

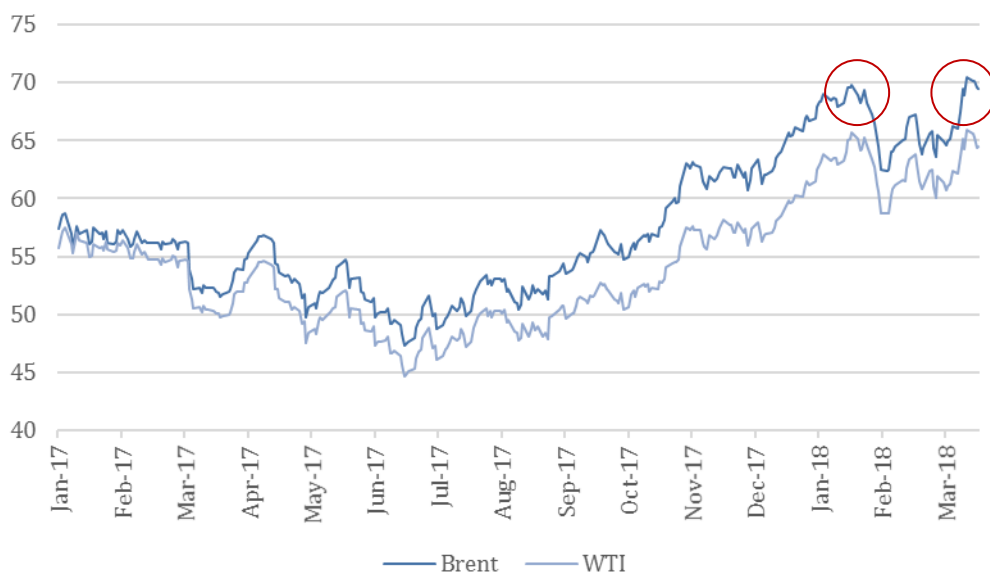
**SAMRUK**
K A Z Y N A

Brent price breaches USD70pb for the second time in 1Q18

Brent crude breached USD70pb on intraday trade on 23 March 2018, a second time it touched the USD70pb-level in the 1Q18 and was holding above this price level for three consecutive days due to increasing tensions in the Middle East that could lead to supply disruptions and declining output in Venezuela amidst economic instability. There was an intense speculation that the US would re-impose sanctions on Iran. Oil price has risen by 6% since January 2018, on track for its third consecutive quarter of price increases and the longest quarterly increase since late 2010. Brent price closed lower at USD69.48pb on 29 March amidst rising US crude oil inventories and output. Brent crude is trading at USD69.41pb and WTI is at USD64.91pb in today's morning session.

The surge in oil price was likely temporary as high oil prices will encourage further growth of US oil rig count, which will result in higher US output this and next year. Moreover, the US sanctions on Iran are not expected to reduce its oil exports as much as last time, when the output decline amounted to 1mln bpd. Average oil price for 1Q18 stood at USD66.83pb as of 29 March. **We maintain our forecast of average oil price to be in the range of USD62-63pb for 2Q18, the key reason of which is rising US oil output. At the same time we do not rule out the possibility of heightened political risks which could lead to higher oil prices than our forecast.**

Brent and WTI oil price, USD pb



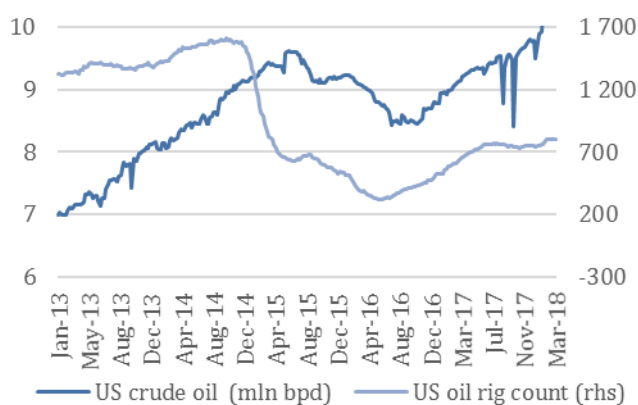
Source: Bloomberg, Samruk-Kazyna

World oil supply

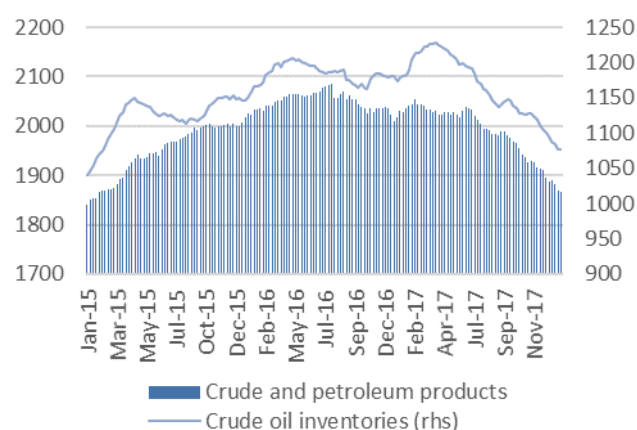
US oil output and inventories on the rise

The latest US crude oil output data showed an increase of 0.026mln bpd to output record 10.4mln bpd between 16 and 24 March 2018. Meantime, US energy companies' oil rig count increased by 4 bringing the total count to 804 during the same period. US crude oil inventories showed 1.6mln barrels increase to 1,095mln barrels, at 429.9mln barrels, US crude oil inventories are in the lower half of the average range for this time of year. The total US crude oil and petroleum products stocks decreased by 1.6mln barrels to 1,855mkn barrels, while US crude exports rose only by 0.005mln bpd to about 1.6mln bpd.

US weekly oil output and rig count



US crude oil and petroleum products inventories, mln barrels

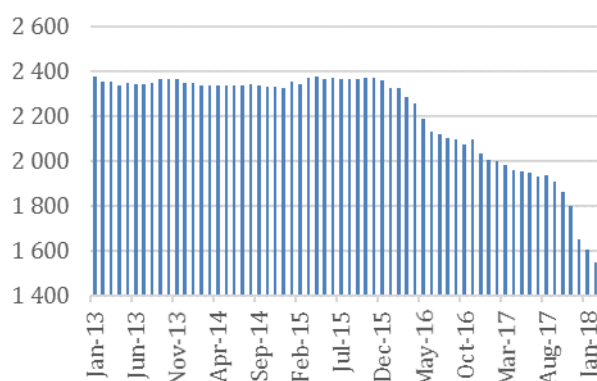


Source: EIA, Baker Hughes, Samruk-Kazyna

Venezuela output is declining

Venezuela's crude oil production is experiencing a downward trend for two decades, with significant declines over the past two years. Crude oil production in Venezuela declined to 1.6mln bpd in January 2018 from 2.3mln bpd in January 2016 due to mismanagement of Venezuela's oil industry and low global crude oil prices. Venezuela's crude oil output is forecast to decrease due to a decline of the number of active rigs to 43 in 4Q17 from 70 in 1Q16 as a result of lack of working upgrades and lower capital expenditures in oil industry.

Venezuela oil output



Venezuela monthly rig count



Source: EIA, OPEC, Samruk-Kazyna

Ratio of long to short positions in petroleum-related futures and options at high level

Hedge funds and other money managers increased their net long position in the six most important futures and options contracts linked to petroleum prices by 95mln barrels to 1,331mln barrels as of 20 March 2018. The ratio of long to short positions rose to 11.72 from 10.28 prior week and second-highest on record after 11.90 as of 30 January 2018.

Ratio of long and short position in petroleum (Brent, WTI, gasoline, heating oil, gasoil)



Source: US Commodity Futures Trading Commission

Our in-house oil price forecast

The surge in oil price was likely temporary as high oil prices will encourage further growth of US oil rig count, which will result in higher US output this and next year. Moreover, the US sanctions on Iran are not expected to reduce its oil exports as much as last time, when the output decline amounted to 1mln bpd. Average oil price for 1Q18 stood at USD66.83pb as of 29 March. **We maintain our forecast of average oil price to be in the range of USD62-63pb for 2Q18, the key reason of which is rising US oil output. At the same time we do not rule out the possibility of heightened political risks which could lead to higher oil prices than our forecast.**

Oil price projections 2Q2018, USD pb

Price	2017 average	1Q18 average	2Q18 average market consensus*	2Q18 forward price*	2Q18 average^
Brent	55.23	66.83	65.0	68.3	62-63

Source: Bloomberg, Samruk-Kazyna

*As of 29 March 2018

^ represents in-house projection by Samruk-Kazyna, average price expected for 2Q18

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