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## Oil Report

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## Overview

Oil is the world's number one export product. Amounting to 7.8% of all exports, crude oil exports totaled US\$1.451 trillion in 2014. The IEA (International Energy Agency) Oil Market Report forecasts worldwide average demand of nearly 96 million barrels of oil and liquid fuels per day.

## Oil Basic information

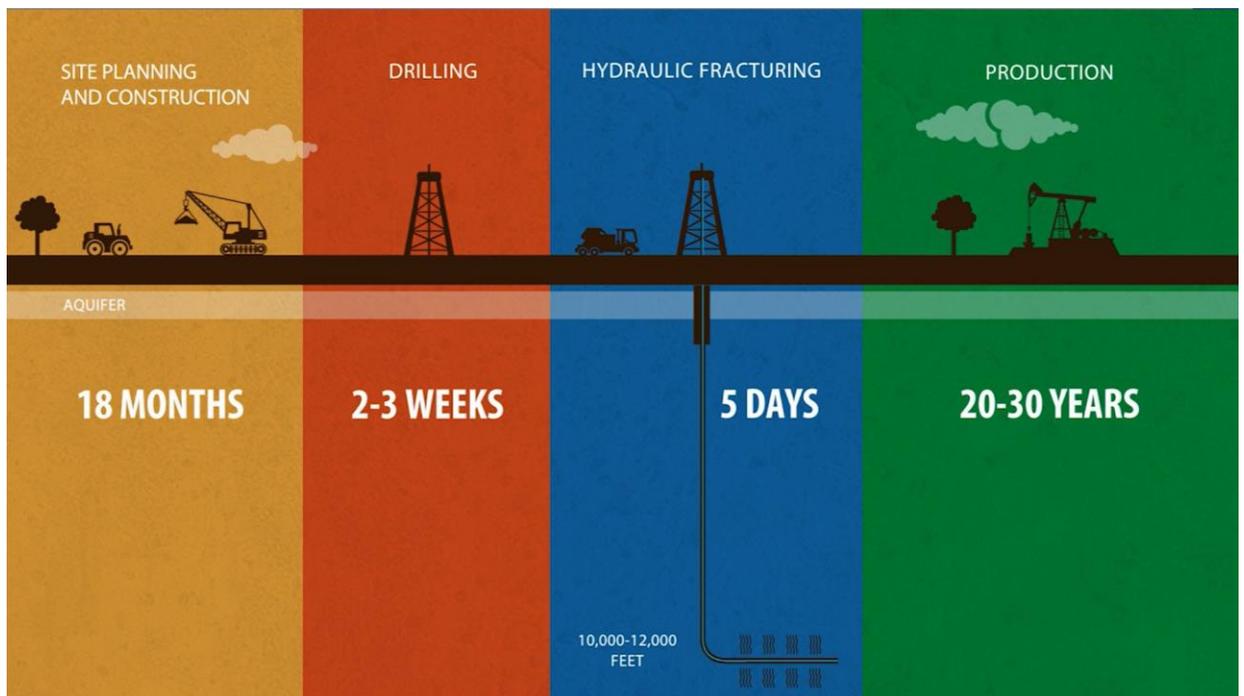
Crude oil was formed from the remains of animals and plants. Over millions of years, the remains of these animals and plants were covered by layers of sand, silt, and rock. Heat and pressure from these layers helped the remains turn into what we now call crude oil. Oil exists in liquid form under normal surface temperatures and pressure. Its physical characteristics are highly variable.

## Oil industry facts

- The world economy has been developing with oil as its lifeblood for over a hundred years. It is directly responsible for about 2.5% of world GDP.
- How big oil is (researched done in 2010) :-
  - World oil production was 82 million barrels per. At roughly 6 gigajoules per barrel, that's about 5700 gigawatts of power production.
  - World wind power production was 0.3 petawatt-hours. Averaged over a year, that's about 34 gigawatts.
  - World solar power production was 0.03 petawatt-hours. Averaged over a year, that's about 3.4 gigawatts.
- To match oil, we will need half a century or more of clear energy superiority. That means cleaner and cheaper and more concentrated for storage.
- To replace oil, we will need a century to allow the entire economy to retool and realign around the new technology.

## Oil Production process

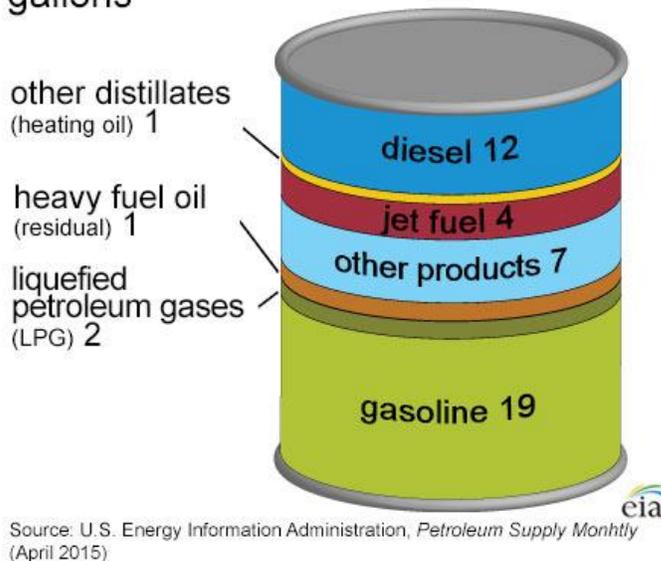
- 1- Exploration: - Involves the search for rock formations associated with oil or natural gas deposits, and involves geophysical prospecting and/or exploratory drilling.
- 2- Well Development: - Occurs after exploration has located an economically recoverable field, and involves the construction of one or more wells from the beginning to either abandonment if no hydrocarbons are found, or to well completion if hydrocarbons are found in sufficient quantities
- 3- Production: - is the process of extracting the hydrocarbons and separating the liquid hydrocarbons, gas, water, and solids, removing the constituents that are non-saleable, and selling the liquid hydrocarbons and gas. Production sites often handle crude oil from more than one well. Oil is nearly always processed at a refinery.



### Products made from crude oil

After crude oil is removed from the ground, it is sent to a refinery where different parts of the crude oil are separated into useable petroleum products. These petroleum products include gasoline, distillates such as diesel fuel and heating oil, jet fuel, petrochemical feedstocks, waxes, lubricating oils, and asphalt.

### Products made from a barrel of crude oil, 2014 gallons



### Organization of the Petroleum Exporting Countries (OPEC)

OPEC is a permanent intergovernmental organization of oil-exporting developing nations that coordinates and unifies the petroleum policies of its Member Countries. OPEC seeks to ensure the stabilization of oil prices in international oil markets, with a view to eliminating harmful and unnecessary fluctuations. Currently, the organization has twelve members, namely: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

### Top five biggest oil companies

1. Sinopec

Revenue : \$437.6 billion

Country of Origin: China, Founded: 2000

Employees: 358,571

2. China National Petroleum Corp. (Petrochina)

Revenue : \$432 billion

Country of Origin: China, Founded: 1988

Employees: 1,636,532

3. Royal Dutch Shell

Revenue : \$421.1 billion

Country of Origin: UK/Netherlands, Founded: 1907

Employees: 94,000

4. ExxonMobil

Revenue : \$411.94 billion

Country of Origin: USA, Founded: 1999

Employees: 75,300

5. Saudi Arabian Oil Company (Aramco)

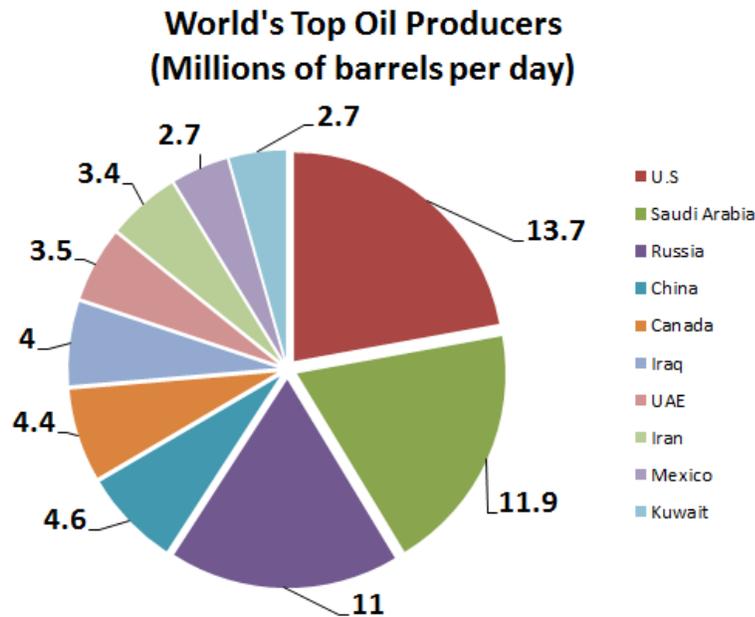
Revenue : \$378 billion

Country of Origin: Saudi Arabia, Founded: 1933

Employees: 61,907

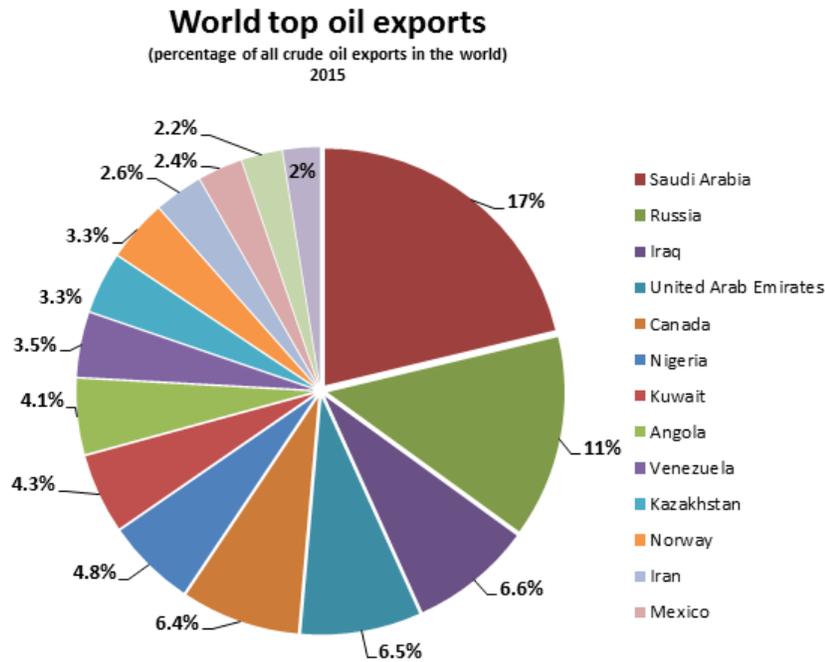
**Oil Market Fundamentals**

As the following chart demonstrate that the united States produce the majority of the oil market followed by Saudi Arabia and Russia. The supply of U.S and Saudi Arabia and Russia affect the prices of oil in the world. For example Russia which is the third top producer of oil produces 11 million of barrels per day, 200% more than what China produce (4.6 million barrels per day) which is fourth top producer of oil.



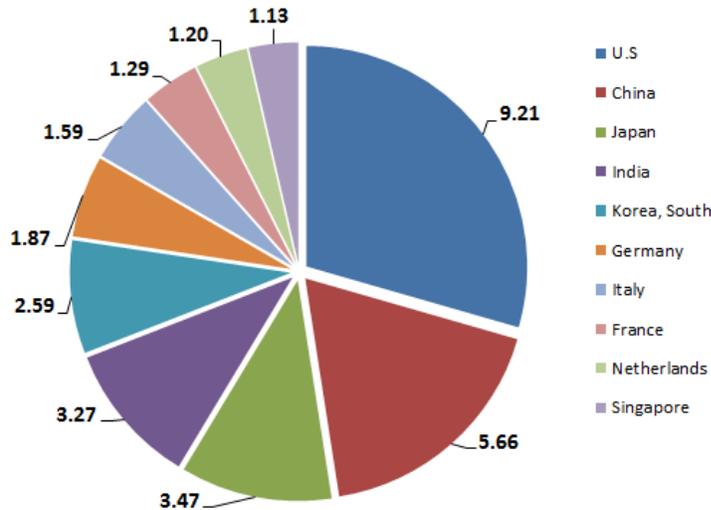
Saudi Arabia and Russia ranked the top two countries of oil exporting. Saudi Arabia exported 17% of all the crude oil in the world with estimate value of \$133.3 billion, and Russia exported 11% of all the world crude oil with estimate value \$86.2 billion.

Below are the top 15 countries that exported crude oil and accounted for 80.5% of all crude oil exports in 2015.



Although U.S is the world biggest producers of oil in the world they are the biggest importer of oil too, they import 9.21 million barrels per day 67% of what they produce per day. And China they import 5.66 million barrels per day 23% more than what they produce

**World Top 10 Importers  
 Barrels per day in millions  
 (2014)**



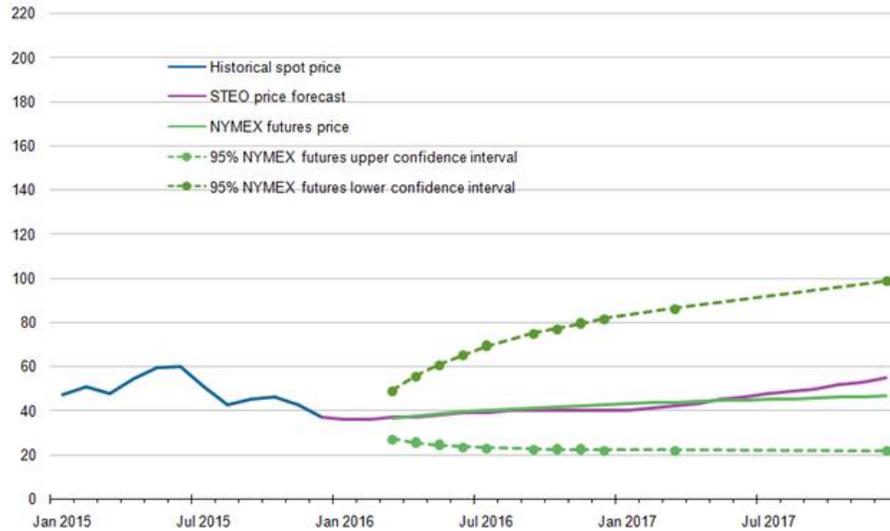
**Historical oil prices**

Crude oil reached an all-time high of 145.31 in 2008. This happened during the financial crisis. There are different opinions regarding the reasons for the steep increase in oil prices in 2008, some blame the supply side, other blame the demand side and few blame the speculators. And the lowest price was in 1946.

**Crude oil price forecast**

The International Monetary Fund forecasts that crude oil prices (Intercontinental Exchange Brent, Dubai, and West Texas Intermediate crude oil prices) could average around \$45.30 per barrel in 2020. The World Bank forecasts that crude oil prices could average around \$58.82 per barrel in 2020, per nominal US dollars.

**West Texas Intermediate (WTI) Crude Oil Price**  
 dollars per barrel

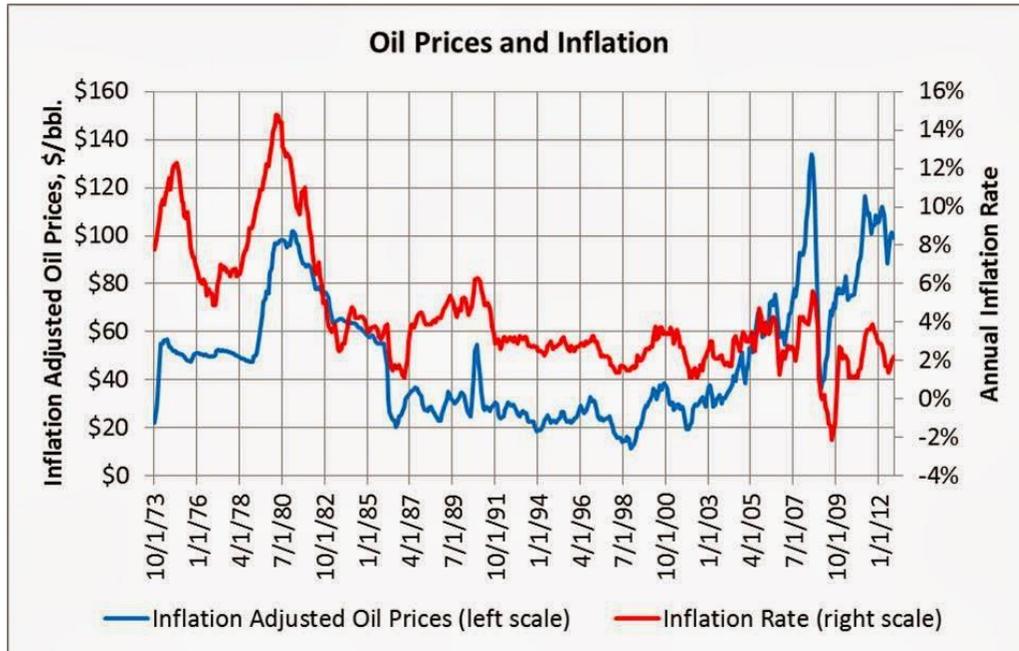


Market Realist

Source: EIA

**Oil prices and inflation**

From the graph we can see that in every period of inflation, there occurs an increase in the price of oil. As oil prices move up or down, inflation follows in the same direction. This happens because oil is a major input in the economy, it is used in critical activities such as transportation and heating homes and if input costs rise, so should the cost of end products.



### Crude Oil Future contract details

- Crude oil Future contract size is 1,000 Barrels
- Price in U.S dollars and cents/ Barrel
- Crude oil future trades for the Whole year (12 months)
- Oil future symbol CL

### Factors that affect oil prices

- Exchange Value of the Dollar: - Because oil is traded in U.S dollars. Depreciation of dollar increase oil demand and raise the price of oil. Conversely the strengthening of the dollar reduces real income in consumer countries, decreasing the demand for oil and lowering prices.

- The Organization of Petroleum Exporting Countries (OPEC):- OPEC sets policies among member countries to meet global consumption. OPEC can affect the price of crude oil, by increasing or reducing production among member countries. The 2007 and 2008 increase in oil prices was due to reductions in OPEC production allocations in 2006.
- Political Unrest: - If an oil-rich area becomes politically unstable, supplier markets react by bidding up the price of oil so that supplies are still available to the highest bidder. Even while production levels remains constant the price of oil can increase or decrease.
- Restrictive Legislation: - As the majority of the world's oil reserves and production are controlled by government-run companies, the global oil market is heavily politicized and its functioning is far from that of a competitive market. Energy policies and taxes in oil-rich countries also affect the price of oil. If a government bans oil exploration in a place with proven reserves, such as the Gulf of Mexico, then commodity markets mark this as a "loss" in crude oil supply and gas prices go up as a result.
- Saudi Arabia production: - Saudi Arabia's increase its oil supplies to the global market with an intention to expand its own market share. By increasing the oil export and simultaneously dumping prices, is trying to reduce Russia's market shares.
- Iran vs. Saudi Arabia: - The conflict between Iran and Saudi Arabia, and its escalation, including the potential risk of failure in crude supplies through the Strait of Hormuz.

**Technical analysis**



Resistance level 1	Resistance level 2	Resistance level 3
51.6733	54.5167	58.8433
Support level 1	Support level 2	Support level 3
44.5033	40.1767	37.3333

<b>Pivot Point</b>	<b>47.3467</b>
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**Conclusion**

Oil is broad subject that cannot be summarized in few pages. The main points here, the investor must not only pay attention to the oil itself to determine his/her investments. The investor must see the big picture, analyze the world economy, follow news that affect the oil prices like (Saudi Arabia vs. Iran, protests...) and oil prices impacts on the world.

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