OCBC Commodity Outlook 2H17

Barnabas Gan Economist Global Treasury Research & Strategy July 2017



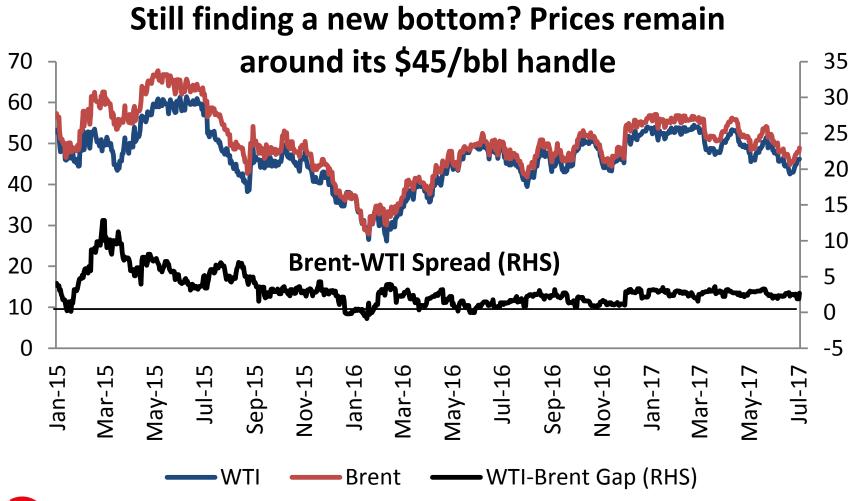
Crude Oil Still in choppy waters



Executive Summary

- It is likely going to be a see-saw year for energy prices. Of late, both the West Texas Intermediate (WTI) and Brent fell to its lowest since Aug 2016, before rallying higher into July on renewed demand expectations. Note that US refinery utilisation rates rose rapidly into its driving season period, coupled with robust energy import prints from Asia.
- Other indicators continue to suggest higher oil prices into end-year. Chiefly, crude oil forward curves, owing to the recent strength, shifted higher while maintaining its contango pattern. CFTC speculative net-long positions also gained for its second straight week in early July. Lastly, Bloomberg-calculated bullish reading for crude oil has edged up considerably to 50% in early July, up from 18.4% in February.
- Still, supply uncertainties may continue to leave oil prices to behave in a choppy fashion into 2H17. In a nutshell, there is still an observable supply glut to-date, led by relatively strong US oil production and recent rise in OPEC oil supplies into May 2017. Moreover, market-watchers' suspicion over the efficacy of OPEC-led production cuts, now that oil production gains from Libya and Nigeria have overshadowed the cuts by the other members. Future production trend continue to appear hazy as Russian officials reportedly refused to consider lower production, amid possible reluctance for Nigeria and Libya to consider production caps into the August.
- We maintain our WTI and Brent outlook at \$55/bbl and \$57/bbl, respectively. Our bullish call is underpinned on a further rebalancing scenario into year-end. Importantly, oil price still remain below OPEC's comfort level (perceived at \$50/bbl). Healthy energy demand into 2017 should be predicated by the ongoing growth outlook to-date.

Recent crude oil weakness had effectively erased the gains seen in late 2017



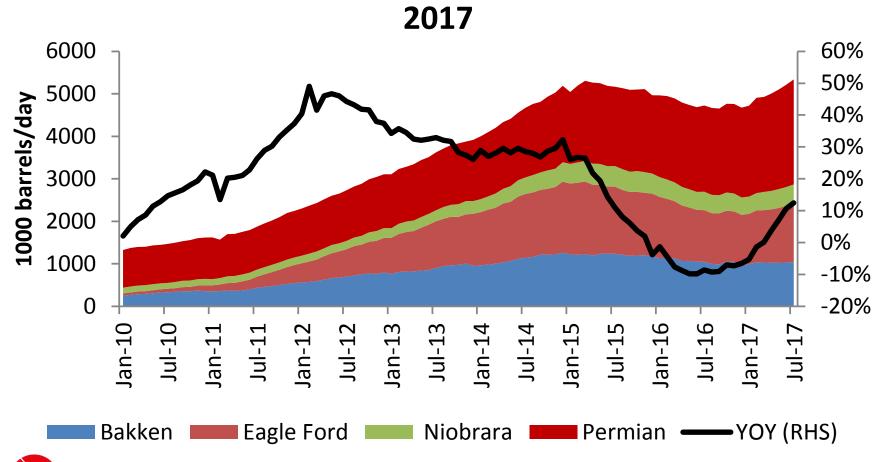
Oversupply concerns continue to plague prices lower

Global oil production and demand points to a sustained glut mbpd Global Oil Product Demand **Global Oil Product Supply**



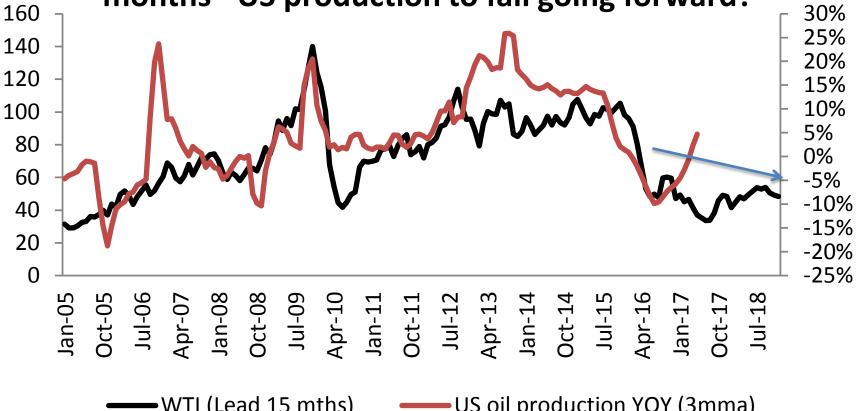
US shale oil production rises above its 5.5mbpd handle, accounting for 59% of total US production

US shale oil production rises further into mid-



Still, the climb in US oil production could fizzle as oil prices remain low

US oil production lags prices by approx 15 months - US production to fall going forward?



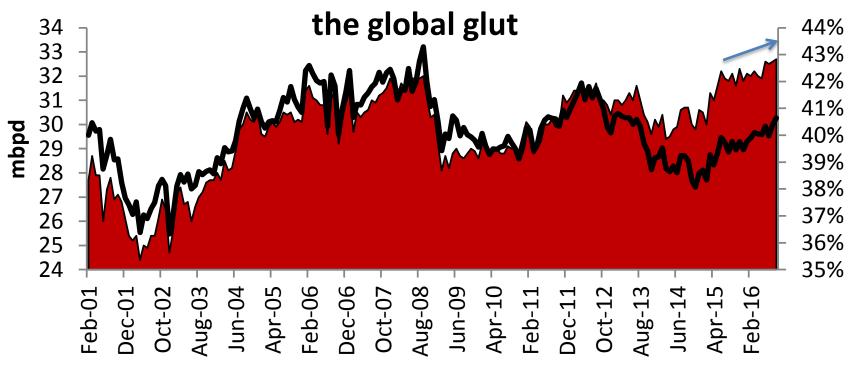
WTI (Lead 15 mths)

US oil production YOY (3mma)



Market's initial cheer over OPEC's production cut faded into May as production climbed further

OPEC's production climbed into May, adding to



¹ OPEC production does not include NGLs and condensates



Share of global production



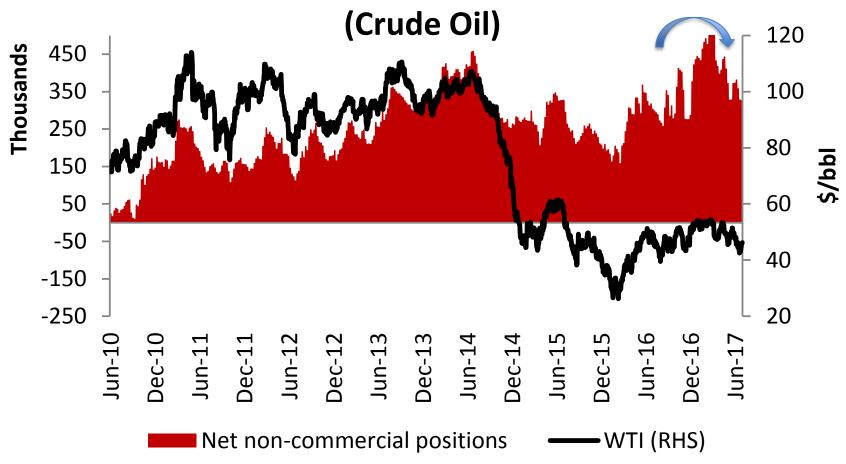
Gains in OPEC production is led by higher prints in Libya and Nigeria

thousand barrels per day	Reference Production Levels	Targeted production level	Production (Dec 2016)	Production (Jan 2017)	Production (Feb 2017)	Production (Mar 2017)	Production (Apr 2017)	Production (May 2017)
	а	b	С	d	е	f	g	g
Algeria	1,089	1,039	1,149	1,091	1,084	1,085	1,075	1,069
Angola	1,751	1,673	1,639	1,615	1,649	1,652	1,651	1,593
Ecuador	548	522	544	534	535	531	528	528
Gabon	202	193	209	203	198	202	205	204
Iran	3,975	3,797	4,010	3,920	3,870	3,891	3,862	3,795
Iraq	4,561	4,351	4,830	4,630	4,566	4,568	4,531	4,424
Kuwait	2,838	2,707	2,844	2,710	2,705	2,700	2,710	2,715
Libya**	528	-	610	680	681	612	552	730
Nigeria**	1,390	-	1,370	1,533	1,426	1,210	1,404	1,640
Qatar	648	618	611	615	545	621	619	615
Saudi Arabia	10,544	10,058	10,465	9,748	10,011	9,900	9,946	9,880
UAE	3,013	2,874	3,220	3,060	2,995	2,973	2,988	2,981
Venezuela	2,067	1,972	2,270	2,250	2,248	2,235	2,194	2,189
Total	33,154	29,804	33,771	32,589	32,513	32,180	32,265	32,363



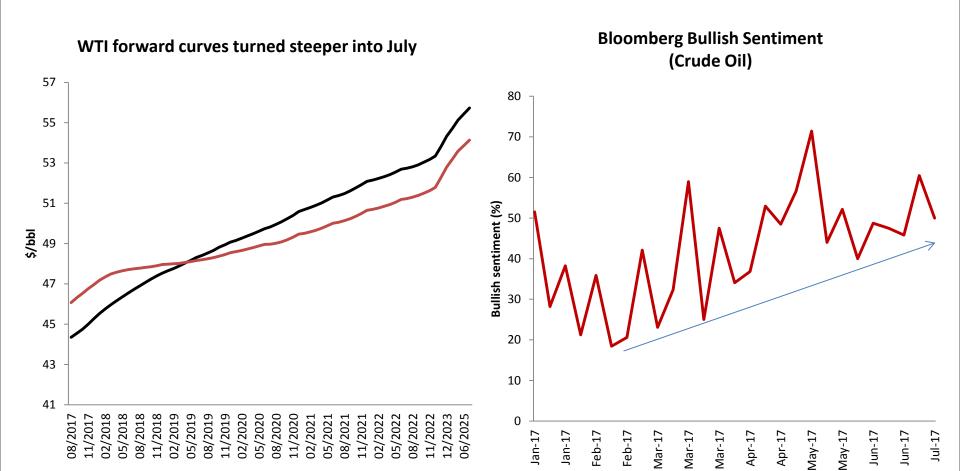
Unwinding of bullish positions into 2H17







More signs of bullish sentiment in recent weeks





One-month ago

Current (July 2017)

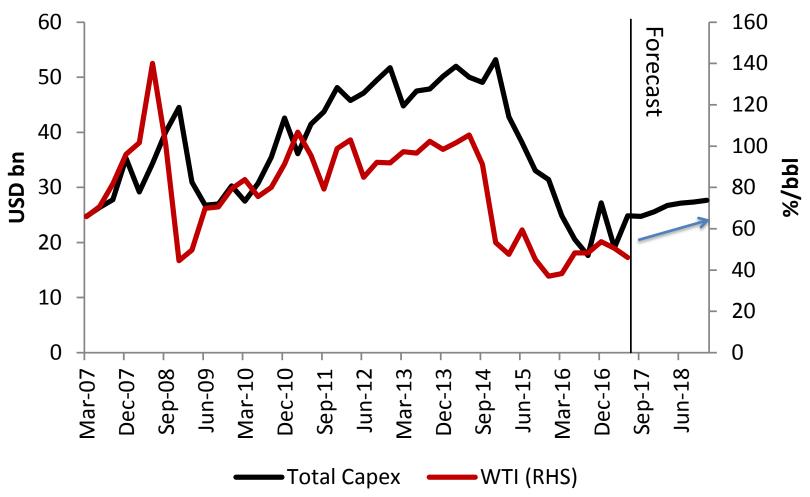
Capex spending could rise on higher oil prices

Exxon Mobil Corp 339,659.2 32,952 26,490 16,163 17,909 20,81 Chevron Corp 195,215.6 35,407 29,504 18,109 18,053 16,26 BHP Billiton Ltd 94,806.3 15,512 12,763 7,711 4,925 5,65 Occidental Petroleum Corp 44,934.5 8,930 5,381 4,761 3,410 3,85 Statoil ASA 54,199.8 19,506 15,485 12,191 11,124 11,57 ConocoPhillips 53,492.4 17,085 10,050 4,869 4,950 5,69 EOG Resources Inc 51,734.8 8,247 5,013 2,583 3,952 4,98 Anadarko Petroleum Corp 24,425.2 9,508 6,067 3,505 4,879 5,24 Pioneer Natural Resources Co 26,954.8 3,576 2,393 2,060 2,648 3,10 Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,42 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 MEnergy Co 1,761.2 2,519 1,502 2,814 863 1,222 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73		Manlest Can				_	
Chevron Corp 195,215.6 35,407 29,504 18,109 18,053 16,26 BHP Billiton Ltd 94,806.3 15,512 12,763 7,711 4,925 5,65 Occidental Petroleum Corp 44,934.5 8,930 5,381 4,761 3,410 3,815 Statoil ASA 54,199.8 19,506 15,485 12,191 11,124 11,57 ConocoPhillips 53,492.4 17,085 10,050 4,869 4,950 5,69 EOG Resources Inc 51,734.8 8,247 5,013 2,583 3,952 4,98 Anadarko Petroleum Corp 24,425.2 9,508 6,067 3,505 4,879 5,24 Pioneer Natural Resources Co 26,954.8 3,576 2,393 2,060 2,648 3,10 Apache Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214	Name	Market Cap (USD mn)	2014	2015	2016	2017^	2018^
BHP Billiton Ltd 94,806.3 15,512 12,763 7,711 4,925 5,65 Occidental Petroleum Corp 44,934.5 8,930 5,381 4,761 3,410 3,85 Statoil ASA 54,199.8 19,506 15,485 12,191 11,124 11,57 ConocoPhillips 53,492.4 17,085 10,050 4,869 4,950 5,69 EOG Resources Inc 51,734.8 8,247 5,013 2,583 3,952 4,98 Anadarko Petroleum Corp 24,425.2 9,508 6,067 3,505 4,879 5,24 Pioneer Natural Resources Co 26,954.8 3,576 2,339 2,060 2,648 3,100 Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,42 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Conton Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 ConSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co Asis Petroleum Inc 1,811.6 1,29 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Exxon Mobil Corp	339,659.2	32,952	26,490	16,163	17,909	20,817
Occidental Petroleum Corp 44,934.5 8,930 5,381 4,761 3,410 3,85 Statoil ASA 54,199.8 19,506 15,485 12,191 11,124 11,57 Conoco/Phillips 53,492.4 17,085 10,050 4,869 4,950 5,69 EOG Resources Inc 51,734.8 8,247 5,013 2,583 3,952 4,98 Anadarko Petroleum Corp 24,425.2 9,508 6,067 3,505 4,879 5,24 Pioneer Natural Resources Co 26,954.8 3,576 2,393 2,060 2,648 3,10 Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,42 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 </td <td>Chevron Corp</td> <td>195,215.6</td> <td>35,407</td> <td>29,504</td> <td>18,109</td> <td>18,053</td> <td>16,269</td>	Chevron Corp	195,215.6	35,407	29,504	18,109	18,053	16,269
Statoil ASA 54,199.8 19,506 15,485 12,191 11,124 11,57 ConocoPhillips 53,492.4 17,085 10,050 4,869 4,950 5,69 EOG Resources Inc 51,734.8 8,247 5,013 2,583 3,952 4,98 Anadarko Petroleum Corp 24,425.2 9,508 6,067 3,505 4,879 5,24 Pioneer Natural Resources Co 26,954.8 3,576 2,393 2,060 2,648 3,10 Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,42 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589	BHP Billiton Ltd	94,806.3	15,512	12,763	7,711	4,925	5,650
ConocoPhillips 53,492.4 17,085 10,050 4,869 4,950 5,69 EOG Resources Inc 51,734.8 8,247 5,013 2,583 3,952 4,98 Anadarko Petroleum Corp 24,425.2 9,508 6,067 3,505 4,879 5,24 Pioneer Natural Resources Co 26,954.8 3,576 2,393 2,060 2,648 3,10 Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,42 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476	Occidental Petroleum Corp	44,934.5	8,930	5,381	4,761	3,410	3,853
EOG Resources Inc 51,734.8 8,247 5,013 2,583 3,952 4,98 Anadarko Petroleum Corp 24,425.2 9,508 6,067 3,505 4,879 5,24 Pioneer Natural Resources Co 26,954.8 3,576 2,393 2,060 2,648 3,10 Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,422 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,467 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 0 1,761.2 2,5519 1,502 2,814 863 1,220 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583	Statoil ASA	54,199.8	19,506	15,485	12,191	11,124	11,576
Anadarko Petroleum Corp	ConocoPhillips	53,492.4	17,085	10,050	4,869	4,950	5,698
Pioneer Natural Resources Co 26,954.8 3,576 2,393 2,060 2,648 3,10 Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,42 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035	EOG Resources Inc	51,734.8	8,247	5,013	2,583	3,952	4,984
Apache Corp 17,922.4 11,378 4,808 1,949 3,047 3,42 Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6	Anadarko Petroleum Corp	24,425.2	9,508	6,067	3,505	4,879	5,240
Devon Energy Corp 15,629.1 13,450 6,415 3,971 2,910 3,36 Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,682.5 1,264 1,154	Pioneer Natural Resources Co	26,954.8	3,576	2,393	2,060	2,648	3,104
Repsol SA 23,014.7 3,462 3,320 2,217 3,989 4,43 Hess Corp 13,498.3 5,214 4,321 2,251 2,267 2,49 Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Murphy Oil Corp 4,682.5 1,264 1,154 4	Apache Corp	17,922.4	11,378	4,808	1,949	3,047	3,428
Hess Corp	Devon Energy Corp	15,629.1	13,450	6,415	3,971	2,910	3,368
Continental Resources Inc/OK 11,544.6 4,717 3,080 1,165 1,943 2,45 Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963	Repsol SA	23,014.7	3,462	3,320	2,217	3,989	4,438
Concho Resources Inc 18,043.4 2,589 2,511 2,458 1,726 2,08 EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959	Hess Corp	13,498.3	5,214	4,321	2,251	2,267	2,491
EQT Corp 10,410.7 2,451 2,434 2,591 1,876 3,20 Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497	Continental Resources Inc/OK	11,544.6	4,717	3,080	1,165	1,943	2,453
Marathon Oil Corp 9,791.9 5,160 3,476 1,245 2,339 2,77 Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502	Concho Resources Inc	18,043.4	2,589	2,511	2,458	1,726	2,085
Cabot Oil & Gas Corp 11,484.5 1,480 956 375 807 1,05 Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849	EQT Corp	10,410.7	2,451	2,434	2,591	1,876	3,205
Range Resources Corp 5,390.0 1,212 1,035 469 1,116 1,29 Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Marathon Oil Corp	9,791.9	5,160	3,476	1,245	2,339	2,779
Diamondback Energy Inc 8,638.2 1,448 902 1,190 899 1,16 Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Cabot Oil & Gas Corp	11,484.5	1,480	956	375	807	1,050
Murphy Oil Corp 4,244.6 3,679 2,550 927 895 1,16 Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Range Resources Corp	5,390.0	1,212	1,035	469	1,116	1,294
Energen Corp 4,682.5 1,264 1,154 447 917 88 CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Diamondback Energy Inc	8,638.2	1,448	902	1,190	899	1,160
CONSOL Energy Inc 3,434.6 1,493 983 227 621 71 RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Murphy Oil Corp	4,244.6	3,679	2,550	927	895	1,161
RSP Permian Inc 5,159.1 816 873 963 663 88 WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Energen Corp	4,682.5	1,264	1,154	447	917	889
WPX Energy Inc 3,813.0 1,807 1,124 578 959 1,16 Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	CONSOL Energy Inc	3,434.6	1,493	983	227	621	714
Chesapeake Energy Corp 4,231.6 6,618 3,771 2,120 2,150 2,37 Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	RSP Permian Inc	5,159.1	816	873	963	663	887
Whiting Petroleum Corp 1,893.3 2,968 2,497 553 1,032 1,15 SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	WPX Energy Inc	3,813.0	1,807	1,124	578	959	1,166
SM Energy Co 1,761.2 2,519 1,502 2,814 863 1,22 Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Chesapeake Energy Corp	4,231.6	6,618	3,771	2,120	2,150	2,370
Oasis Petroleum Inc 1,811.6 1,401 849 1,208 583 73	Whiting Petroleum Corp	1,893.3	2,968	2,497	553	1,032	1,152
	SM Energy Co	1,761.2	2,519	1,502	2,814	863	1,225
Dephury Resources Inc 617.4 1.079 562 253 201 30	Oasis Petroleum Inc	1,811.6	1,401	849	1,208	583	739
200 201 00	Denbury Resources Inc	617.4	1,079	562	253	291	395
		1,062,439.4	226,929.2	162,268.1	101,921.7	103,742.4	115,639.6
% Change -28.5% -37.2% 1.8% 11.5%	% Change			-28.5%	-37.2%	1.8%	11.5%

[^]Bloomberg collated estimates



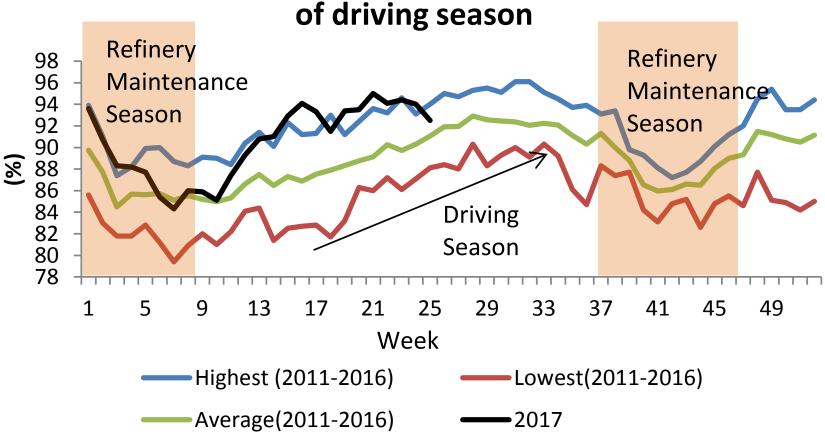
US oil companies slated to spend more on capex this year, suggesting bullish outlook till end-year





US driving season to lift oil demand further

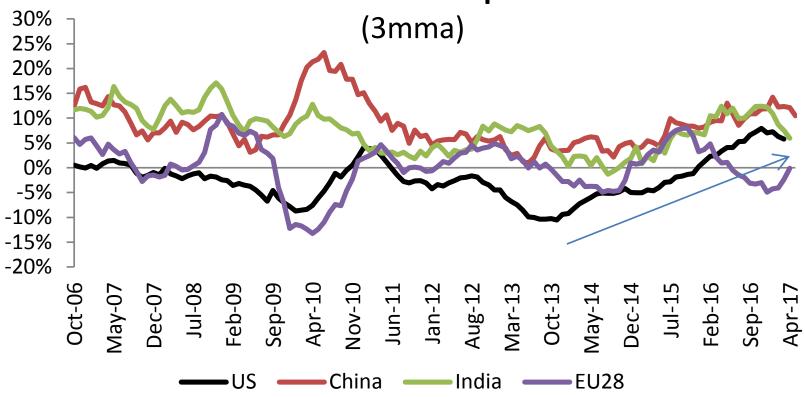
US refinery utilisation rates edged higher ahead





Overall global demand continue to stay robust, especially seen in China and EU28

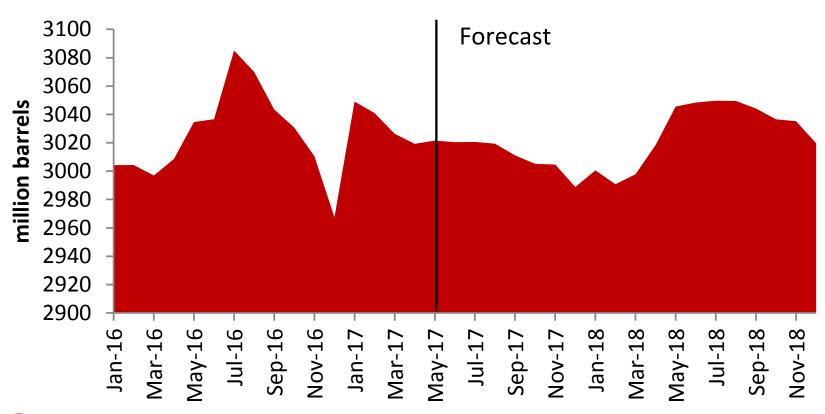
Oil import demand from key destination countries continue to point north





Should demand continue to grow amid tame supply growth, inventory overhang may tighten

OECD commercial oil inventories projected to fall further into the year





Gold: Yield-chasing behavior dominates

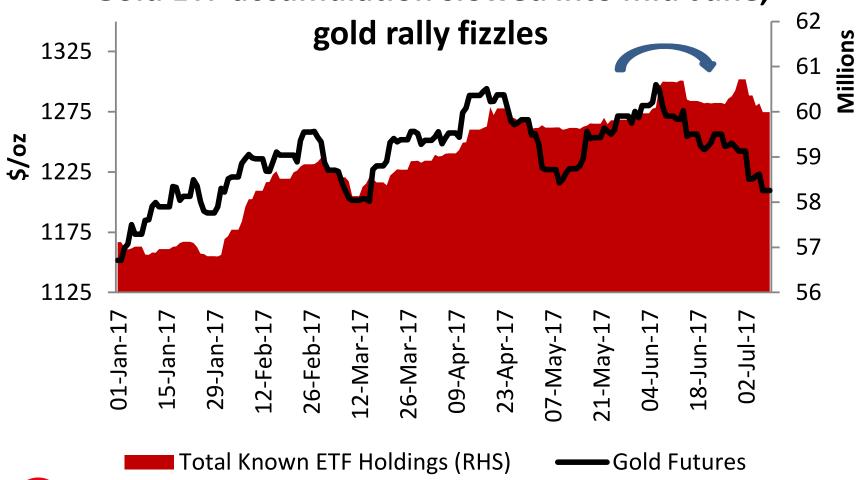


Executive Summary

- After a strong bullish run to near its \$1,300/oz handle, gold prices fell to its lowest since mid-March to-date. The fall came just after June's FOMC meeting which revealed policy-makers' outlook for one more rate hike into the second half of 2017. Furthermore, Fed chair Yellen also revealed plans to initiate a balance sheet reduction before the year is up. For more details on the balance sheet reduction, refer to the FOMC addendum.
- The yellow metal has also fallen sharply in the past two weeks, given yield-chasing behavior amid risk appetite following the stark rise in government yields. Yield curves across the globe, especially seen in US and Europe, have steepened considerably. The steepening of the yield curves coincided with overall rising government bond yields as well, suggesting investors' concern over future central banks' move away from extremely easy policies.
- In the short-term, we foresee gold's immediate support at \$1,200/oz, and if it breaks, to touch \$1,145/oz should risk appetite continue to gain traction. However, some short-term retracement from the current bond rout may be seen especially if geopolitical concerns starts to dominate again amid policy-makers possible attempt to talk-down its perceived hawkish tone.
- We maintain our gold outlook at \$1,200/oz at year-end. Given that gold prices are already nearing our year-end outlook, we opine that some short-term upside risk to gold prices may materialise especially if risk appetite fizzles into 3Q17. Still, the central banks' move away from their current ultra-loose monetary policy, amid the FOMC's balance sheet reduction, should tune gold back to \$1,200/oz by year-end.

Global gold ETF holdings slowed into July, gold prices fell to its lowest since March- 2017

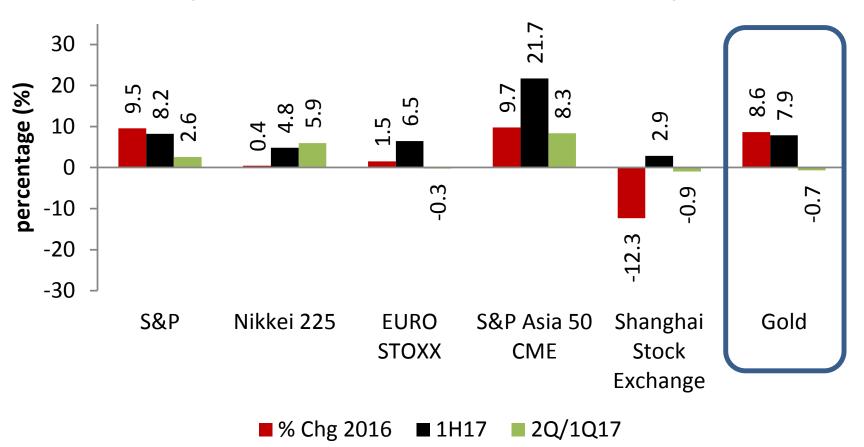
Gold ETF accumulation slowed into mid-June,





Risk appetite was robust into 2Q17, dulling gold's demand as a safe haven asset

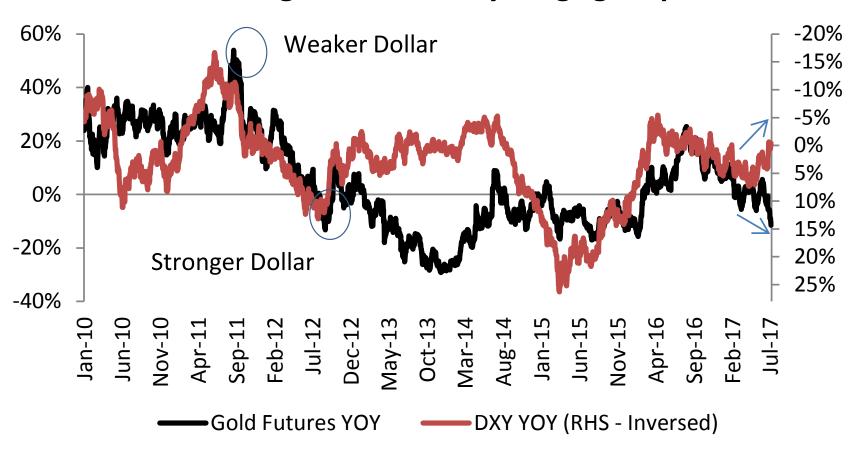
Gold prices fell as investors turned to equities





Traditional dollar-gold correlation broke into July, suggesting other underlying key reasons

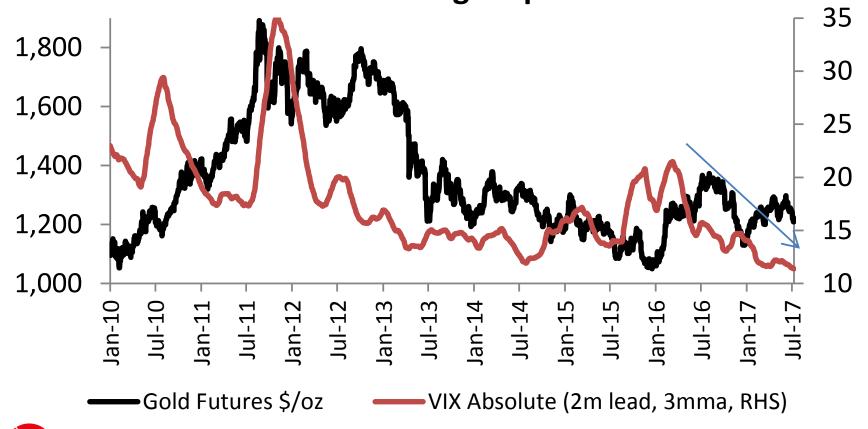
Dollar strength traditionally drags gold prices





First underlying reason is likely the improvement in risk appetite: VIX fell to its lowest since 1993

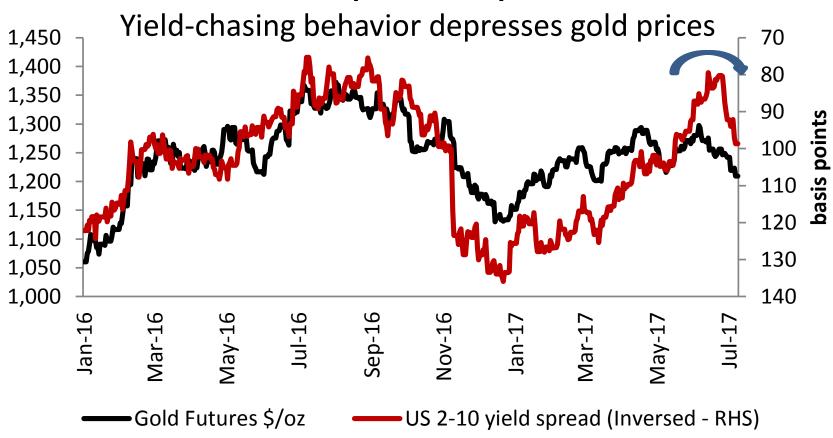
VIX, or better known as the fear index, fell in tandem with gold prices





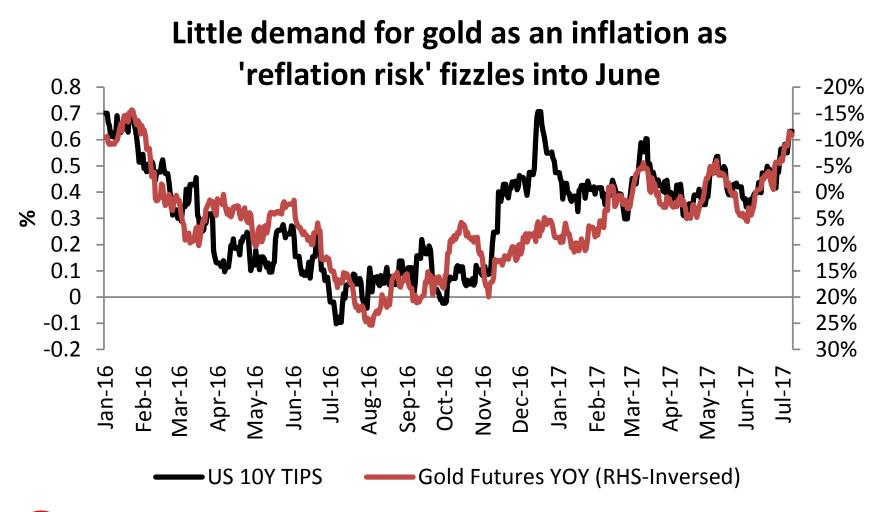
Yield-chasing behavior likely to have contributed to lower gold prices as well

Yield spread steepens:





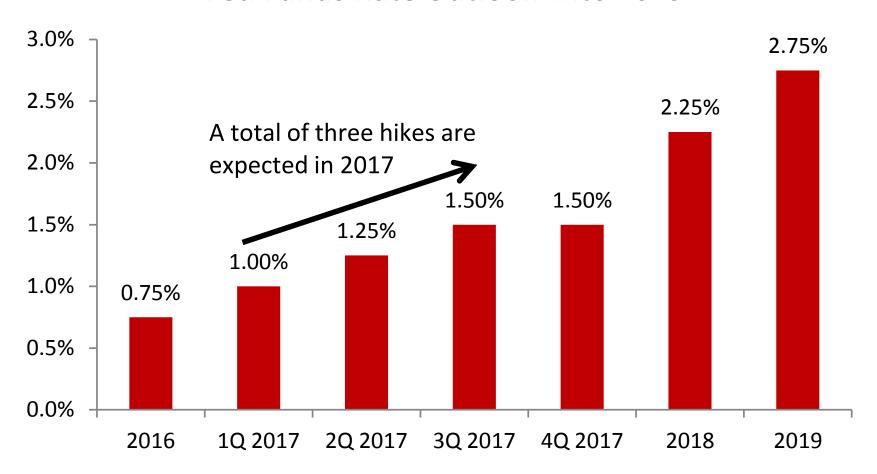
Reflation concern seen in early 2017 eased into 2Q17 as oil prices fell





The US Federal Reserve is slated to hike interest rates by three times in 2017

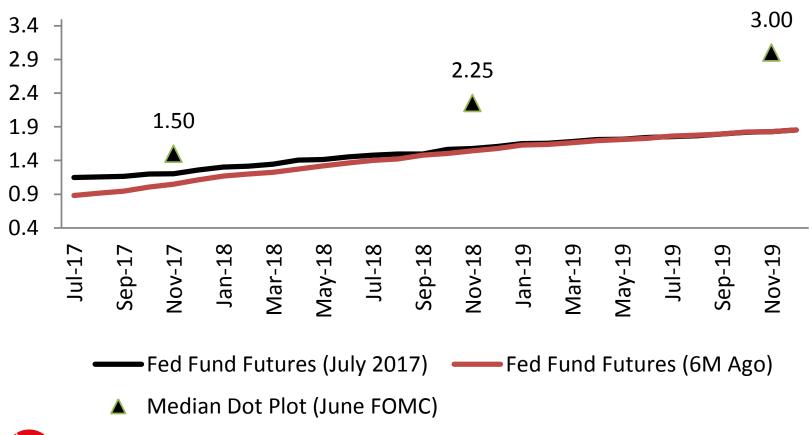
Fed Funds Rate Outlook into 2019





Calling bluff? Fed fund futures are still starkly lower vs the FOMC median dot plot

Market is still underpricing the Fed fund rate hike into 2019

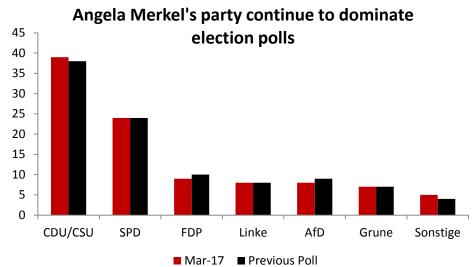




Geopolitical concerns remain on the cards

- Despite the relatively rosier economic environment seen in 1H17, uncertainties are still present as we step into 2H17. As written in our OCBC Global Outlook 2H17, prevailing risks could still materialise from the German elections, concerns about Italy's banking system, as well as the ongoing Brexit negotiations amid a weakened PM May administration.
- Elsewhere, concerns could also be seen from some tapering of risk-taking behaviour especially if central banks around the world start to pull back monetary stimulus. In a nutshell, should the USD starts to base-build and gain traction, capital inflows into EM, including Asia, could falter going ahead, especially if economic surprises fail to sustain and excite on the upside.



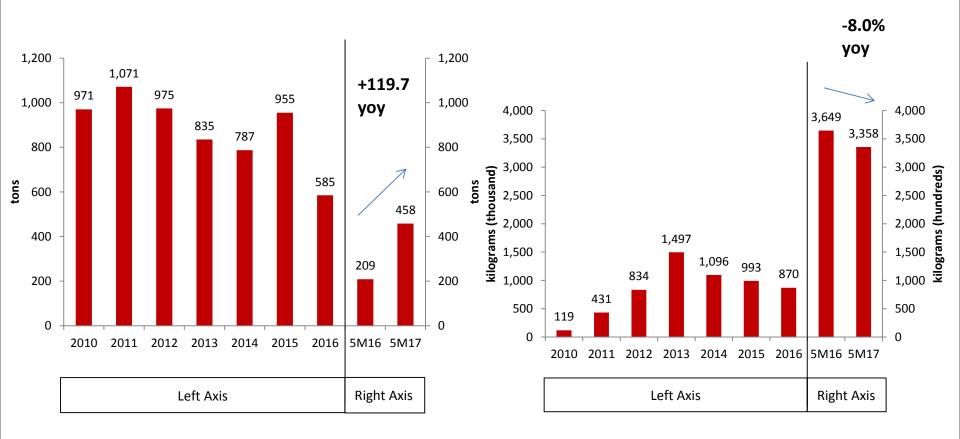




Physical demand looking strong, though higher Indian gold tax could taper demand into 2H17

India gold imports fared better in 2017 given low base seen in 2016

Chinese gold imports from Hong Kong





Source: Bloomberg, OCBC Bank

Crude Palm Oil: At the whims of Mother Nature

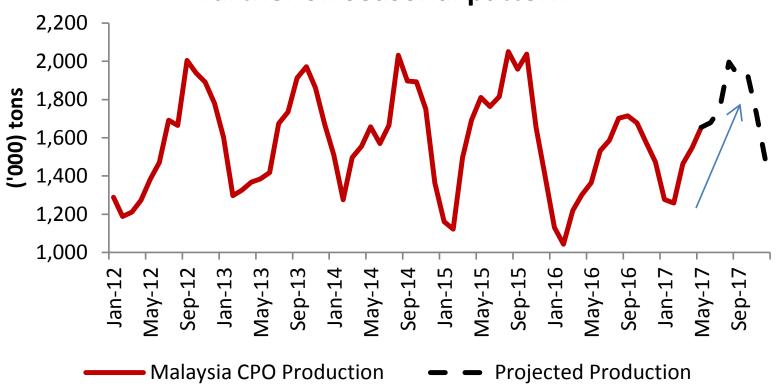


Executive Summary

- The seasonal higher palm oil demand during the Ramadan celebration failed to lift palm oil prices significantly. Crude palm oil futures remained below its MYR2,600/MT todate, after falling to its lowest (MYR2,432/MT) in mid-June, lowest since May 2016. In fact, Malaysia's palm oil exports did rise by a whopping 17.4% in May, led by higher demand from Bangladesh, India, Pakistan and Egypt.
- However, owing to the low production base year seen in 2016, the ballooning supplies into the first six months of this year had left prices starkly lower. Importantly, palm oil production in Asia (Asia commands approximately 90% of global palm oil supplies) should point higher, led by Indonesia (upside risk to official outlook of 32 33 million tons) and Malaysia (OCBC outlook for Malaysia CPO production to grow 15% in 2017). Note, production is slated to grow further into August on seasonal pattern.
- Low oil prices had also contributed to the rather lackluster performance of CPO. Palm oil is also a input product for biofuel, a viable alternative to the very cheap gasoline prices to-date. Chiefly, oil prices are estimated to be over 30% cheaper compared to unrefined palm oil, suggesting that palm oil as a biofuel remains overly expensive.
- Coupled with the sustained low prices seen in alternative vegetable oils (rapeseed, soybean), we had previously downgraded our crude palm oil outlook to MYR2,250/MT in late June. Our bearish call is largely underpinned by the rising CPO supplies into end-year, amid lower oil and alternative vegetable oil prices. Still, the caveat to our outlook is predicated by a low probability event for another El Nino phenomenon to occur into end-2017

Malaysia's palm oil production gained rapidly as weather conditions improve

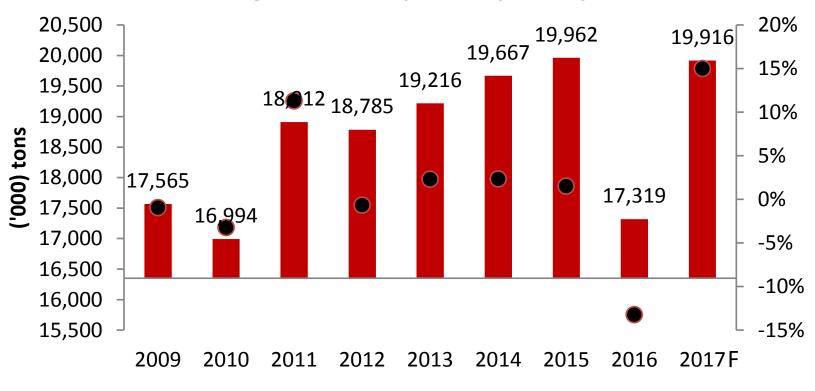
Malaysia CPO production is slated to grow further on seasonal pattern





Malaysia's total CPO production will likely exceed MPOB's target of 19.4 million tons

Looking for a bumper crop this year



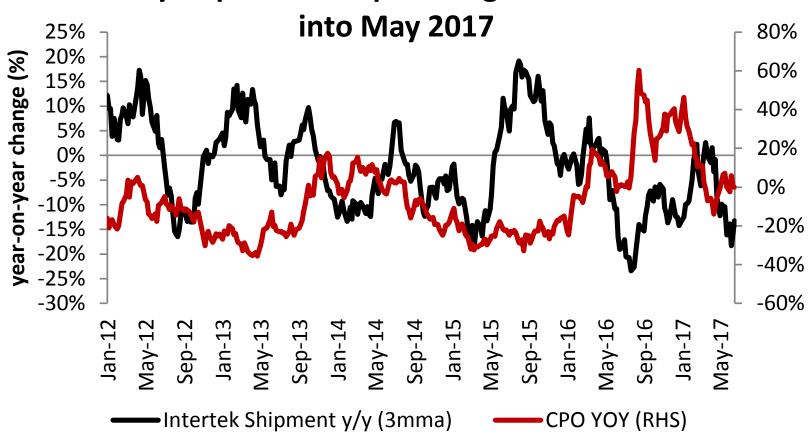
■ Malaysia Palm Oil Production (Yearly)

Yearly Growth (RHS)



Malaysia's palm oil exports declined into 2Q17, after a strong 1Q17 performance

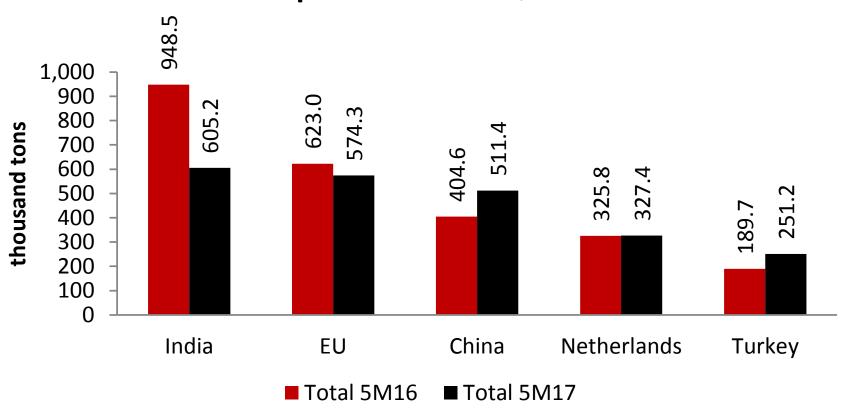
Malaysia palm oil shipments growth declined





Although China imports rose, other key destinations saw markedly lower palm oil imports

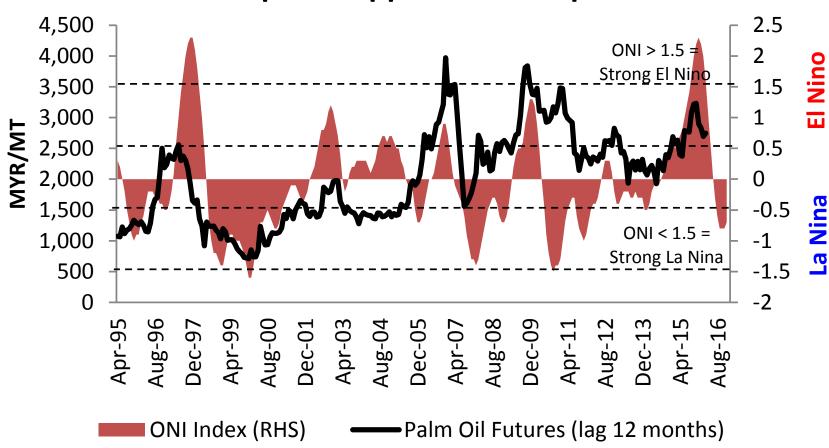
Malaysia's key export destination imported less palm oil into 1Q17





Weather conditions improves, with palm oil futures correcting lower into 2Q17

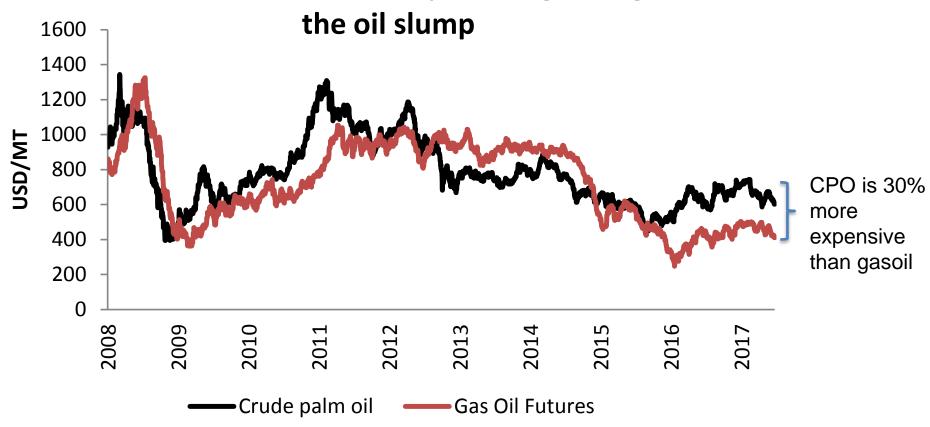
Palm oil prices appear to have peaked





Falling crude oil prices left biofuel exceedingly expensive!

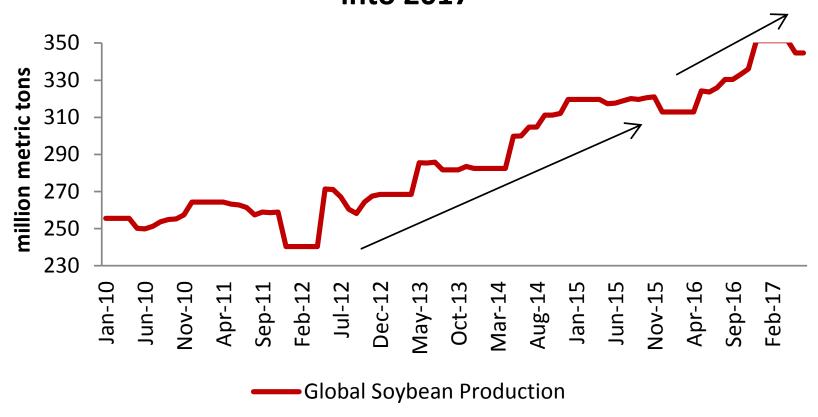
Palm oil turned more costly versus gas oil given





Alternative vegetable oil, especially soybean, may continue to stay affordable as supplies climb

Global soybean production continued to climb into 2017





OCBC Commodities Price Outlook

As of July 12, 2017			2016				2017			
	Spot	3y AVG	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F
Energy										
WTI (\$/bbl)	47.5	95.1	33.6	45.6	44.9	49.3	51.8	48.2	51.7	55.0
Brent (\$/bbl)	50.4	106.7	35.2	47.0	47.0	51.1	54.6	50.8	54.0	57.0
Gasoline (\$/gallon)	1.55	2.80	1.18	1.54	1.40	1.48	1.58	1.58	1.78	1.72
Natural Gas (\$/mmbtu)	3.28	3.61	1.98	2.25	2.79	3.18	3.06	3.14	2.87	2.75
Precious Metals										
Gold (\$/oz)	1,220	1,450	1,185	1,260	1,334	1,217	1,221	1,259	1,240	1,200
Silver (\$/oz)	16.2	24.7	14.9	16.8	19.6	17.1	17.5	17.2	17.2	16.8
Platinum (\$/oz)	913	1,477	919	1,007	1,091	944	983	942	992	976
Palladium (\$/oz)	794	725	526	569	680	684	768	815	816	800
Base Metals										
Copper (\$/MT)	5,501	7,378	4,669	4,728	4,793	5,291	5,855	5,692	5,625	5,500
Tin (\$/MT)	19,732	21,755	15,465	16,912	18,592	20,777	20,012	19,906	20,089	18,966
Nickel (\$/MT)	9,072	16,496	8,514	8,834	10,271	10,796	10,277	9,214	9,375	9,483
Zinc (\$/MT)	2,600	2,023	1,684	1,927	2,257	2,527	2,789	2,604	2,616	2,619
Aluminum (\$/MT)	1,865	1,945	1,515	1,583	1,633	1,709	1,858	1,913	1,907	1,833
Asian Commodities										
Crude Palm Oil (MYR/MT)	2,850	2,592	2,467	2,597	2,629	2,933	2,938	2,545	2,397	2,250

Source:

Historical Data - Bloomberg

Forecasts - OCBC Bank

Note: Data reflects average price



Thank You



Treasury Market Research & Strategy

Disclaimer

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