

“Narrative Uber Alles”

Yesterday the Wall Street Journal ran a front page story titled “[OPEC Sees Less Demand for Its Oil in 2015](#)”, as well as another [article](#) with the following quote: “OPEC’s output exceeded its quota by 50,000 barrels a day in November, the group said.”

That’s all true, and all supportive of [today’s dominant Narrative](#) that OPEC is broken and oil is now in free fall.

Wanna know what else is true? **November OPEC production was down 390,000 bbls/day from October and down 510,000 bbls/day from September.** But, hey, we can’t have crucial facts get in the way of a dominant Narrative, now can we?

And here’s another thing that’s true. That horrific “demand reduction” that OPEC is forecasting for 2015? If you’re talking about global demand for crude oil, **OPEC reduced its 2015 forecast by 120,000 bbls/day on an aggregate forecast of 91.1 million bbls/day, which is all of a 13 basis points reduction and still includes demand growth of close to 1 million bbls/day.** Yes, OPEC reduced projected 2015 demand for *its* oil by 300,000 bbls/day (about 1% of current production targets), but that’s a *good* thing for oil prices if it’s the rationale required for further production cuts within OPEC.

And because I can’t help myself, here’s one more thing that’s true. You won’t find that sentence about exceeding the quota – which was a main thrust of the original story – because it’s been eliminated in the afternoon revisions. Flushed down the memory hole. After the markets close. After the Narrative damage is done.

Not trying to pick on the WSJ here, as every media mouthpiece is doing exactly the same thing. [Reuters report on the monthly OPEC news release](#) spoke only to the reduced demand forecast and “hefty oversupply” with zero mention of the production cuts. [Bloomberg did the same](#), with a 1,000 word article on the oversupply “paradigm shift” and a tacked-on sentence noting the production cuts in passing. Some of the media headlines were downright schizophrenic. My personal fave was from USA Today, with an article titled “[OPEC Slashes Oil Production Estimate](#)” – as if that were a bad thing

for oil prices! – and that this is why crude was down because ... well ... because ... you know ... if we use the word “slash” it must be a bad thing.

Sigh. After a 25-year professional career of studying media Narratives and their amazingly powerful impact on investor and voter behavior alike, you’d think that I’d be numb to this stuff. But it never ceases to amaze me.

All the best,
Ben

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