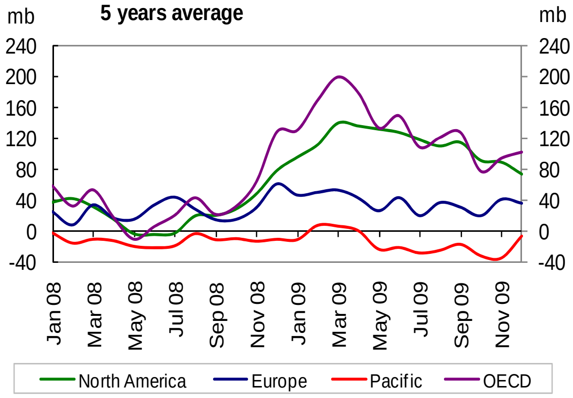
Stock Movements

OECD commercial oil stocks rose contra-seasonally in November, leaving the overhang at 93 mb

OECD

Total OECD commercial oil stocks rose by a contra-seasonal 12.6 mb in November after a substantial drop in October of 47 mb. At 2,747 mb, OECD commercial oil inventories are at 93 mb above the five-year average, higher than the surplus of 77 mb experienced in October. The total build in November came from crude oil which increased by 13 mb, while product stocks remained almost unchanged; however, within products, the build in gasoline inventories was offset by the decline in middle distillate stocks.

Graph 41: OECD commercial oil stocks: Deviation from 5 years average



At the end of November, the overhang in OECD commercial crude represented 22 mb, while the surplus in products was about 71 mb or 77% of the total overhang. It is worth noting that the composition of the overhang has shifted from crude to products, which represented just 27% in February 2009.

On a regional basis, commercial stocks in North America fell 3.9 mb driven by a drop of 5 mb in middle distillates and, to a lesser extent, crude stocks, which declined by 2 mb, offsetting some build in gasoline stocks. The surplus with the five-year average remained almost at the same level as October, representing an overhang of 90 mb. In contrast to North America, OECD Europe stocks rose 23.7 mb driven by the increase in crude which saw a considerable build of 19.5 mb, while gasoline stocks rose a slight 2.1 mb followed by residual fuel and middle distillates which increased by 1.4 mb and 0.7 mb respectively. With this build, total commercial inventories in OECD Europe at the end of November increased the overhang from 20 mb in October to 41 mb in November. OECD Pacific commercial inventories continued falling for the second consecutive month by about 7 mb, supported by a 4 mb decline in crude stocks and 2 mb drop in residual fuel, while gasoline and distillate stocks remained almost unchanged. At the end of November, the deficit with the seasonal norm for OECD Pacific inventories remained wide at 36 mb.

In terms of forward cover, OECD commercial stocks remained at 58.9 days in November compared to the previous month; however, they were one day below the September level, mainly due to a slight improvement in three-month forward OECD demand. OECD commercial stocks in days of forward cover at the end of November stood at 5.5 days above the five-year average.

Preliminary data for December indicates a draw in OECD commercial stocks; however, the surplus remained above 90 mb

Preliminary data for December shows that OECD commercial stocks fell 34 mb driven by the drop in US crude and product inventories as cold weather boosted demand for heating-oil products while year-end tax concerns encouraged oil companies to reduce crude oil stocks. Despite the considerable stock draw, OECD inventories finished the year at comfortable levels with an overhang of more than 90 mb.

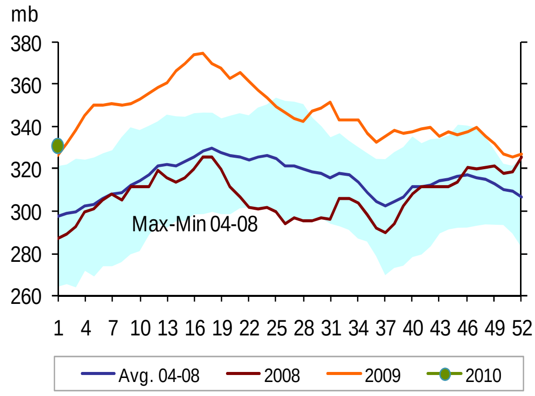
Looking ahead to the coming two quarters, with the improvement in non-OPEC supply, lackluster global demand, as well as the upcoming refining maintenance, it is likely that OECD inventories could see a contra-seasonal build in first quarter of this year and a much higher stock-build in the second quarter.

US commercial oil stocks fell in December, but remained 46 mb above the five-year average

USA

US commercial oil inventories at the end of December fell for the third consecutive month by 39.1 mb, well above the seasonal draw of close to 19 mb, to stand at 1049.0 mb. The stock draw was driven by both crude and products which declined by 10.4 mb and 27.7 mb respectively. Despite this substantial draw, US commercial oil stocks remained at 14 mb above a year earlier and 46 mb above the five-year average.

Graph 42: US weekly commercial crude oil inventories

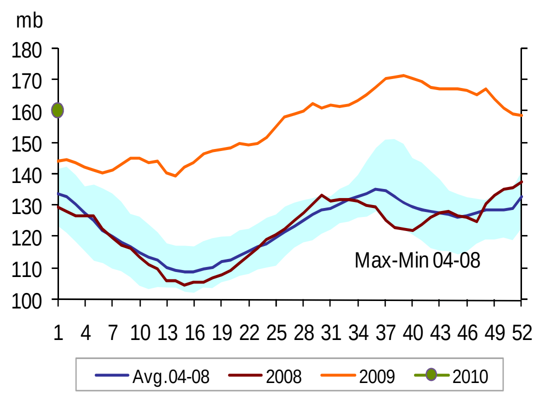


US crude oil stocks fell 10.4 mb to average 327.3 mb, the lowest level since December 2008. Crude oil inventories have followed a downward trend in the fourth quarter, falling from an all-time high of more than 370 mb in April 2009. The drop of some 0.34 mb/d in crude oil stocks was the result of a sharp 600 tb/d decline in crude oil imports which averaged less than 8.0 mb/d. Year-end tax considerations were also behind the drop in crude oil inventories. Although falling at the end of December, US crude oil stocks remained at a comfortable level of 21 mb above the five-year average. In days of forward cover, US crude oil inventories stood at 24 days at the end of the year, about three days above the five-year average.

Product stocks also declined by 0.9 mb/d to total 721.7 mb, but the picture was mixed across components. Gasoline stocks rose a further 5.6 mb to 219.7 mb, the highest since March 2008, and stood at 6 mb above a year ago and the seasonal norm for the month of December. The build in gasoline was driven by higher output from refiners and lower demand. With this build, days of forward cover stood at 24 days, one day more than the five-year average. In contrast, and due to stronger demand spurred by cold weather, distillate inventories fell 7.6 mb, the biggest decline since October 2008 to stand at nearly 159 mb. Despite this strong draw, the surplus in middle distillate stocks with the five-year average remained higher at 22 mb. In days of forward cover, middle distillate stocks stood at 43 days, about 13 days above the five-year average but less than the 50 days experienced in September, due mainly to improvement in heating oil demand. Residual fuel stocks increased slightly by 0.2 mb to 37.2 mb as demand for this product remained broadly unchanged. Jet fuel stocks dropped 0.5 mb to 41.7 mb, but remained 2.0 mb above the five-year average.

The latest data for the week-ending 8 January shows US commercial oil inventories rose 3.5 mb to 1052.6 mb, representing 50 mb or 5% above the seasonal norm for this week. Crude oil stocks rose 3.7 mb to 331.0 mb. With the exception of the mid-continent, all regions saw an increase, especially the US Gulf Coast which experienced a build of 2.7 mb. The surge in crude oil imports by 540 tb/d to 8.9 mb/d, the highest level since mid-November, was the main reason behind this build. Refinery crude runs rose 190 tb/d to 13.86 mb/d, which corresponds to an 11 week-high refinery utilization rate of 81.3%. Crude oil stocks now stand at 21.3 mb or 7% above the five-year average, which corresponds to 24 days of forward cover compared to a seasonal average of 21 days.

Graph 43: US weekly distillate stocks



Gasoline stocks built 3.8 mb to 223.5 mb driven by an increase in imports as apparent demand remained almost flat. Gasoline output fell sharply by almost 0.6 mb/d as winter is a typically low point for gasoline consumption due partly to weather-reduced driving patterns. Currently, gasoline stocks are at 8.7 mb or 4% above the five-year average, corresponding to forward cover of 25 days, 1.5 days more than the seasonal average. Distillate inventories rose unexpectedly by 1.3 mb, mainly due to diesel components as heating oil inventories fell some 1.1 mb, mostly in the main consumer Northeast region. At 160.4 mb, distillate stocks remained at very a comfortable level of 25 mb or 20% above the five-year average. Driven by sluggish demand, days of forward cover stood around 43 days, about 11 days more than the seasonal norm for this week.

SPR reached maximum capacity at the end of December

For the week-ending 8 January, the Strategic Petroleum Reserve (SPR) in the US reached 726.6 mb, unchanged from the previous week. At this level, SPR has almost reached its current capacity of 727 mb with sweet crude accounting for 292.6 mb while sour crude accounted for 434 mb. Since the beginning of last year, SPR has increased by about 23 mb.

Federal law passed in 2005 calls for an expansion of SPR to around 1 bn barrels; however, the Energy Department has noted that the current administration has not stated a position on the SPR expansion.

Table 28: US onland commercial petroleum stocks, mb

	Oct 09	Nov 09	Dec 09	Change Dec 09 /Nov 09	Dec 08	08 Jan 10 *
Crude oil	333.3	337.7	327.3	-10.4	325.8	331.0
Gasoline	208.8	214.1	219.7	5.6	213.6	223.5
Distillate fuel	169.9	166.6	159.0	-7.6	146.0	160.4
Residual fuel oil	34.8	37.0	37.2	0.2	36.1	37.4
Jet fuel	42.9	42.2	41.7	-0.5	38.0	42.4
Total	**1,096.6**	**1,088.1**	**1,049.0**	**-39.1**	**1,034.9**	**1,052.6**
SPR	725.1	725.9	726.6	0.7	701.8	726.6

**/ Latest available data at time of report's release.*

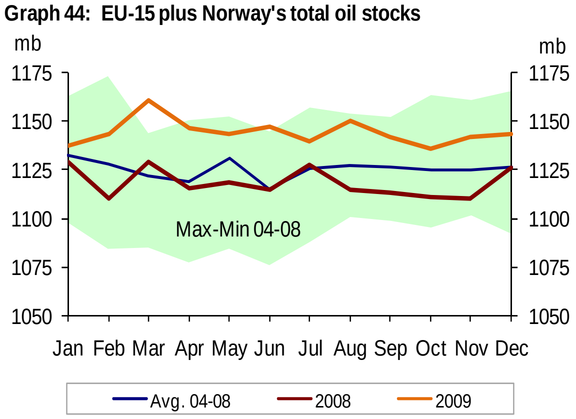
Source: US Department of Energy's Energy Information Administration.

Western Europe

EU 15 plus Norway total oil inventories rose in December to around 12 mb above the seasonal average

European total oil inventories (EU plus Norway) rose 1.9 mb in December following a revised stock build of 5.8 mb in November. At 1143.2 mb, European inventories stood at 12.3 mb or 1.1% above the five-year average; however, they were below year-ago levels for the first time in 12 months. A substantial build in products was partially offset by a draw in crude stocks.

Graph 44: EU-15 plus Norway's total oil stocks



In fact, crude oil inventories in December fell 2.6 mb to 479.2 mb, but still remained 3.7 mb or around 1% above the five-year average. The drop in crude oil inventories could be attributed to lower supply from North Sea countries combined with slightly higher refinery throughput levels. Crude oil output from the North Sea is estimated to decline by around 50,000 b/d in December compared to a month earlier, while crude throughputs were at a three-month high after an increase of 185,000 b/d to average 10.78 mb/d. This corresponds to a utilization rate of 82.3% of total capacity, but is still very low compared to 2008 levels with November reaching 91%. In January, cold weather should sustain crude runs and prevent any significant increase in crude oil stocks.

Table 29: Western Europe's oil stocks, mb

	Oct 09	Nov 09	Dec 09	Change Dec 09/Nov 09	Dec 08
Crude oil	474.1	481.7	479.2	-2.6	486.6
Mogas	118.3	116.1	117.6	1.5	124.7
Naphtha	27.7	28.2	29.0	0.9	29.8
Middle distillates	409.3	406.4	408.4	2.0	390.0
Fuel oils	106.0	109.0	109.1	0.1	117.1
Total products	661.4	659.6	664.1	4.4	661.6
Total	**1,135.5**	**1,141.4**	**1,143.2**	**1.9**	**1,148.2**

Source: Argus, Euroilstock.

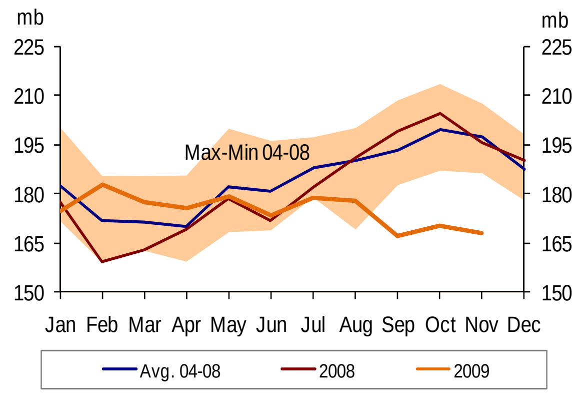
On the product-side, all major products contributed to the build of 4.4 mb at the end of 2009 to stand at 664.1 mb, representing an excess of 8.6 mb or 1.3% above the historical norm and 2.4 mb above the same time a year earlier. Middle distillates rose by 2.0 mb after three consecutive months of decline and ended the year at 408.4 mb, to settle at a comfortable level of 18 mb above a year ago or 32 mb above the five-year average. Despite cold weather, middle distillates in Germany, the largest heating market in Europe, have increased in December, both compared to November and a year earlier, as oil companies and traders have been building distillates throughout the year by increasing imports. Gasoline also ended the year with a build of 1.5 mb to 117.6 mb, down 7 mb from the same month the year before and around 19 mb below the five-year average. This build was mainly due to higher refinery runs which boosted gasoline output combined with weak demand and comfortable levels of US gasoline inventories which limited exports from Europe. If the downtrend in the decline in US gasoline imports continues over the coming months, this would lead to higher gasoline stocks. Fuel oil stocks remained almost unchanged in December at 109.1 mb, but were 8 mb below a year ago and 5.5 mb below the seasonal average. Stronger demand and lower output has constrained any build in fuel oil. Naphtha stocks at the end of December experienced a slight increase of 0.9 mb to 29.0 mb, almost at the same level of the previous year and in line with the average of the last five years.

Japan

Japan's commercial oil stocks dropped in November but reversed the trend in December

In November, commercial oil stocks in Japan reversed the build incurred in October, falling close to 2 mb to 168 mb. This represents almost 30 mb or 15% below the five-year average and 27 mb below the same month a year ago. The draw in total stocks is mainly attributed to crude, as products as a whole saw a minor decline.

Graph 45: Japan's commercial oil stocks



Crude oil inventories fell 2.0 mb in November to move to a level of less than 90 mb. With this level, crude oil stocks widened the deficit with the five-year average to 23 mb or 21%, and around 18 mb below the same month last year. This draw is mainly attributed to lower imports as petroleum demand remained very weak. Additionally, Japan's total products sales in November fell 4.7% from a year earlier and 0.7% from the previous month.

Table 30: Japan's commercial oil stocks*, mb

	Sep 09	Oct 09	Nov 09	Change Nov 09/Oct 09	Nov 08
Crude oil	85.9	91.4	89.7	-1.8	107.9
Gasoline	13.6	13.5	13.7	0.3	13.8
Naphtha	11.0	12.0	9.9	-2.1	12.0
Middle distillates	38.6	36.8	38.1	1.3	41.4
Residual fuel oil	17.7	16.3	16.6	0.3	20.1
Total products	80.9	78.5	78.3	-0.2	87.3
Total**	**166.8**	**170.0**	**168.0**	**-2.0**	**195.2**

* *At end of month.*
** *Includes crude oil and main products only.*
Source: METI, Japan.

Product inventories saw a slight draw of 0.2 mb to average 78.3 mb, representing a deficit of 6.3 mb or 7.4% below the five-year average and down 9 mb from the same month of the previous year. Within products, gasoline, distillates and residual fuel witnessed a build, while naphtha experienced a draw almost offsetting the total build incurred for the other three products. Gasoline stocks gained 0.3 mb or 2.2% for the second consecutive build in six months to stand at 13.7 mb, indicating a surplus of 1.6% above the five-year average. This build could be attributed to the increase in imports by 6.2% combined with the decline in domestic sales of 5.2% reflecting the weak transportation sector in Japan. Similarly, distillate stocks added 1.3 mb to average 38.1 mb, but despite this build, distillate stocks remained 6.1 mb or 13.7% below the five-year average. Within middle distillates, jet fuel and kerosene saw a stock build of 3.4% and 6.8%, while gasoil inventories decreased by 1.9%. Residual fuel inventories rose slightly by 0.3 mb to 16.6 mb, but remained 3 mb or 15% below the five-year average. The build in residual fuel oil stocks could be attributed to the increase in output, while domestic sales remained almost flat. Naphtha is the only product indicating a draw of 2.1 mb to 9.9 mb, widening the deficit with the five-year average to 18%. The draw in naphtha stocks resulted from a combined a drop in imports of almost 20% as well an increase in domestic sales of about 3.2%.

Preliminary indications based on weekly data published by the Petroleum Association of Japan (PAJ) shows Japan's commercial oil inventories rose by more than 3 mb by the end of December to remain at around 16 mb or 9% below the five-year average. The bulk of the build is expected to come from crude, which increased by 3.0 mb/d to reduce the deficit with the five-year average to 15 mb or 14%. Major product inventories in December are estimated to have built slightly by 0.3 mb, representing a small gap with the historical norm of 1.5 mb or about 2%.

According to the latest data for the week ending 9 January, crude oil inventories fell by 3.6 mb to 89.1 mb, mainly due to the increase in crude runs by 80,000 b/d to average 3.94 mb/d which corresponds to a refinery utilization rate of 80.8%, an increase of 1.8% from the previous week. On the product-side, total major product inventories remained almost unchanged at 78.7 mb; however, gasoline saw a build of 0.9 mb, while naphtha, distillate stocks and residual fuel declined by 0.5 mb, 0.3 mb and 0.1 mb respectively.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA) product stocks

Singapore product stocks rose in November; however, preliminary data shows a draw in December

Singapore product stocks in November increased by 2.6 mb to about 48 mb, representing a gain of 7 mb from a year ago. Fuel oil stocks rose 2.8 mb, mainly due to an increase in supply from Europe which outpaced strong regional demand. Light distillate stocks rose slightly by 0.1 mb, while middle distillate inventories fell 0.3 mb. With this build, Singapore product stocks remained above the five-year average.

Preliminary data from December indicates Singapore product stocks dropped by around 3.7 mb, driven by a fall of almost the same amount in residual fuel stocks. The stock draw was due to stronger regional demand. Light and middle distillate stocks saw a mixed picture as light distillates fell 0.6 mb, while middle distillates rose 0.7 mb.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) in November rose 0.7 mb to stand at 38.1 mb, about 9.7 mb above a year earlier. Within products, gasoline, jet fuel and naphtha saw a build of 0.6 mb, 0.3 mb and 0.2 mb respectively, while in contrast, gasoil and fuel oil stocks show a decline of 0.2 mb and 0.3 mb respectively.

Preliminary data for December points out that product stocks in ARA increased further by 2 mb to stand close to 40.0 mb; however, the surplus with a year ago has declined to just 3.5 mb. Gasoil stocks rose at the end of the year by nearly 1.0 mb. This build came mainly from floating storage as volumes previously held in the UK were shifted to ARA on an anticipated increase of demand in Germany. Almost all other products saw a build, with fuel oil stocks jumping to a record high supported by increased imports mainly from Russia and the US, which outweighed exports to Germany. Naphtha stocks rose mainly due to higher imports from Russia and jet fuel stocks rose as open arbitrage from the Middle East boosted inventories.

Balance of Supply and Demand

Required OPEC crude for 2009 estimated at 28.7 mb/d, down 2.3 mb/d from 2008

Estimate for 2009

Demand for OPEC crude has been revised up by around 70,000 b/d to currently stand at 28.7 mb/d, mainly reflecting a downward revision to non-OPEC supply as global oil demand remained almost unchanged. The first three quarters carried the bulk of the revision, while the fourth quarter remained broadly unchanged. However, this still represents a considerable decline of 2.3 mb/d from the previous year. The first half experienced negative growth of around 3.0 mb/d over the same period last year, while the decline narrowed in the second half to show a loss of only 1.4 mb/d in the fourth quarter.

Table 31: Summarized supply/demand balance for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World Oil Demand	**85.70**	**84.00**	**83.12**	**84.81**	**85.36**	**84.33**
Non-OPEC Supply	50.45	50.92	50.60	50.81	51.49	50.96
OPEC NGLs and non-conventionals	4.32	4.49	4.58	4.84	4.95	4.72
(b) Total Supply excluding OPEC Crude	**54.77**	**55.41**	**55.18**	**55.66**	**56.43**	**55.67**
Difference (a-b)	**30.93**	**28.59**	**27.94**	**29.15**	**28.92**	**28.65**
OPEC crude oil production	31.21	28.46	28.49	28.86	29.07	28.72
Balance	0.28	-0.13	0.56	-0.29	0.15	0.07

Totals may not add due to independent rounding.

Demand for OPEC crude in 2010 forecast at 28.6 mb/d, representing a decline of 0.1 mb/d

Forecast for 2010

Demand for OPEC crude in 2010 is projected to average 28.6 mb/d, broadly unchanged from the previous assessment as world oil demand and non-OPEC supply remained almost unchanged.

On a quarterly basis, only the second quarter saw a downward revision of 0.1 mb to currently stand at 27.4 mb/d. Required OPEC crude is forecast to decline slightly by about 60,000 b/d following two consecutive annual declines. The first half of the year is still showing a drop of 0.4 mb/d, while the second half is estimated to see positive growth of around 0.2 mb/d in the third quarter and 0.4 mb/d in the fourth.

Table 32: Summarized supply/demand balance for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World Oil Demand	**84.33**	**84.71**	**83.75**	**85.73**	**86.38**	**85.15**
Non-OPEC Supply	50.96	51.42	51.19	51.03	51.61	51.31
OPEC NGLs and non-conventionals	4.72	5.03	5.19	5.31	5.46	5.25
(b) Total Supply excluding OPEC Crude	**55.67**	**56.44**	**56.39**	**56.33**	**57.06**	**56.56**
Difference (a-b)	**28.65**	**28.26**	**27.37**	**29.40**	**29.32**	**28.59**

Totals may not add due to independent rounding.

Graph 46: Balance of supply and demand

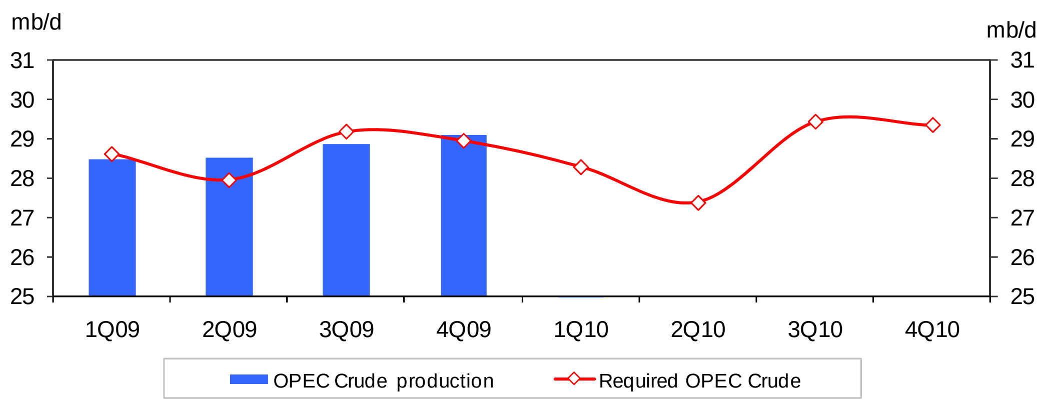


Table 33: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	49.5	49.8	49.5	49.2	47.6	46.6	44.4	45.4	46.3	45.7	46.2	44.3	45.3	46.3	45.5
North America	25.4	25.6	25.4	25.5	24.2	23.5	22.9	23.3	23.4	23.3	23.7	23.1	23.5	23.7	23.5
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.2	14.8	14.9	14.7	14.6	14.0	14.6	14.8	14.5
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.3	7.3	7.9	7.7	8.0	7.1	7.2	7.8	7.5
DCs	21.8	22.6	23.3	24.3	25.3	25.2	25.9	26.0	26.0	25.8	25.8	26.3	26.6	26.5	26.3
FSU	3.8	3.9	4.0	4.0	4.1	3.8	3.7	4.1	4.2	4.0	3.9	3.7	4.2	4.2	4.0
Other Europe	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
China	6.5	6.7	7.2	7.6	8.0	7.6	8.4	8.6	8.2	8.2	8.1	8.7	8.9	8.5	8.6
(a) Total world demand	82.5	83.9	84.9	86.0	85.7	84.0	83.1	84.8	85.4	84.3	84.7	83.8	85.7	86.4	85.2
Non-OPEC supply															
OECD	21.3	20.5	20.2	20.1	19.6	19.9	19.3	19.3	19.7	19.6	19.6	19.4	19.2	19.6	19.4
North America	14.6	14.1	14.2	14.3	13.9	14.2	14.0	14.2	14.3	14.1	14.3	14.2	14.1	14.3	14.2
Western Europe	6.2	5.7	5.4	5.2	5.0	5.1	4.7	4.5	4.8	4.8	4.7	4.5	4.3	4.5	4.5
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.6	0.7	0.7	0.7
DCs	11.6	11.9	12.0	12.1	12.3	12.4	12.4	12.5	12.5	12.5	12.6	12.6	12.6	12.7	12.6
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	13.0	13.2	12.9	13.2	13.2	13.2	13.3	13.2
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.6	50.4	50.9	50.6	50.8	51.5	51.0	51.4	51.2	51.0	51.6	51.3
OPEC NGLs + non-conventional oils	3.7	3.9	3.9	4.0	4.3	4.5	4.6	4.8	4.9	4.7	5.0	5.2	5.3	5.5	5.2
(b) Total non-OPEC supply and OPEC NGLs	53.3	53.5	53.9	54.6	54.8	55.4	55.2	55.7	56.4	55.7	56.4	56.4	56.3	57.1	56.6
OPEC crude oil production (secondary sources)	29.6	30.7	30.5	30.2	31.2	28.5	28.5	28.9	29.1	28.7					
Total supply	82.9	84.2	84.4	84.8	86.0	83.9	83.7	84.5	85.5	84.4					
Balance (stock change and miscellaneous)	0.3	0.3	-0.6	-1.2	0.3	-0.1	0.6	-0.3	0.1	0.1					
OECD closing stock levels (*mb*)															
Commercial	2538	2585	2667	2566	2701	2747	2760	2771							
SPR	1450	1487	1499	1524	1527	1547	1561	1564							
Total	3988	4072	4166	4090	4228	4294	4321	4334							
Oil-on-water	905	954	919	951	967	900	902	871							
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	62	61	60							
SPR	29	30	30	32	33	35	34	34							
Total	80	82	85	86	93	97	95	94							
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.9	9.0	9.0	9.3	9.5	9.0	9.1	9.2
(a) - (b)	29.2	30.4	31.1	31.4	30.9	28.6	27.9	29.2	28.9	28.7	28.3	27.4	29.4	29.3	28.6

Note: Totals may not add up due to independent rounding.

Table 34: World oil demand/supply balance: changes from last month's table † , mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	-	-	-	-	-	-	-	-	-0.2	-0.1	-	-	-	-0.2	-0.1
North America	-	-	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-
Western Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	0.1	0.2	0.1	-	-	0.1	0.2	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
World demand growth	*-*	*-*	*-*	*-*	*-*	*0.01*	*0.01*	*-*	*0.05*	*0.02*	*-*	*0.01*	*-0.01*	*-*	*-*
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	-	0.1	-	0.1	0.2	0.2	0.2	0.1
North America	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.2	0.1
Western Europe	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.2	-0.2	-0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	0.1	-	-	0.1	-	-	-
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*-0.01*	*-0.01*	*-0.02*	*-*	*0.08*	*0.01*	*0.05*	*0.18*	*0.03*	*-0.08*	*0.04*
OPEC NGLs + non-conventionals	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-0.1	-0.1	-	-	-	-	0.1	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-0.1	-0.1	-	-	-					
Balance (stock change and miscellaneous)	-	-	-	-	-	-0.1	-0.1	-0.1	-	-					
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-							
Oil-on-water	-	-	-	-	-	-	-	-							
Days of forward consumption in OECD							-	-							
Commercial onland stocks	-	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-							
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
(a) - (b)	-	-	-	-	-	0.1	0.1	0.1	-	0.1	-	-0.1	-	-	-

† This compares Table 33 in this issue of the MOMR with Table 34 in the December 2009 issue.

This table shows only where changes have occurred.

Table 35: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	2006	2007	2008	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09
Closing stock levels *mb*																											
OECD onland commercial	2,630	2,473	2,511	2,538	2,585	2,667	2,566	2,701	2,533	2,612	2,627	2,585	2,585	2,648	2,760	2,667	2,598	2,658	2,650	2,566	2,572	2,605	2,658	2,701	2,747	2,760	2,771
North America	1,262	1,175	1,161	1,193	1,257	1,277	1,229	1,301	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	1,229	1,216	1,239	1,278	1,301	1,348	1,383	1,382
Western Europe	925	890	915	915	934	962	930	992	942	915	942	934	937	935	948	962	941	936	932	930	961	957	949	992	992	976	969
OECD Pacific	443	408	435	430	394	429	407	407	389	422	432	394	408	436	461	429	420	428	432	407	394	409	431	407	408	401	419
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,524	1,527	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564
North America	552	601	640	678	687	691	699	704	690	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704	715	726	727
Western Europe	356	357	374	377	407	412	421	416	376	401	405	407	407	411	412	412	415	413	423	421	423	414	414	416	424	427	429
OECD Pacific	380	389	396	396	393	396	404	406	396	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408	408	408
OECD total	**3,918**	**3,820**	**3,921**	**3,988**	**4,072**	**4,166**	**4,090**	**4,228**	**3,995**	**4,106**	**4,121**	**4,072**	**4,072**	**4,141**	**4,255**	**4,166**	**4,106**	**4,164**	**4,170**	**4,090**	**4,101**	**4,131**	**4,180**	**4,228**	**4,294**	**4,321**	**4,334**
Oil-on-water	830	815	882	905	954	919	951	967	931	932	925	954	962	975	974	919	919	895	920	951	934	918	886	967	900	902	871
Days of forward consumption in OECD																											
OECD onland commercial	55	51	51	51	52	54	54	59	52	53	52	51	54	54	55	54	54	54	53	52	54	56	56	58	62	61	60
North America	52	48	46	47	50	50	51	56	47	50	49	50	49	50	53	50	49	51	51	50	50	53	53	55	59	59	59
Western Europe	60	58	59	58	60	63	61	67	61	58	60	58	61	60	60	63	63	61	59	61	64	62	62	67	70	66	65
OECD Pacific	52	47	51	50	47	51	50	53	48	52	49	43	52	55	53	48	53	54	49	46	50	54	54	50	56	55	53
OECD SPR	27	28	29	29	30	30	32	33	30	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	35	34	34
North America	23	24	25	26	27	27	29	30	27	27	27	27	27	27	27	27	27	27	27	28	29	30	29	30	31	31	31
Western Europe	23	23	24	24	26	27	27	28	25	26	26	25	27	26	26	27	28	27	27	27	28	27	27	28	30	29	29
OECD Pacific	45	45	46	46	46	47	50	53	49	49	45	42	50	50	45	44	51	51	46	45	51	54	51	50	56	56	52
OECD total	**82**	**79**	**79**	**80**	**82**	**85**	**86**	**93**	**82**	**83**	**82**	**80**	**84**	**84**	**85**	**84**	**85**	**85**	**84**	**83**	**87**	**89**	**88**	**91**	**97**	**95**	**94**

Table 36: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2004	2005	2006	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009.00	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010.00	Change 10/09
USA	7.65	7.34	7.36	7.50	0.14	7.64	7.75	7.20	7.42	7.50	0.00	7.81	7.94	8.10	8.17	8.01	0.51	8.13	8.11	8.12	8.26	8.16	0.15
Canada	3.07	3.03	3.20	3.32	0.12	3.30	3.12	3.30	3.28	3.25	-0.07	3.30	3.07	3.14	3.15	3.16	-0.09	3.24	3.26	3.22	3.31	3.26	0.09
Mexico	3.83	3.77	3.69	3.49	-0.21	3.29	3.18	3.13	3.09	3.17	-0.31	3.04	2.97	2.94	2.94	2.98	-0.20	2.91	2.85	2.80	2.78	2.83	-0.14
North America	14.56	14.14	14.24	14.30	0.06	14.22	14.05	13.63	13.80	13.92	-0.38	14.16	13.98	14.18	14.27	14.15	0.22	14.28	14.22	14.15	14.35	14.25	0.10
Norway	3.19	2.97	2.78	2.56	-0.22	2.51	2.39	2.38	2.54	2.45	-0.10	2.52	2.20	2.28	2.38	2.34	-0.11	2.32	2.21	2.11	2.26	2.22	-0.12
UK	2.10	1.89	1.71	1.69	-0.02	1.66	1.65	1.41	1.58	1.57	-0.11	1.63	1.56	1.27	1.50	1.49	-0.09	1.43	1.37	1.30	1.34	1.36	-0.13
Denmark	0.39	0.38	0.34	0.31	-0.04	0.29	0.29	0.27	0.28	0.28	-0.02	0.28	0.27	0.27	0.26	0.27	-0.01	0.27	0.26	0.25	0.25	0.26	-0.01
Other Western Europe	0.50	0.51	0.54	0.68	0.15	0.72	0.73	0.75	0.74	0.74	0.05	0.68	0.67	0.67	0.68	0.67	-0.06	0.68	0.68	0.68	0.68	0.68	0.01
Western Europe	6.18	5.74	5.37	5.23	-0.13	5.18	5.05	4.82	5.15	5.05	-0.19	5.11	4.70	4.48	4.82	4.77	-0.27	4.69	4.52	4.34	4.53	4.52	-0.26
Australia	0.52	0.53	0.51	0.53	0.02	0.47	0.53	0.55	0.58	0.53	0.01	0.55	0.52	0.56	0.55	0.54	0.01	0.54	0.53	0.55	0.57	0.55	0.00
Other Pacific	0.05	0.05	0.05	0.08	0.03	0.11	0.11	0.10	0.09	0.10	0.02	0.09	0.09	0.10	0.11	0.10	0.00	0.12	0.11	0.11	0.11	0.11	0.02
OECD Pacific	0.57	0.58	0.56	0.60	0.04	0.58	0.63	0.64	0.67	0.63	0.03	0.64	0.61	0.66	0.66	0.64	0.01	0.65	0.64	0.67	0.68	0.66	0.02
Total OECD	21.31	20.45	20.17	20.14	-0.03	19.98	19.74	19.09	19.61	19.60	-0.54	19.91	19.29	19.32	19.74	19.56	-0.04	19.62	19.38	19.16	19.56	19.43	-0.13
Brunei	0.21	0.21	0.22	0.19	-0.03	0.18	0.15	0.16	0.17	0.16	-0.02	0.16	0.15	0.16	0.16	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01
India	0.79	0.76	0.79	0.82	0.02	0.83	0.81	0.82	0.84	0.82	0.01	0.80	0.80	0.81	0.83	0.81	-0.01	0.85	0.87	0.86	0.87	0.86	0.05
Indonesia	1.15	1.12	1.07	1.02	-0.04	1.05	1.04	1.04	1.03	1.04	0.02	1.02	1.02	1.02	1.03	1.02	-0.02	1.02	1.02	1.01	1.01	1.02	-0.01
Malaysia	0.79	0.77	0.76	0.76	0.01	0.78	0.76	0.78	0.75	0.77	0.01	0.75	0.73	0.74	0.73	0.74	-0.03	0.74	0.73	0.71	0.70	0.72	-0.02
Thailand	0.25	0.30	0.32	0.34	0.02	0.34	0.35	0.36	0.36	0.35	0.02	0.36	0.37	0.36	0.35	0.36	0.01	0.35	0.35	0.35	0.35	0.35	-0.01
Vietnam	0.42	0.39	0.37	0.35	-0.02	0.34	0.31	0.29	0.31	0.31	-0.04	0.32	0.34	0.35	0.34	0.34	0.03	0.33	0.32	0.32	0.32	0.32	-0.02
Asia others	0.18	0.26	0.26	0.27	0.00	0.28	0.28	0.28	0.28	0.28	0.01	0.28	0.28	0.27	0.27	0.27	0.00	0.29	0.29	0.30	0.30	0.30	0.02
Other Asia	3.81	3.80	3.79	3.74	-0.05	3.79	3.71	3.72	3.74	3.74	0.00	3.70	3.69	3.70	3.71	3.70	-0.04	3.72	3.71	3.69	3.69	3.70	0.00
Argentina	0.80	0.78	0.77	0.76	-0.01	0.77	0.77	0.76	0.75	0.76	0.00	0.75	0.74	0.71	0.75	0.74	-0.02	0.72	0.71	0.70	0.69	0.71	-0.03
Brazil	1.80	1.98	2.11	2.22	0.12	2.34	2.39	2.43	2.41	2.39	0.17	2.49	2.51	2.54	2.57	2.53	0.14	2.62	2.67	2.73	2.84	2.72	0.19
Colombia	0.54	0.53	0.54	0.54	0.00	0.57	0.59	0.61	0.62	0.60	0.06	0.65	0.66	0.68	0.73	0.68	0.08	0.74	0.76	0.76	0.78	0.76	0.08
Trinidad & Tobago	0.16	0.18	0.18	0.16	-0.02	0.16	0.15	0.16	0.16	0.16	0.00	0.16	0.16	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01
L. America others	0.26	0.30	0.26	0.27	0.00	0.27	0.27	0.28	0.31	0.28	0.01	0.31	0.30	0.31	0.31	0.31	0.03	0.29	0.29	0.29	0.29	0.29	-0.02
Latin America	3.55	3.77	3.86	3.95	0.09	4.10	4.17	4.23	4.25	4.19	0.23	4.36	4.38	4.39	4.51	4.41	0.22	4.51	4.57	4.63	4.73	4.61	0.20
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.79	0.78	0.75	0.71	-0.04	0.74	0.74	0.76	0.78	0.76	0.05	0.78	0.79	0.83	0.82	0.81	0.05	0.82	0.84	0.84	0.84	0.83	0.02
Syria	0.49	0.45	0.44	0.42	-0.02	0.41	0.40	0.40	0.39	0.40	-0.02	0.38	0.37	0.36	0.36	0.37	-0.03	0.36	0.35	0.34	0.34	0.35	-0.02
Yemen	0.41	0.41	0.37	0.34	-0.04	0.31	0.31	0.30	0.30	0.31	-0.03	0.28	0.27	0.27	0.26	0.27	-0.03	0.26	0.25	0.25	0.24	0.25	-0.02
Middle East	1.90	1.85	1.76	1.67	-0.09	1.67	1.66	1.67	1.67	1.67	0.00	1.65	1.65	1.67	1.65	1.66	-0.01	1.64	1.64	1.63	1.62	1.64	-0.02
Chad	0.16	0.18	0.16	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01	0.13	0.12	0.12	0.11	0.12	-0.02
Congo	0.24	0.24	0.25	0.24	0.00	0.26	0.26	0.26	0.26	0.26	0.02	0.26	0.27	0.27	0.27	0.27	0.01	0.27	0.28	0.27	0.27	0.27	0.01
Egypt	0.71	0.70	0.67	0.67	0.00	0.68	0.68	0.69	0.70	0.69	0.02	0.70	0.69	0.68	0.66	0.68	-0.01	0.68	0.67	0.66	0.65	0.67	-0.02
Equatorial Guinea	0.30	0.36	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.37	0.36	0.35	0.34	0.36	-0.02	0.35	0.35	0.34	0.34	0.34	-0.01
Gabon	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.25	0.25	0.24	-0.01	0.26	0.26	0.27	0.27	0.26	0.02	0.27	0.27	0.28	0.27	0.27	0.01
South Africa	0.19	0.19	0.19	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01	0.17	0.17	0.17	0.15	0.17	0.00	0.15	0.15	0.15	0.15	0.15	-0.02
Sudan	0.30	0.34	0.40	0.50	0.10	0.50	0.49	0.47	0.44	0.48	-0.02	0.46	0.48	0.47	0.47	0.47	-0.01	0.47	0.48	0.48	0.47	0.48	0.01
Africa other	0.21	0.25	0.32	0.35	0.03	0.38	0.38	0.38	0.38	0.38	0.03	0.38	0.37	0.36	0.35	0.36	-0.01	0.36	0.36	0.38	0.41	0.38	0.01
Africa	2.36	2.52	2.60	2.71	0.11	2.75	2.76	2.74	2.73	2.74	0.04	2.73	2.73	2.72	2.67	2.71	-0.03	2.68	2.68	2.68	2.66	2.68	-0.03
Total DCs	11.63	11.93	12.02	12.07	0.05	12.32	12.29	12.36	12.39	12.34	0.27	12.44	12.44	12.48	12.54	12.48	0.13	12.56	12.60	12.64	12.71	12.63	0.15
FSU	11.14	11.55	12.02	12.52	0.50	12.62	12.67	12.46	12.49	12.56	0.04	12.64	12.90	13.00	13.19	12.93	0.37	13.20	13.21	13.17	13.29	13.22	0.28
Russia	9.19	9.44	9.65	9.87	0.22	9.78	9.74	9.81	9.80	9.78	-0.08	9.78	9.88	9.97	10.07	9.92	0.14	10.04	10.00	9.95	9.91	9.98	0.05
Kazakhstan	1.18	1.23	1.30	1.35	0.05	1.42	1.44	1.33	1.47	1.41	0.06	1.48	1.51	1.55	1.62	1.54	0.12	1.62	1.62	1.59	1.67	1.63	0.09
Azerbaijan	0.31	0.44	0.65	0.86	0.21	0.96	1.03	0.85	0.78	0.91	0.04	0.94	1.08	1.05	1.07	1.03	0.13	1.09	1.13	1.17	1.23	1.16	0.12
FSU others	0.47	0.44	0.42	0.44	0.02	0.46	0.46	0.46	0.45	0.46	0.02	0.44	0.44	0.44	0.43	0.44	-0.02	0.45	0.45	0.46	0.47	0.46	0.02
Other Europe	0.17	0.16	0.15	0.15	0.00	0.15	0.15	0.14	0.14	0.15	-0.01	0.14	0.13	0.14	0.14	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00
China	3.50	3.64	3.69	3.77	0.07	3.82	3.88	3.85	3.85	3.85	0.08	3.80	3.86	3.89	3.88	3.86	0.01	3.91	3.88	3.94	3.93	3.91	0.05
Non-OPEC production	47.75	47.73	48.06	48.65	0.60	48.89	48.72	47.91	48.49	48.50	-0.16	48.94	48.62	48.83	49.50	48.97	0.47	49.43	49.21	49.04	49.62	49.33	0.35
Processing gains	1.83	1.86	1.90	1.92	0.02	1.95	1.95	1.95	1.95	1.95	0.03	1.98	1.98	1.98	1.98	1.98	0.03	1.98	1.98	1.98	1.98	1.98	0.00
Non-OPEC supply	49.58	49.59	49.96	50.58	0.62	50.84	50.67	49.86	50.44	50.45	-0.13	50.92	50.60	50.81	51.49	50.96	0.51	51.42	51.19	51.03	51.61	51.31	0.35
OPEC NGL	3.54	3.74	3.76	3.95	0.19	4.13	4.23	4.26	4.25	4.22	0.27	4.39	4.47	4.74	4.84	4.61	0.39	4.92	5.09	5.20	5.33	5.14	0.53
OPEC Non-conventional	0.17	0.16	0.14	0.08	-0.05	0.11	0.11	0.11	0.11	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00	0.11	0.11	0.11	0.13	0.11	0.01
OPEC (NGL+NCF)	3.71	3.89	3.89	4.03	0.14	4.24	4.34	4.36	4.36	4.32	0.29	4.49	4.58	4.84	4.95	4.72	0.39	5.03	5.19	5.31	5.46	5.25	0.53
Non-OPEC & OPEC (NGL+NCF)	53.29	53.49	53.85	54.61	0.76	55.07	55.01	54.22	54.79	54.77	0.16	55.41	55.18	55.66	56.43	55.67	0.90	56.44	56.39	56.33	57.06	56.56	0.88

Notes: Totals may not add up due to independent rounding. Indonesia has been included in Non-OPEC supply for comparison purpose.

Table 37: World Rig Count

	2004	2005	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	Nov09	Dec09	Dec/Nov
USA	1,190	1,381	1,647	267	1,733	1,756	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	956	1,107	1,172	65
Canada	369	458	470	12	532	139	348	356	344	-126	507	169	432	408	379	35	328	91	177	277	313	36
Mexico	110	107	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	128	128	135	127	122	-5
North America	1,668	1,945	2,200	255	2,355	1,983	2,231	2,240	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,511	1,607	96
Norway	17	17	17	0	16	19	18	17	18	1	17	21	21	21	20	2	25	18	18	22	22	0
UK	16	21	27	5	25	29	27	22	26	-1	19	21	24	24	22	-4	22	19	16	14	14	0
Western Europe	70	70	77	7	75	80	79	77	78	0	91	97	101	103	98	20	90	82	76	86	84	-2
OECD Pacific	22	25	26	2	24	30	32	30	29	2	32	39	39	34	36	7	27	25	26	22	25	3
Total OECD	1,792	2,078	2,347	269	2,494	2,141	2,387	2,385	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,619	1,716	97
Other Asia	176	200	202	2	206	213	212	216	212	10	213	220	218	212	216	4	212	212	213	235	241	6
Latin America	116	129	149	19	175	177	171	179	175	27	187	184	195	197	191	16	164	147	149	170	172	2
Middle East	123	131	132	1	144	146	154	154	149	18	158	165	175	171	167	18	162	151	139	150	148	-2
Africa	8	8	10	2	16	12	14	14	14	4	10	13	14	11	12	-2	8	11	9	12	14	2
Total DCs	423	468	493	25	540	549	550	563	551	58	569	583	602	591	586	36	546	520	510	567	575	8
Non-OPEC Rig Count	2,215	2,546	2,840	294	3,035	2,690	2,937	2,948	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,186	2,291	105
Algeria	19	21	24	4	25	26	28	28	27	2	26	27	24	26	26	-1	24	30	27	28	27	-1
Angola	3	3	4	1	5	4	3	5	4	1	5	6	5	5	5	1	5	3	3	4	5	1
Ecuador	10	12	11	0	12	10	11	10	11	-1	7	9	12	13	10	-1	10	10	10	9	10	1
Iran	41	40	44	4	51	51	51	50	50	6	50	50	50	51	50	0	51	52	52	52	52	0
Iraq	0	0	0	0	0	0	0	0	0	0	29	29	29	29	29	29	29	29	29	29	29	0
Kuwait	10	12	14	1	14	13	13	11	12	-1	12	11	12	12	12	0	12	11	14	14	17	3
Libya	10	9	10	1	13	12	14	14	13	3	14	15	15	15	15	2	15	13	14	16	16	0
Nigeria	8	9	10	1	8	7	8	10	8	-1	9	8	6	6	7	-1	7	6	6	8	8	0
Qatar	9	12	11	-1	11	12	13	14	13	2	11	12	11	11	11	-1	9	9	9	9	8	-1
Saudi Arabia	32	37	65	28	76	76	78	77	77	11	78	77	76	76	77	0	72	67	67	66	67	1
UAE	16	16	16	0	14	15	15	14	15	-2	12	12	13	12	12	-2	13	12	13	12	11	-1
Venezuela	55	68	81	13	76	80	77	71	76	-5	82	81	77	81	80	4	69	64	54	55	49	-6
OPEC Rig Count	212	238	290	51	303	305	311	302	305	16	336	337	330	336	335	29	315	307	295	302	299	-3
Worldwide Rig Count*	2,427	2,785	3,130	345	3,338	2,995	3,249	3,250	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,806	2,126	2,173	2,488	2,590	102
of which:																						
Oil	886	980	1,124	144	1,264	1,167	1,254	1,285	1,242	119	1,408	1,351	1,479	1490	1432	190	1276	1062	1175	1374	1,397	23
Gas	1,488	1,746	1,947	201	2,013	1,764	1,931	1,904	1,903	-44	1,969	1,814	2,070	1948	1950	47	1450	993	965	1083	1,153	70
Others	20	21	17	-4	20	17	20	25	20	4	26	32	36	37	33	12	35	35	34	34	41	7

/Excludes China and FSU.

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

Note: Totals may not add up due to independent rounding.

Contributors to the *OPEC Monthly Oil Market Report*

Editor-in-Chief
Hasan M. Qabazard, Director, Research Division
email: hqabazard@opec.org

Editor
Mohammad Alipour-Jeddi, Head, Petroleum Studies Department
email: majeddi@opec.org

Analysts

Crude Oil Price Movements *and* Oil Futures Market	Brahim Aklil email: baklil@opec.org
Commodity Markets	Dr. O. López-Gonzalez e-mail:olopez@opec.org
Highlights of the World Economy	Mohamed El-Shahati email: melshahati@opec.org Claude Clemenz email: cclemenz@opec.org Joerg Spitzy email: jspitzy@opec.org
World Oil Demand	Esam Al-Khalifa email: ekhalifa@opec.org
World Oil Supply	Haidar Khadadeh email: hkhadadeh@opec.org
Product Markets and Refinery Operations	Safar Keramati email: skeramati@opec.org
The Tanker Market *and* Oil Trade	Osam Abdul-Aziz email: oabdul-aziz@opec.org
Stock Movements	Aziz Yahyai email: ayahyai@opec.org
Technical and editorial team	Aziz Yahyai email: ayahyai@opec.org Douglas Linton email: dlinton@opec.org

Data services
Fuad Al-Zayer, Head Data Services Department (fzayer@opec.org)
Puguh Irawan (pirawan@opec.org), Ramadan Janan (rjanan@opec.org)
Monika Psenner (World Economy), Hannes Windholz (Oil Trade, Product & Refinery), Pantelis Christodoulides (World Oil Demand, Stock Movements), Mouhamad Moudassir (Tanker Market), Klaus Stoeger (World Oil Supply), Sheela Kriz (Crude Oil Prices)

Production, design and circulation
Viveca Hameder, Hataichanok Leimlehner, Andrea Birnbach, Gabriele Berger, Evelyn Oduro-Kwateng

Data Summary

January 2010

OPEC Basket average price

US$ per barrel

down $2.28 in December	**December 2009**	**74.01**
	November 2009	76.29
	2009	61.06

December OPEC production

in million barrels per day, according to secondary sources

up 0.08 in December	**December 2009**	**29.14**
	November 2009	29.06

World economy

The forecast for 2009 remained unchanged at minus 1.1%. For 2010, global economic growth was revised up by 0.2 percentage points to 3.1%. Slight revisions were made to both the US and China, which now stand at 1.9% and 8.8% respectively while India was increased to 6.7%.

Supply and demand

in million barrels per day

2009		2010	
World demand	84.3	World demand	85.2
Non-OPEC supply	51.0	Non-OPEC supply	51.3
OPEC NGLs	4.7	OPEC NGLs	5.2
Difference	**28.7**	**Difference**	**28.6**

Totals may not add due to independent rounding.

Stocks

OECD commercial oil inventories rose 12.6 mb in November, to stand around 93 mb above the five-year average. Forward cover stood at 59.8 days or 5.5 days above the five-year average. Preliminary data for December shows a stock draw of 34 mb driven by the drop in US crude and products. However, the surplus with the five-year average remained above 90 mb.

Issued 19 January 2010.

Next report to be issued on 10 February 2010.

Data covers period up to the end of December 2009 unless otherwise stated.