

# Saudi Aramco

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## Crude market continues to be dominated by uncertainty as attention turns to next OPEC meet

The oil market continues to be impacted by economic factors, supply worries and general uncertainty.

Crude inventories in the US continue to rise with investors checking out rising supply on a week when OPEC released its World Oil Outlook.

In Friday trading, Brent crude was holding above US\$61 with WTI above US\$56 a barrel.

The annual OPEC World Oil Outlook was released this week with the OPEC Secretary General, Mohammad Barkindo presenting the report in Vienna, outlining the long term growth in energy demand by 25% to 357 million barrels of oil equivalent a day by 2040.

### Demand solid

Acknowledging the huge growth in renewables and gas, he described the picture for oil demand as solid, while "demand remains at relatively healthy levels" with an addition of more than 10 million barrels a day.

OPEC is expected to remain the key supplier of oil to the world, with most of the other supply coming from the US with "robust medium-term non-OPEC supply growth dominated by US tight shale" but with the peak expected mid-2020.

Investment in the upstream oil industry is estimated to be around US\$370 billion per year to keep pace with demand, according to the OPEC outlook.

Much of this investment will be needed in the US given its high share of growth and the "relatively high cost" of production.

The outlook report reiterated that "OPEC member countries remain fully committed to investments across the whole industry value chain".

Looking ahead to near term demand for next year, Barkindo said that having looked at the numbers and the technical levels, he believes that "2020 looks like it has upside potential that will defy some of the gloomy predictions we have seen during the course of the year."

### Vienna meeting

Some analysts took this a possible sign that there might be no increase in production cuts when ministers meet in Vienna in four weeks.

The long awaited Saudi Aramco IPO was announced at the beginning of the week with full plans in place for a future listing with the prospectus expected to be released this week.

Analysts are expecting it to be one of the biggest stock market listings in history with a possible valuation of \$1.2 to \$1.5

## Share Information

**Code:** ARAM

**Listing:** PRIVATE

**Sector:** Oil & Gas

**Website:** [www.saudiaramco.com](http://www.saudiaramco.com)

### Company Synopsis:

*Saudi Aramco, officially the Saudi Arabian Oil Company, is a Saudi Arabian national petroleum and natural gas company based in Dhahran.*

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trillion when listed on the Saudi Arabia exchange Tadawul.

Saudi Aramco will list 1 to 3% of the company with high local interest and an appeal to foreign investors. This IPO is being seen as the beginning of opening up the Saudi Arabia economy for future investment with the money going to the Public Investment Fund; the sovereign wealth fund designed to lead the country's economic diversification future plans.

The trade stand-off with China and the US got a boost this week with China hinting that progress was happening thanks to a gradual reduction in some tariffs.

The uncertainty has weighed on global economic growth for too long, so any indication of a settlement will be well received by the market. The big focus will be on an upcoming meeting between President Trump and the Chinese president Xi Jinping in December. While the stock market reacted positively, a US spokesperson said that no tariffs have been removed as a condition of the Phase 1 deal yet.

American oil inventories continue to increase adding 7.9 million barrels this past week, according to the Energy Information Administration.

Analysts were expecting about 1.5 million barrels of additional stocks. In the last six weeks, more than 30 million barrels have been added to US inventories at a time when US production continues to grow to 12.6 million barrels a day.

Such high figures will add supply related concerns to the market.

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