

Oil Market Update

Oil price drivers and the currency puzzle

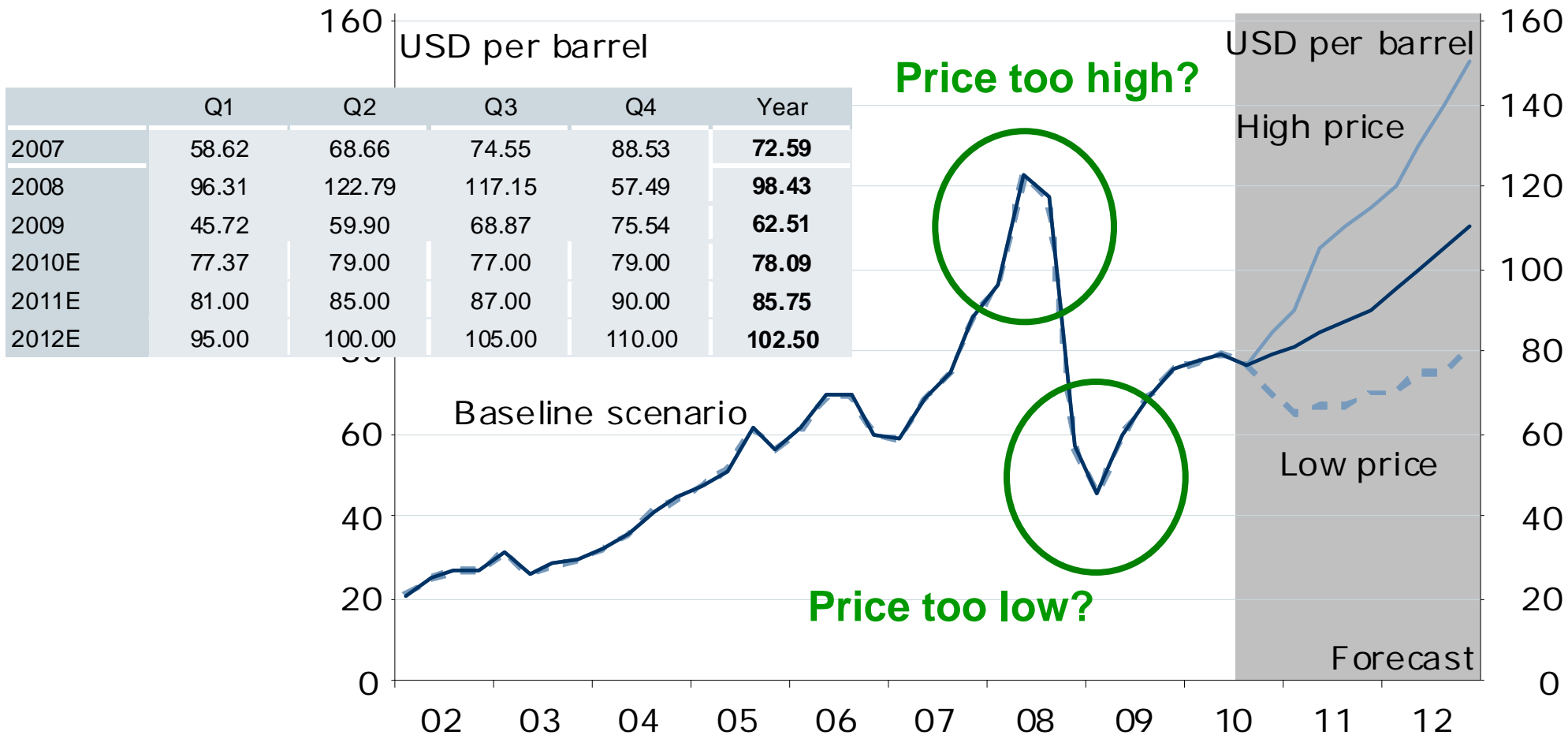
Thina Margrethe Saltvedt
November 2010



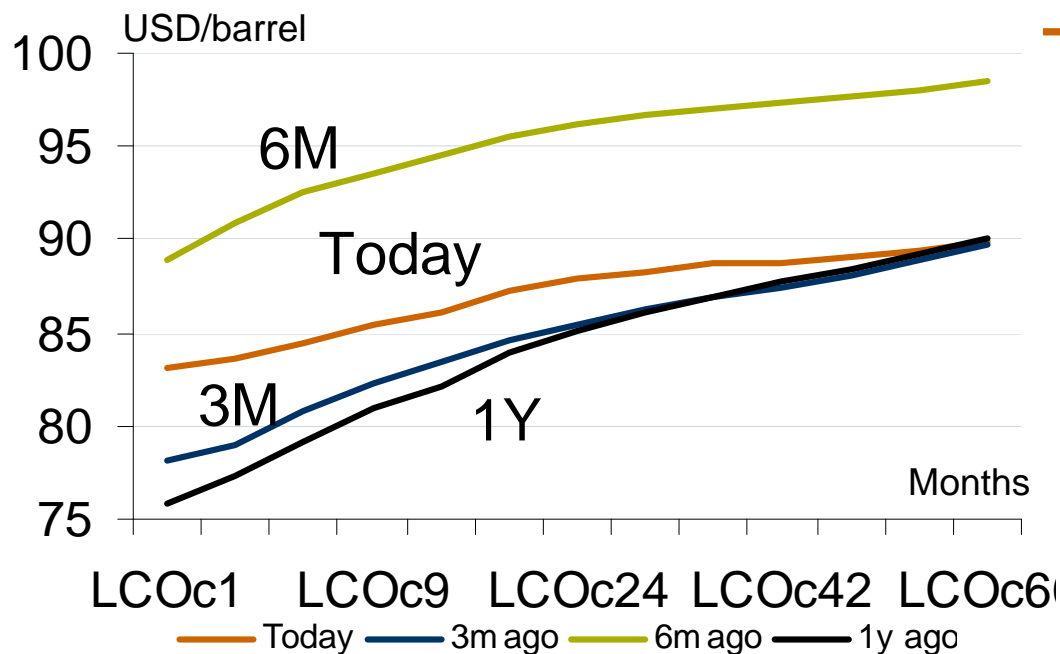
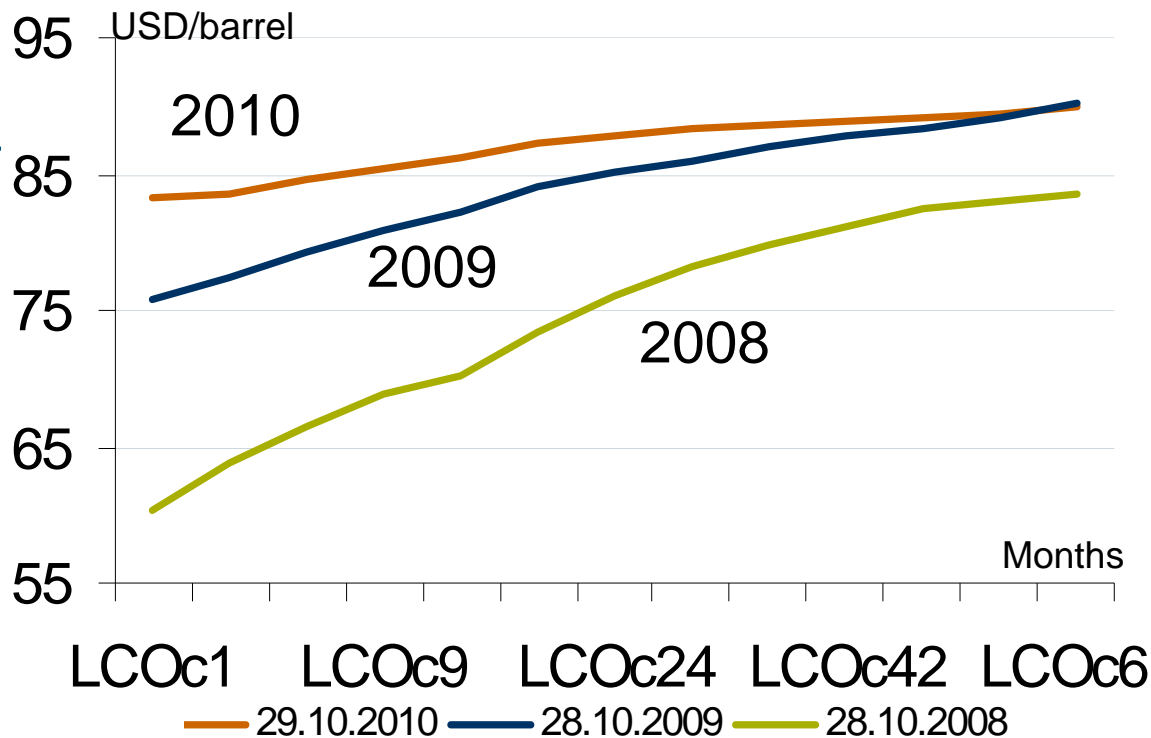
Oil price drivers



Oil prices – expected to move up in the medium term, but may still face turbulence in the short term



Brent crude forward curve November 2008, 2009 and 2010

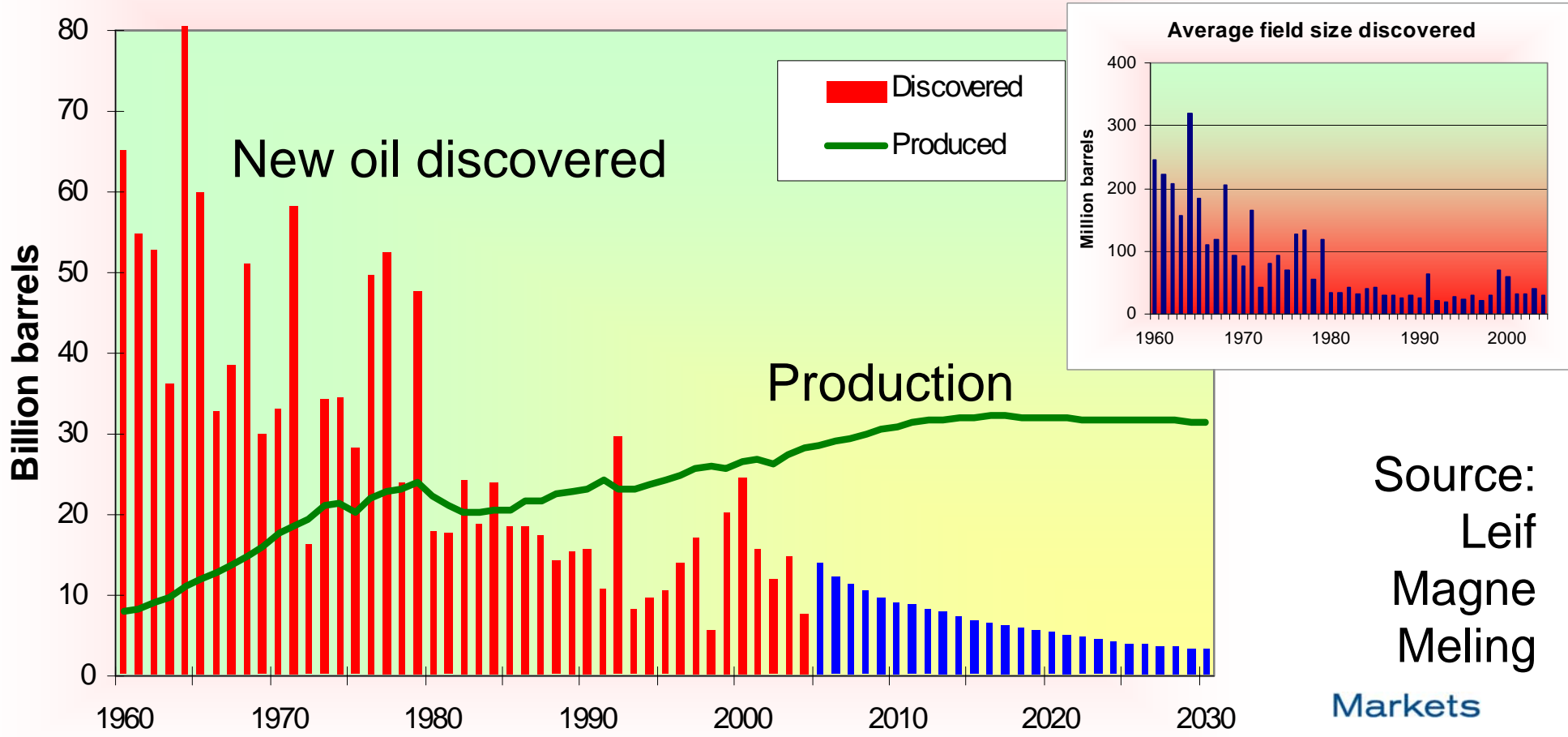


Brent crude forward curve Today, 3M, 6M and 1Y ago

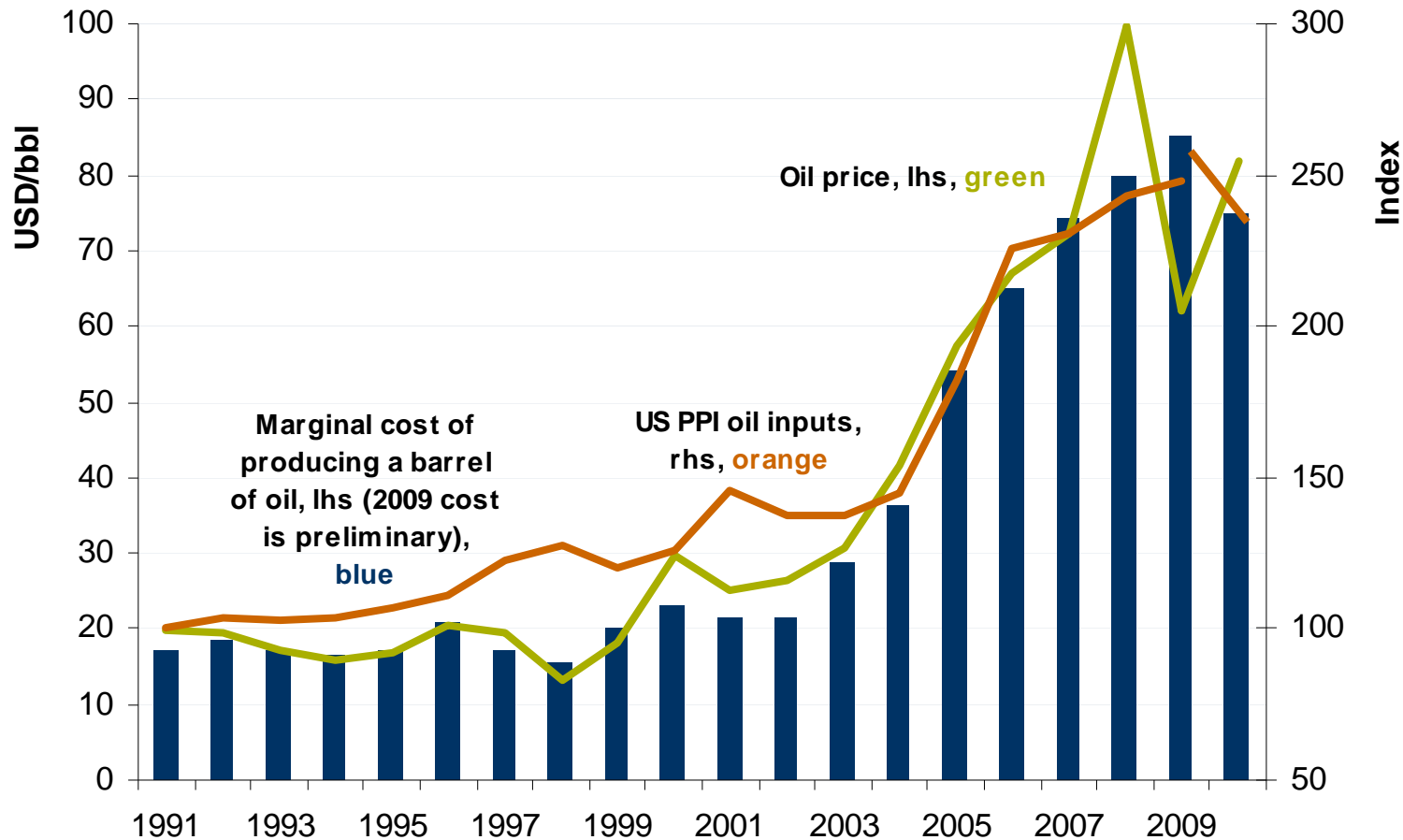


Less oil is found and field size becomes smaller, how do we adapt?

Reserve replacement - exploration



Falling costs have counterbalanced fall in investments – but costs will soon start increasing again



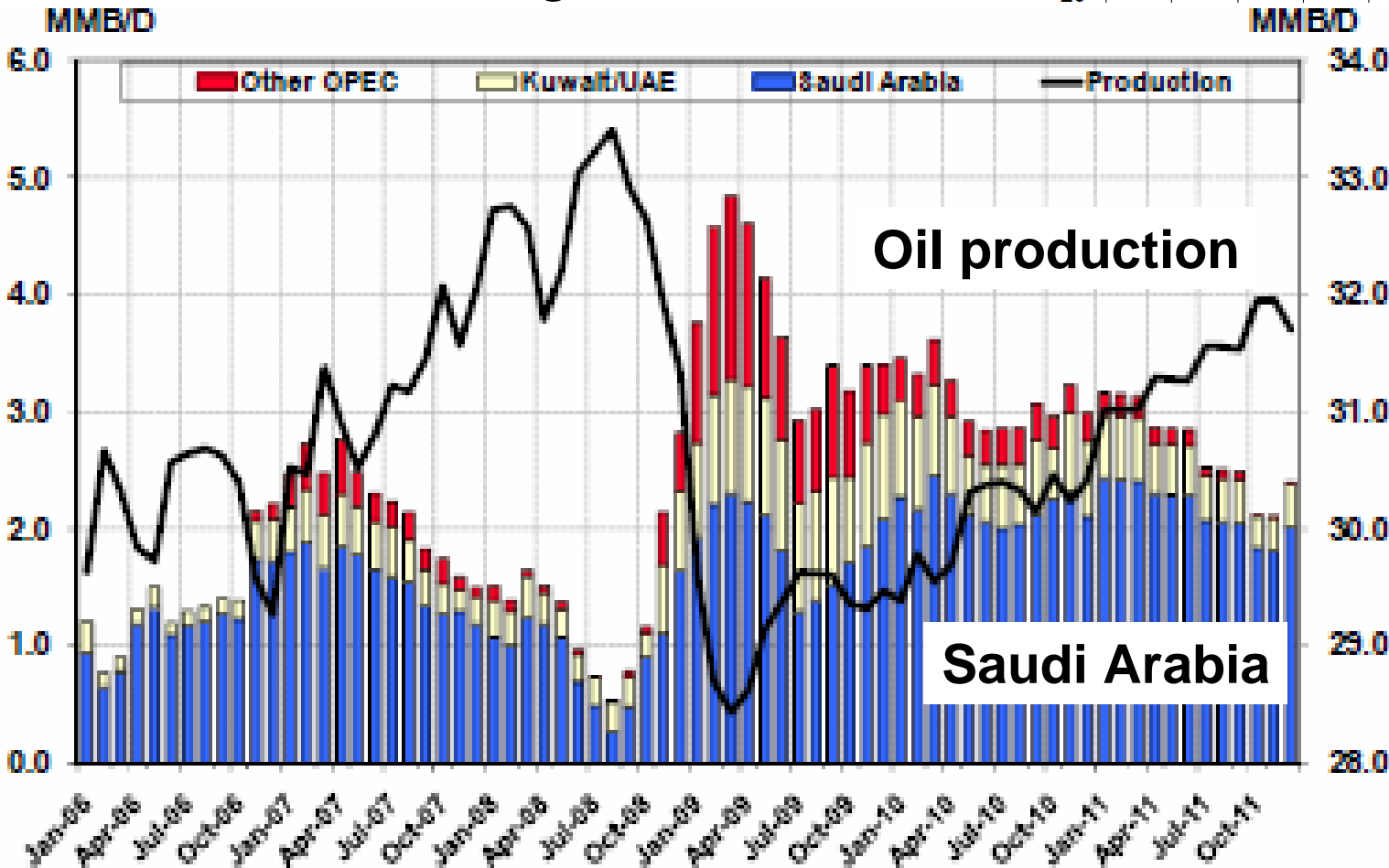
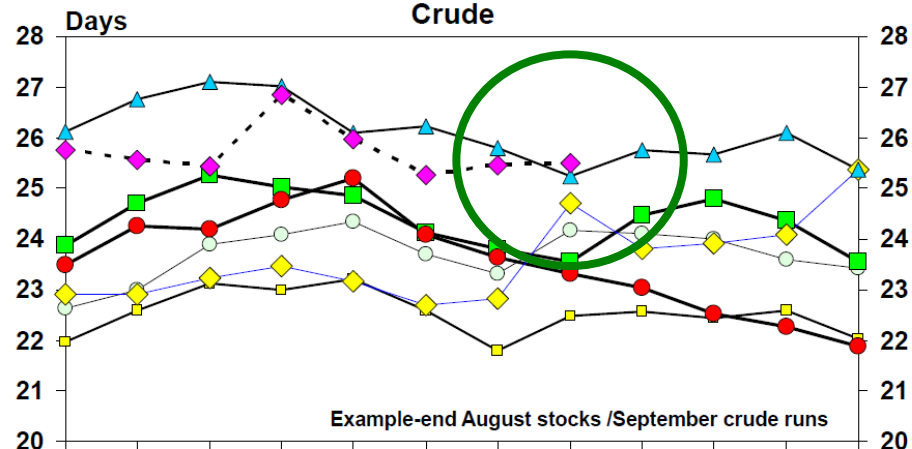
Source:
IMF and
Reuters

Markets

Source: IMF and Reuters



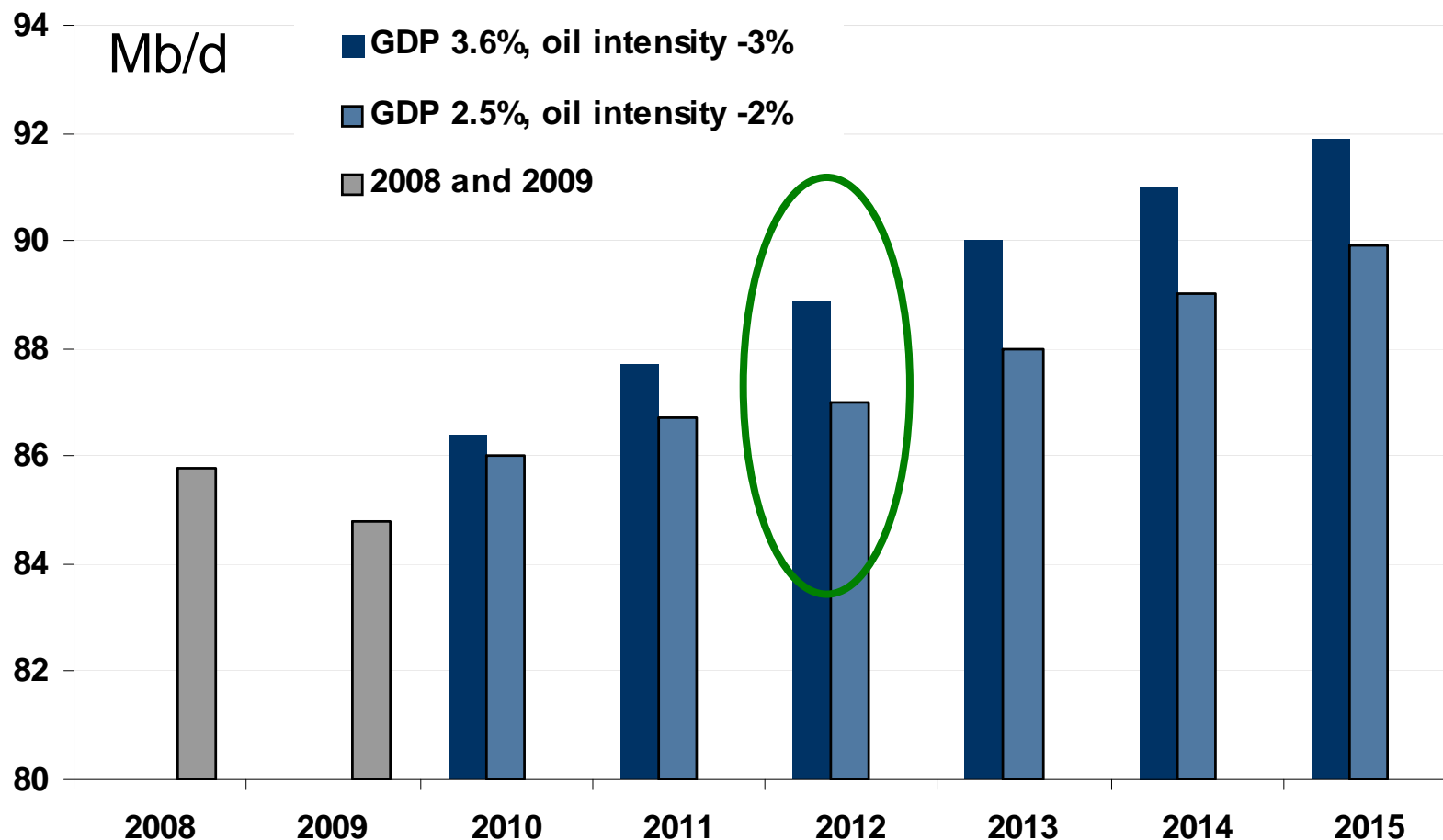
Oil inventories and OPEC spare capacity at a robust level – but for how long?



Source:
PIRA

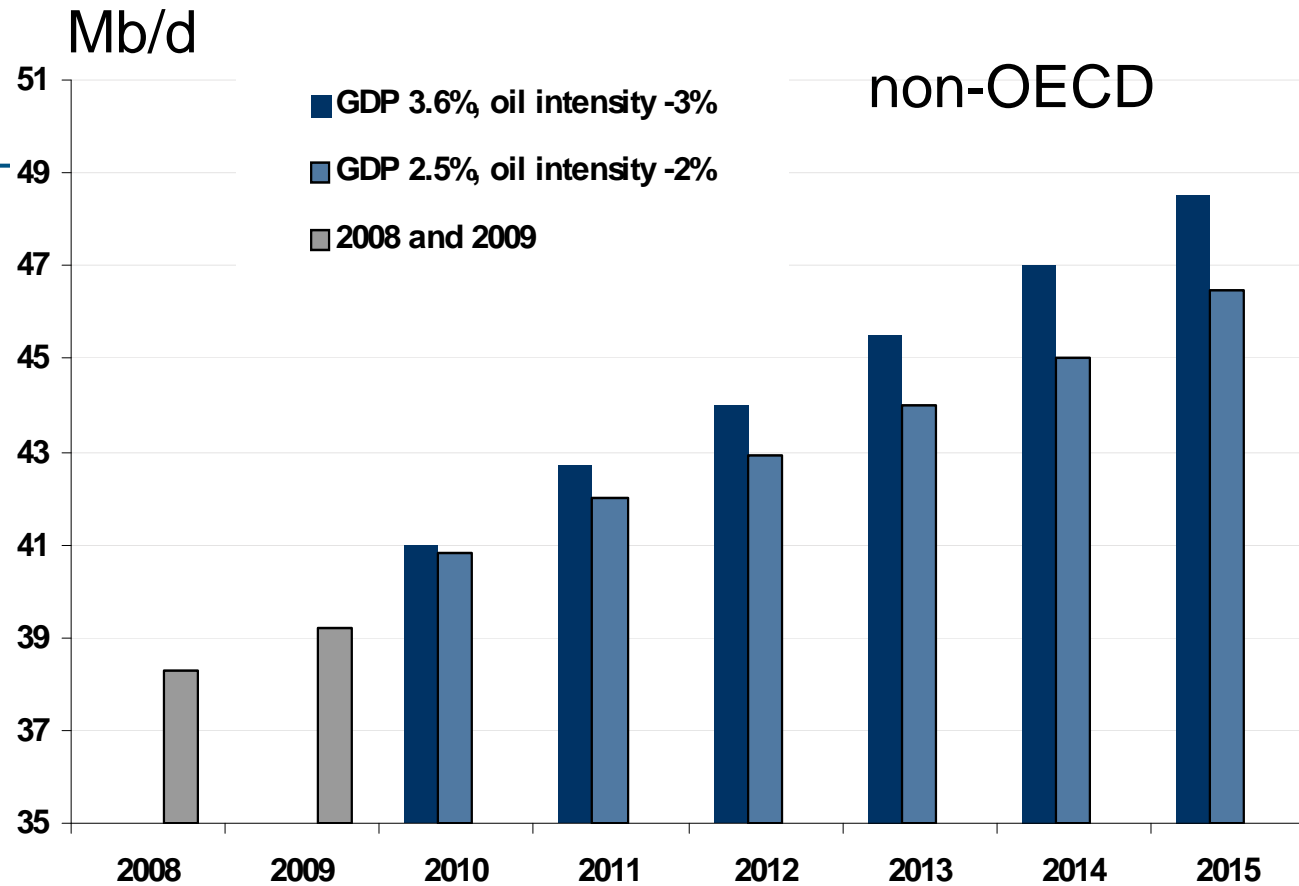
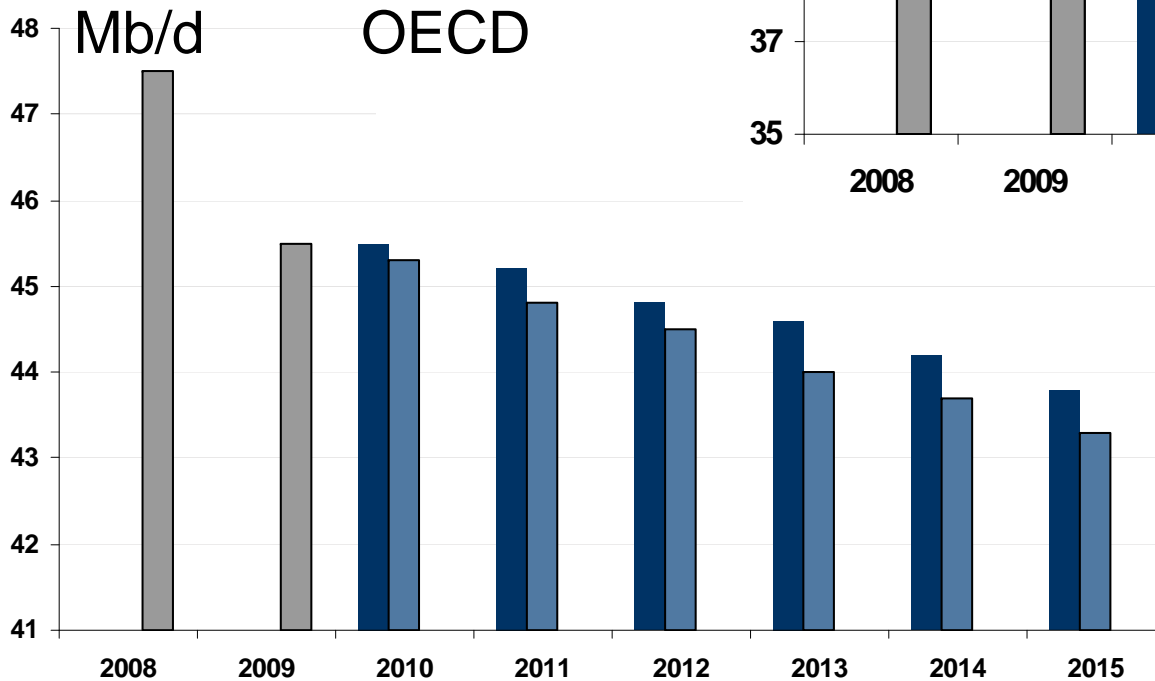
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Oil demand soon back at pre-crisis level...



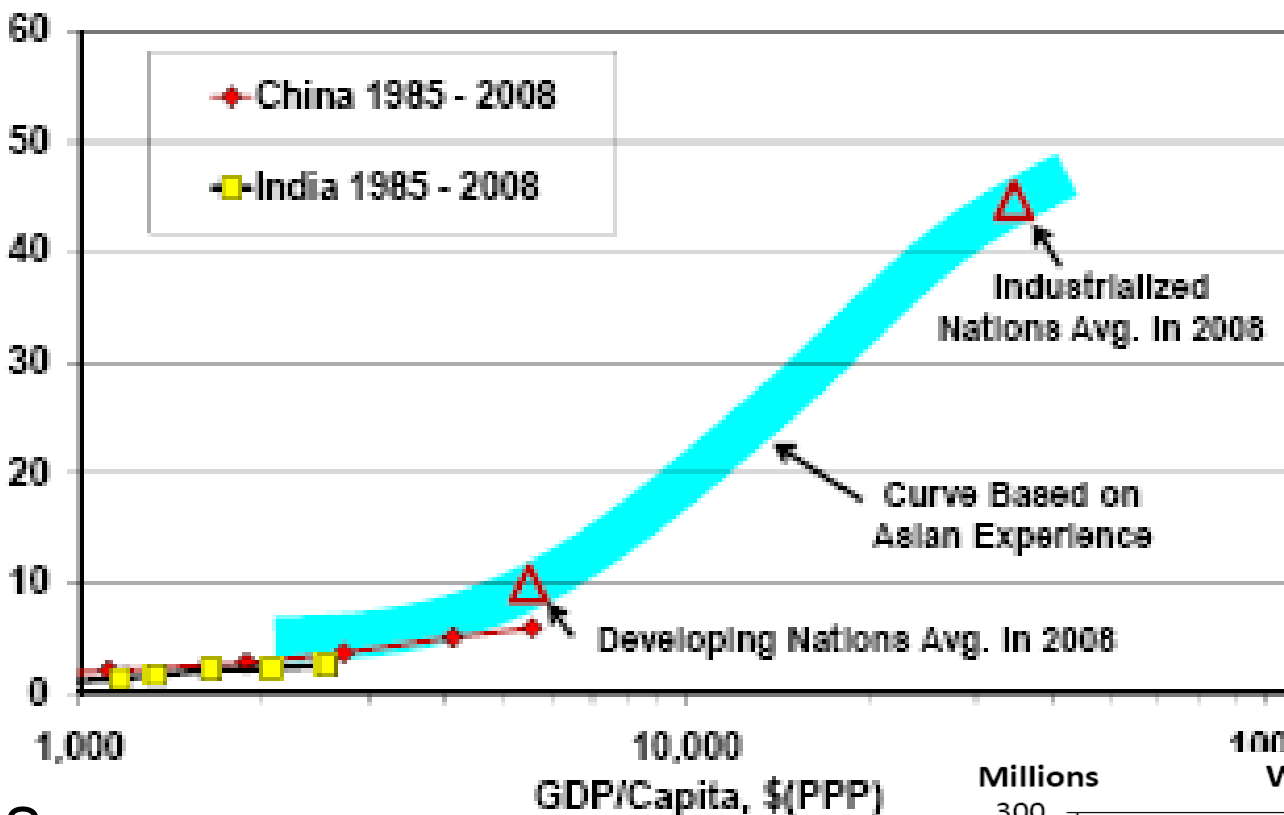
Source:
IEA

Oil demand growth in non-OECD – expected to rise with economic growth



Energy efficiency will reduce the need for oil in OECD countries

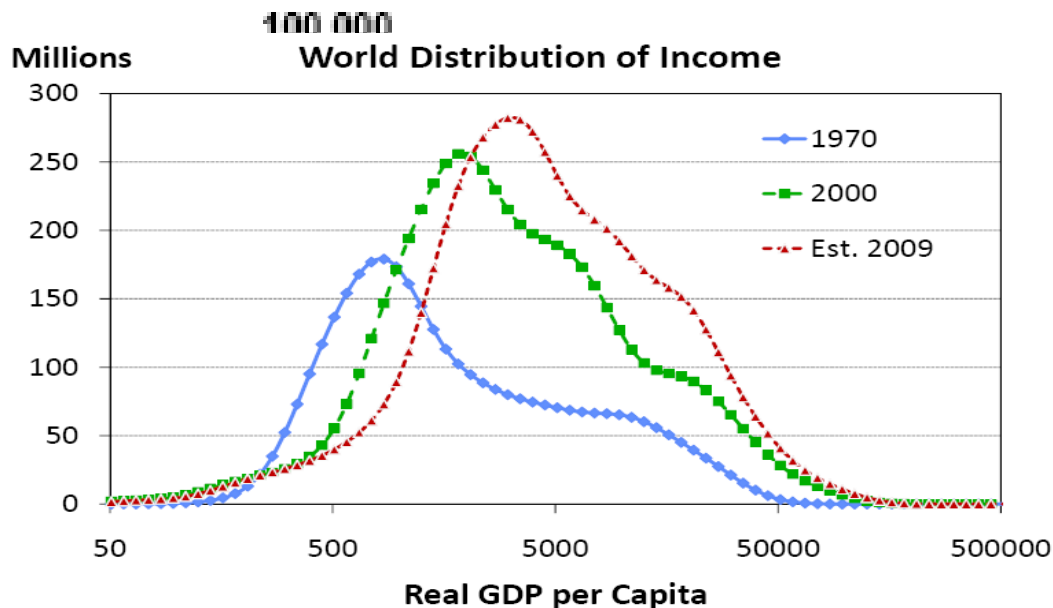
Oil/Capita, B/D per thousand



Growing middle class and urbanisation in countries with large populations will lead to growing demand for energy

Source:
PIRA

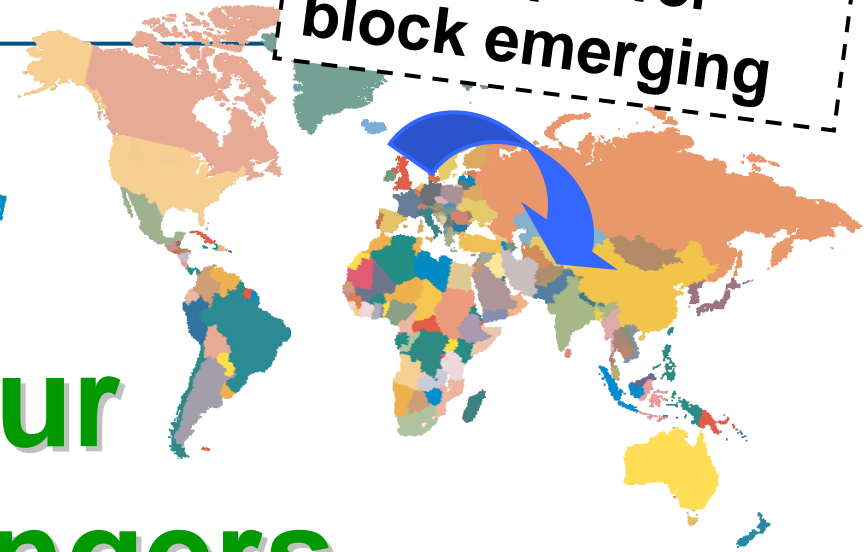
World distribution of income



1. Macondo

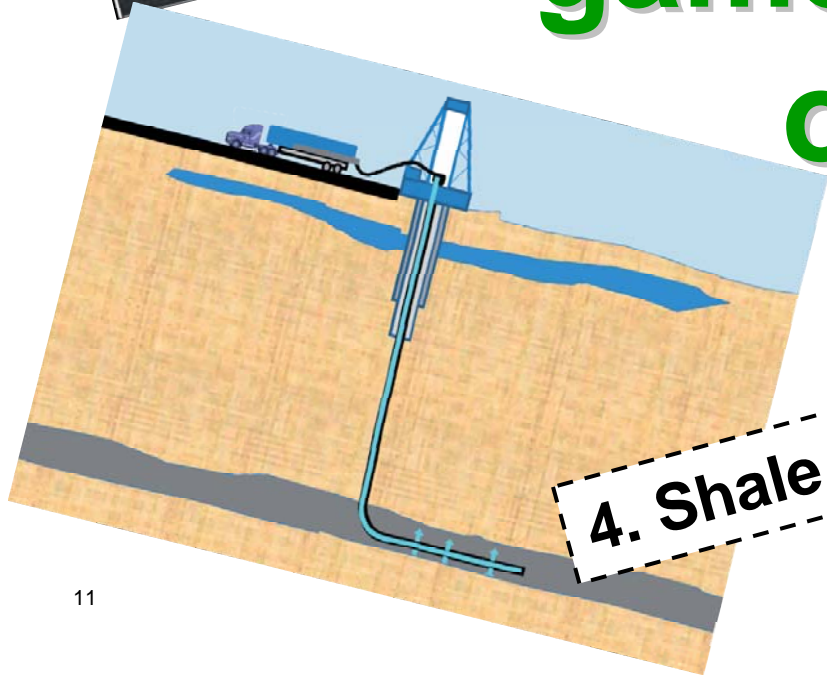


2. New power block emerging

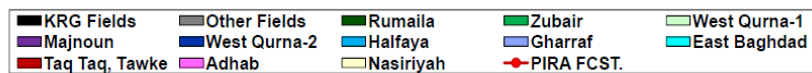
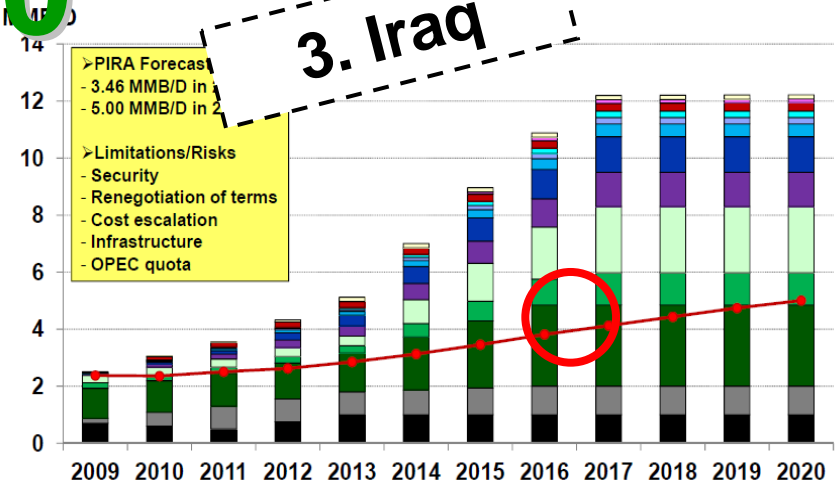


The four game changers of 2010

4. Shale gas

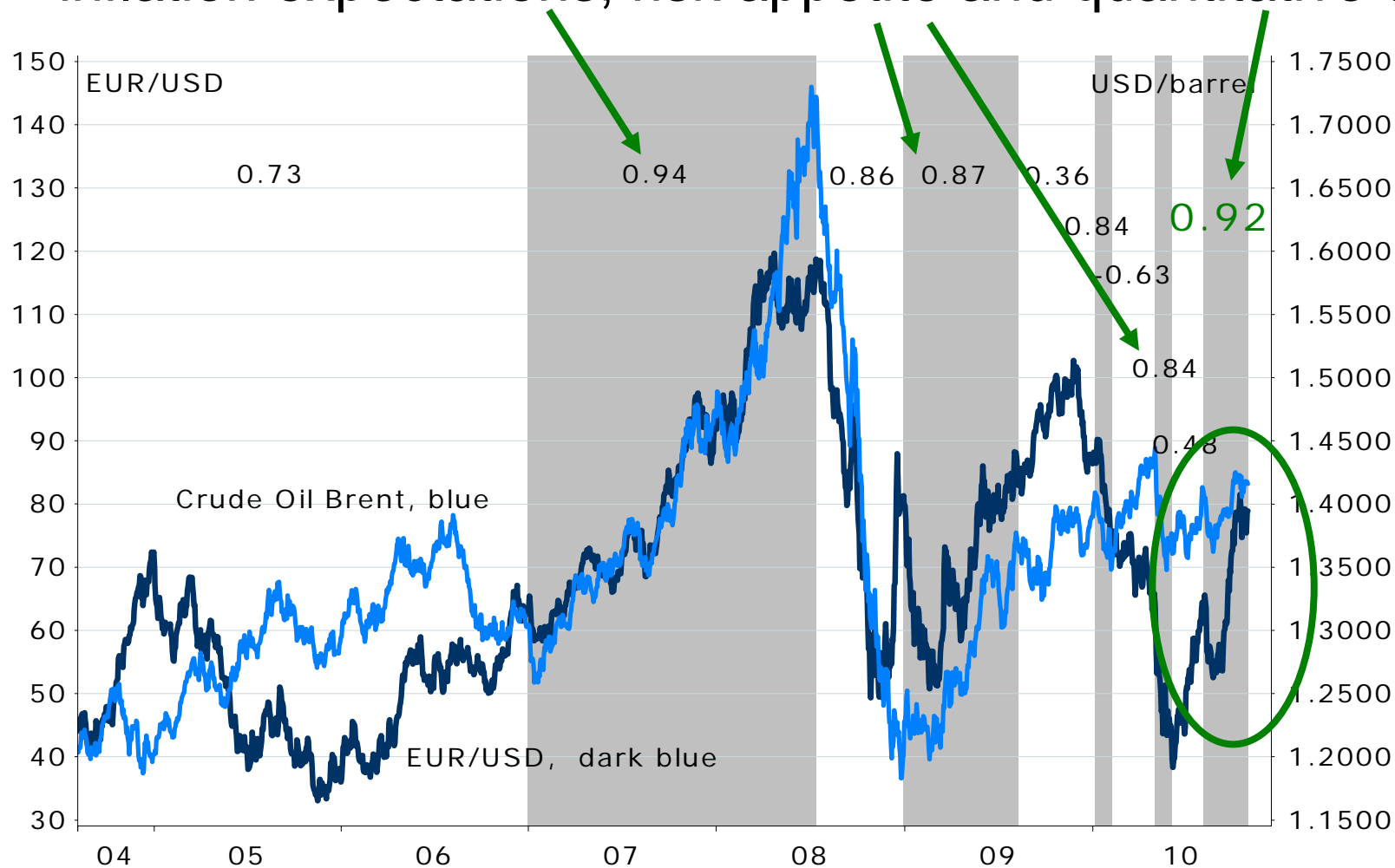


3. Iraq

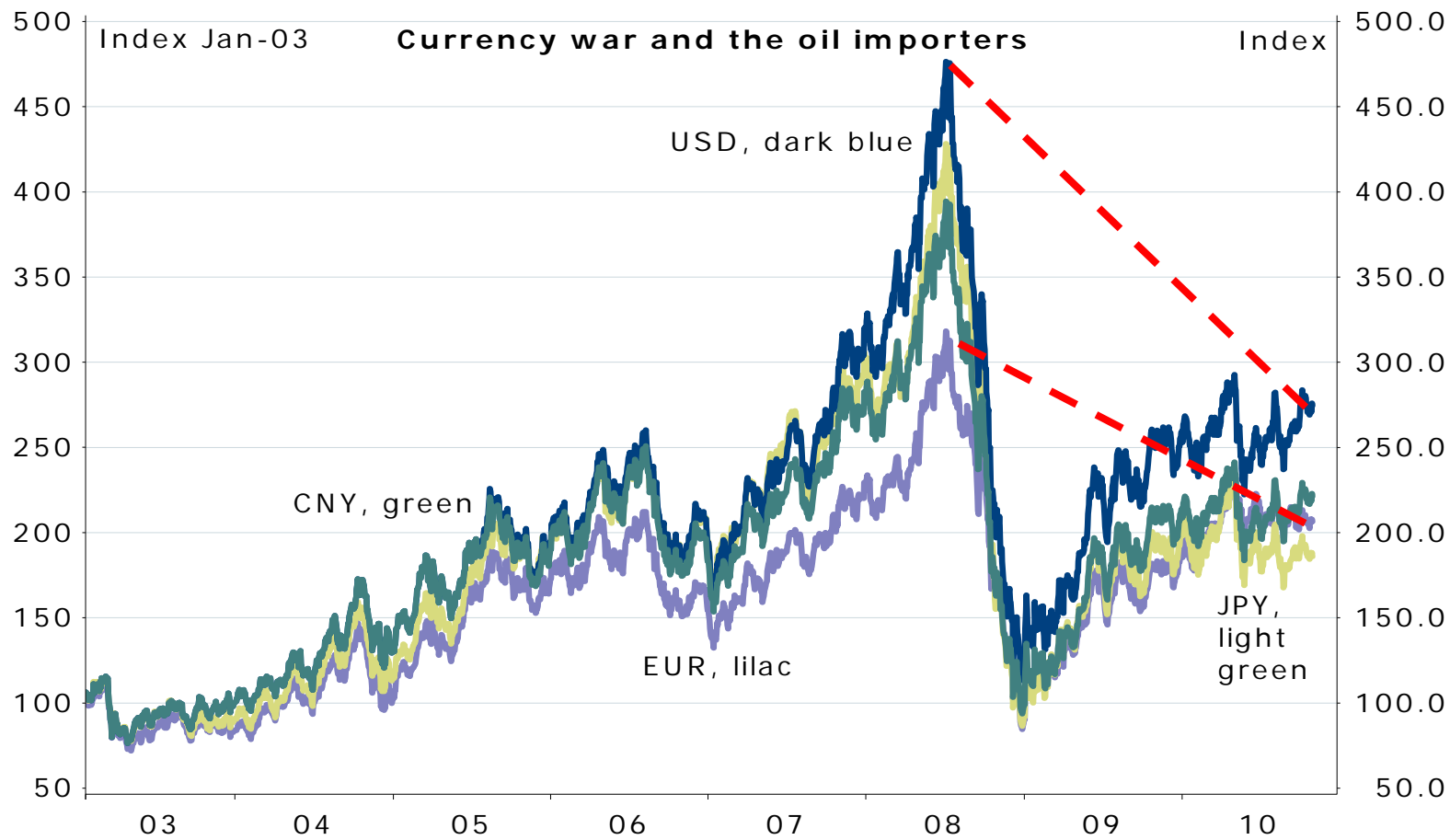


Oil prices and the currency puzzle

Correlation between oil prices, EUR/USD changes: inflation expectations, risk appetite and quantitative easing



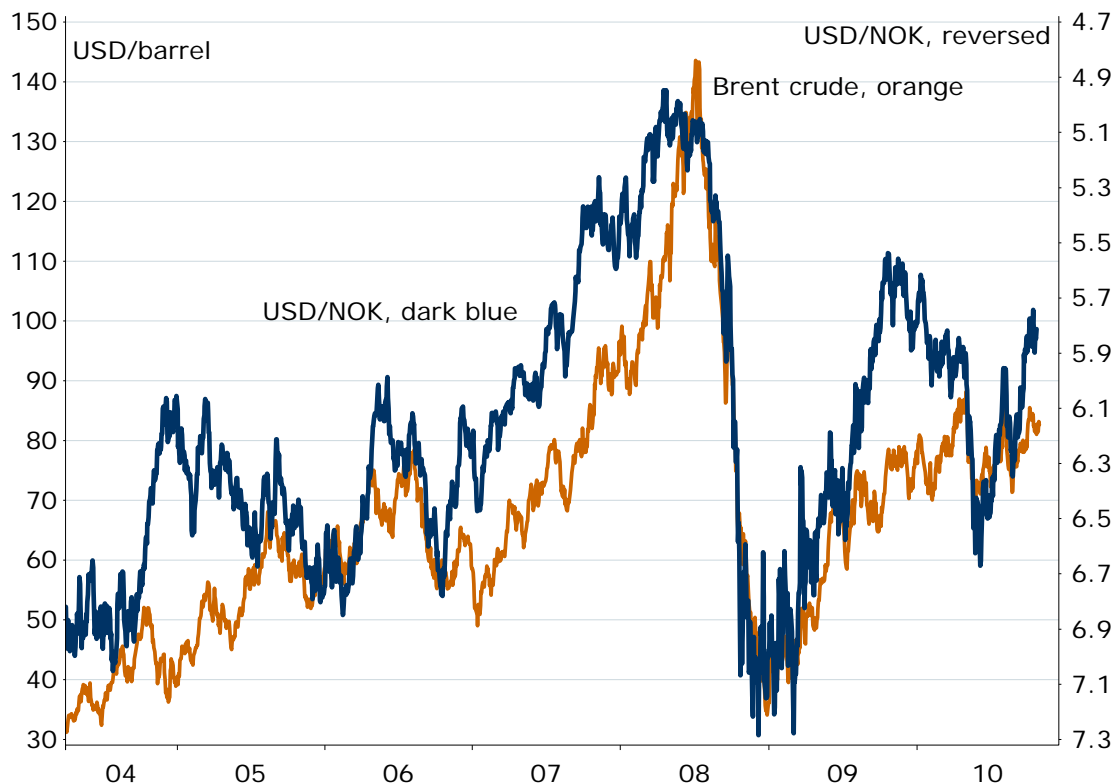
The currency war and the oil importers: taxes and subsidies influence the FX pass-through



The currency
trap of
European
oil consumers

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Oil prices and the NOK



Higher oil prices may:

- influence the terms of trade
- increase demand for oil stocks
 - increase demand for the NOK
- increase economic activity in Norway, interest rate differentials and higher NOK
- Psychological effects: safer NOK

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