

# Oil & Gas Market Wrap

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## Independence Day lifts oil, but traders want sustained demand

The western world was certainly preoccupied with the Brexit fallout all week as warning signs of doom and gloom dominated the headlines.

Like global equity markets, the oil market took a short sharp hit, but recovered later in the week and in early trading on Friday, Brent crude was priced back above US\$49 with WTI close to US\$49 a barrel.

Adding to the volatility and over supply on the oil market, additional supply was back this week from Nigeria and Canadian production recovered from the shut down during the wildfires.

Repairs to pipelines in the Delta region have helped push Nigerian production back around 1.9 million barrels a day, according to the state oil company.

The prospect of a potential settlement between the Niger Delta Avengers and the government could see oil production boom again in coming months.

Recent investments, especially from the Chinese will also help the domestic industry, but will put supply pressure on the global market in the longer term.

Goldman Sachs says additional oil could add downward pressure on the oil price after its best performing quarter in seven years.

### Brexit brings uncertainty

The uncertainty caused by Brexit is not being welcomed by the markets.

The British pound took its predicted plunge but seemed to recover later in the week as did many of the markets.

The global financier George Soros warned of the danger of a financial crisis as severe as 2008 as a result of Brexit. He has been talking to the media this week about the unfolding "crisis" he sees happening around the globe and says that Brexit could be the tipping point.

The threat of a global recession was also echoed by Jason Schenker, President of Prestige Economics.

Never a fan of the Brexit decision, he says the UK can expect a recession by year's end and the impact for the energy sector is threefold. "Near-term downside risks from Brexit fears and US recession risks, but underinvestment poses significant upside risks by end of 2017 and in 2018."

Closer to home, energy analyst and commentator Gaurav Sharma is not as alarmed, saying its "a non-event" for the oil market and that nothing changes in Europe for years to come.

With the European block accounting for 15 percent of global trade, oil demand has passed its peak and Sharma says we should be more concerned with growth in the East, particularly the key players like China, Japan, India and South Korea.

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### MarketTopic Synopsis:

*The Oil and Gas wrap provides the latest oil prices from commodity exchanges in New York and London, gives a summary of the main corporate and macroeconomic news impacting the price of oil, a barometer of the strength of global economy.*

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Schenker warns of an over dependence on oil demand growth from China and the oil information service Platts says year on year gasoline demand has subsided for the first time in recent years.

China is Asia's biggest oil consumer and oil demand in May was lower as economic activity pulled down gasoline consumption to the lowest level in nearly six years, with gasoline seeing its first year on year decline in consumption since January 2014.

Gabon welcomed back to OPEC

The newest edition to the oil producers club was welcomed at OPEC in Vienna this week with the Gabon minister of petroleum and hydrocarbons, Etienne Dieudonne Ngoubou visiting the acting Secretary General, Abdalla Salem El-Badri.

Ngoubou said his country was "delighted" to once again be a member of OPEC and he looked forward to the "challenges and opportunities ahead."

Gabon was a member from 1975 until 1994 and it will be OPEC's 14th and smallest oil producing member state with an estimated production of 200,000 barrels a day.

Analysts expect tightening in the oil market

The fundamentals of the oil market are beginning to balance and many analysts are looking at a tightening of the market in the months ahead.

The Independence Day holiday weekend in the USA will see millions of drivers take to the highways, boosting gasoline sales, but traders and investors will want to see sustained oil demand for the rest of the year.

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