

APOLLO GLOBAL MANAGEMENT

# Outlook for oil prices

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Unless otherwise noted, information as of May 2022

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# Factors driving oil prices

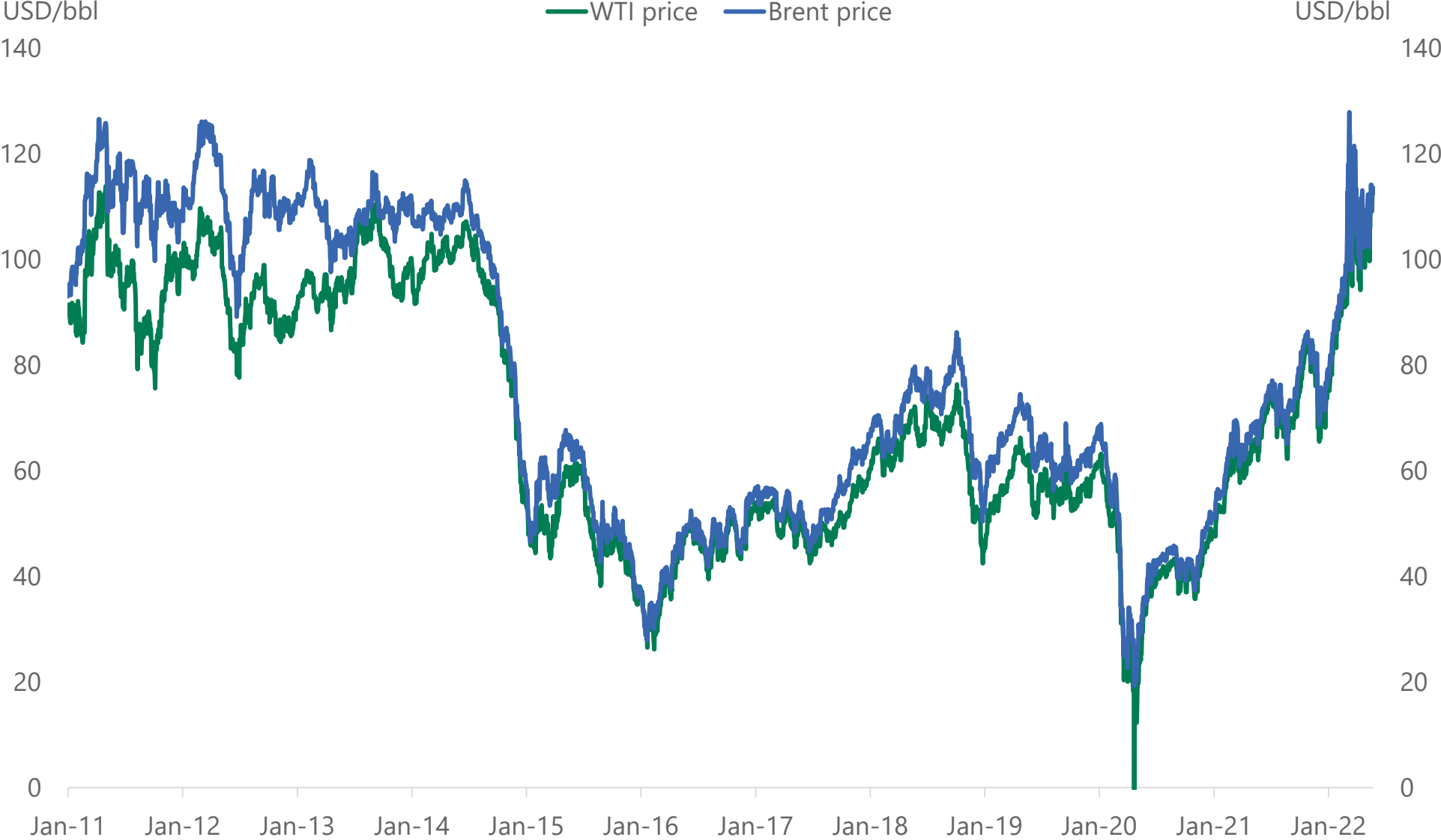
**Outlook for oil: (↑ = positive impact on oil prices, ↓ = negative impact on oil prices).**

- 1) Sanctions keeping energy prices elevated ↑
- 2) US Strategic Petroleum Reserve. Release about 1mn b/d. About 500mn barrels left ↓
- 3) Global demand slowing because global growth is slowing ↓
- 4) OPEC supply growing and non-OPEC supply growing, in particular US supply ↓
- 5) China's zero-covid policy ↓

- Prices
- Supply and Demand
- Inventory
- WTI model

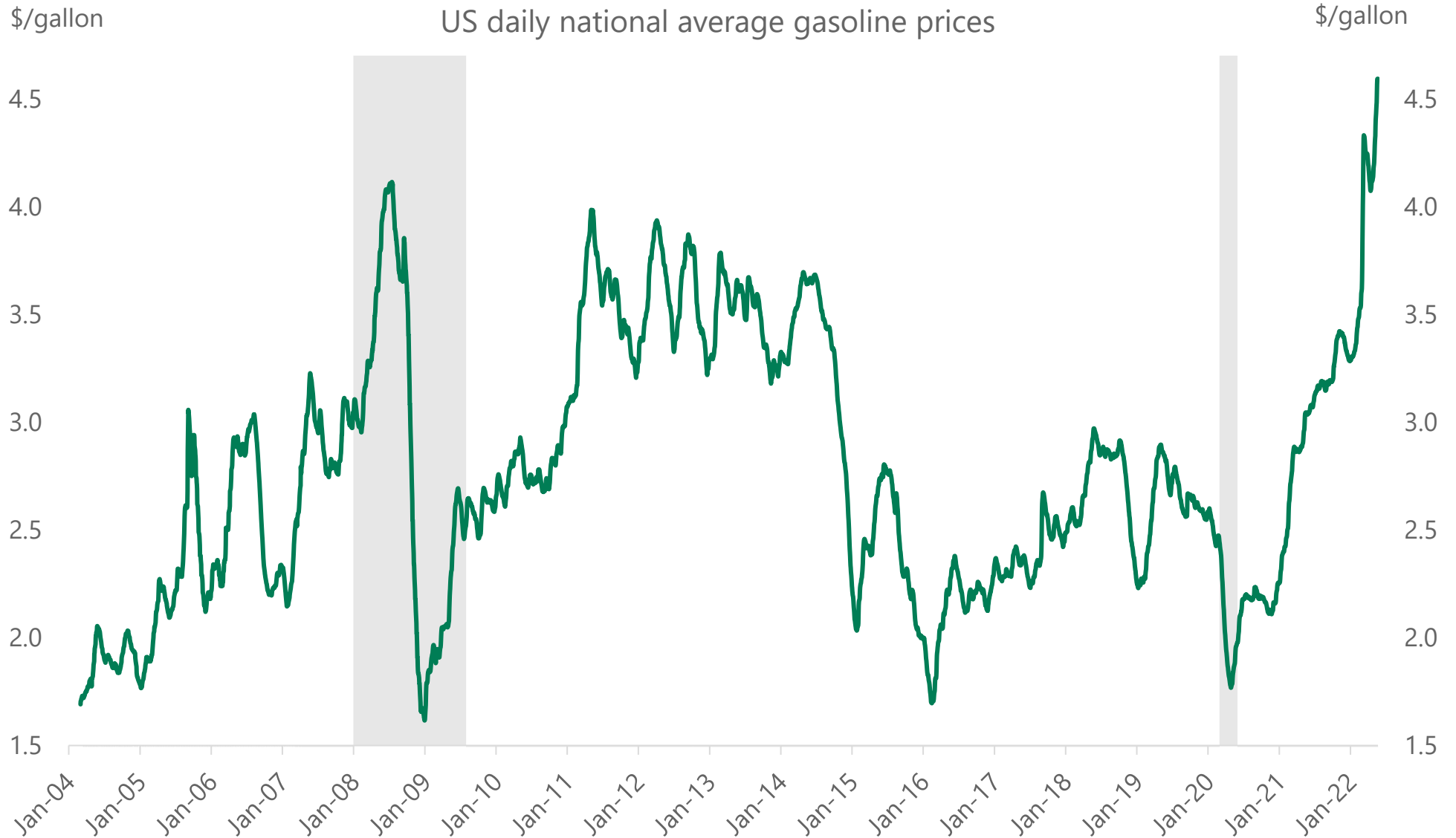
# Prices

# Oil price coming down from recent peak



Source: Bloomberg, Apollo Chief Economist

# US retail gas price very high



Source: Bloomberg, Apollo Chief Economist

# US natural gas prices much higher than normal

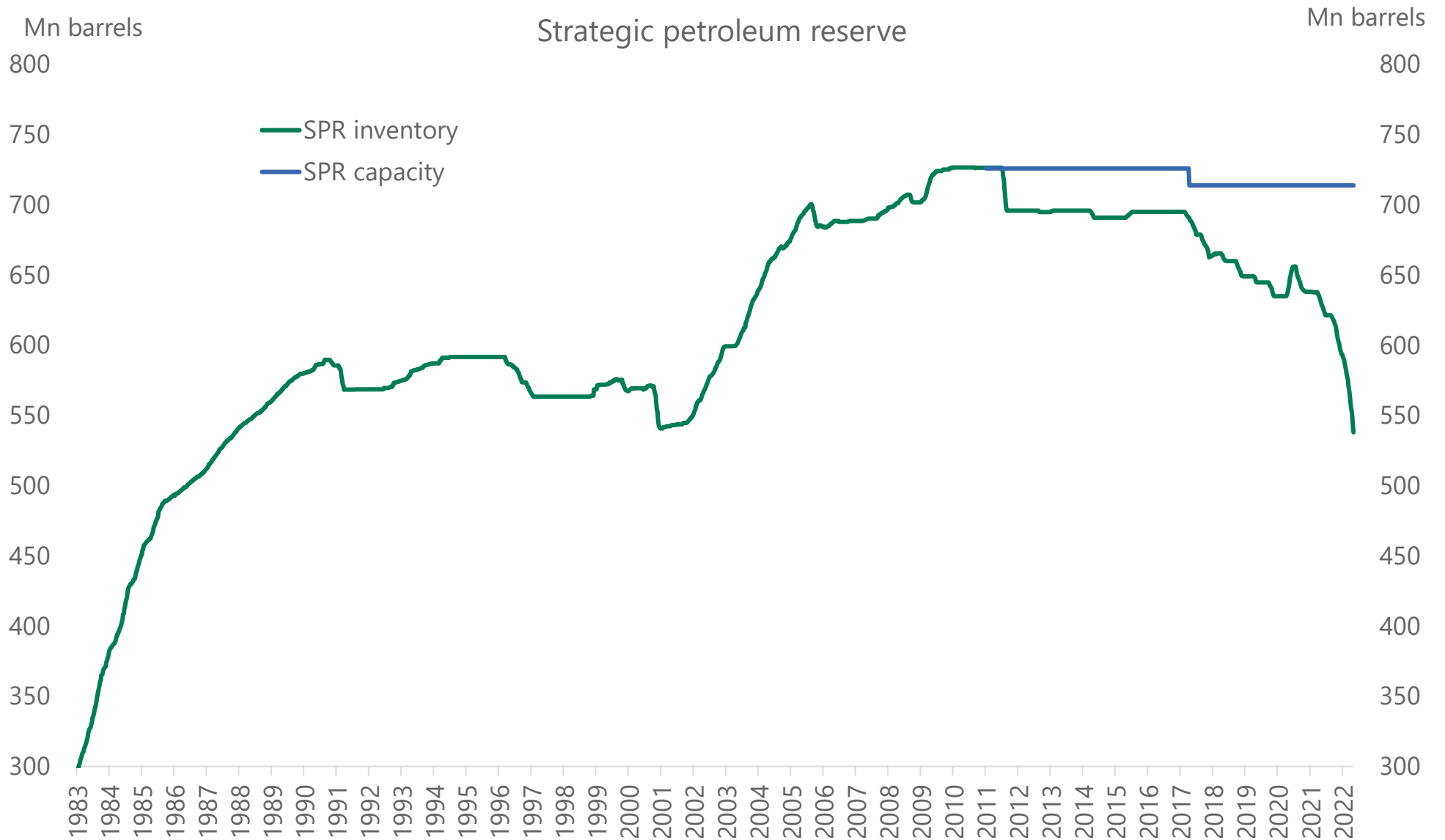


Source: Bloomberg, Apollo Chief Economist



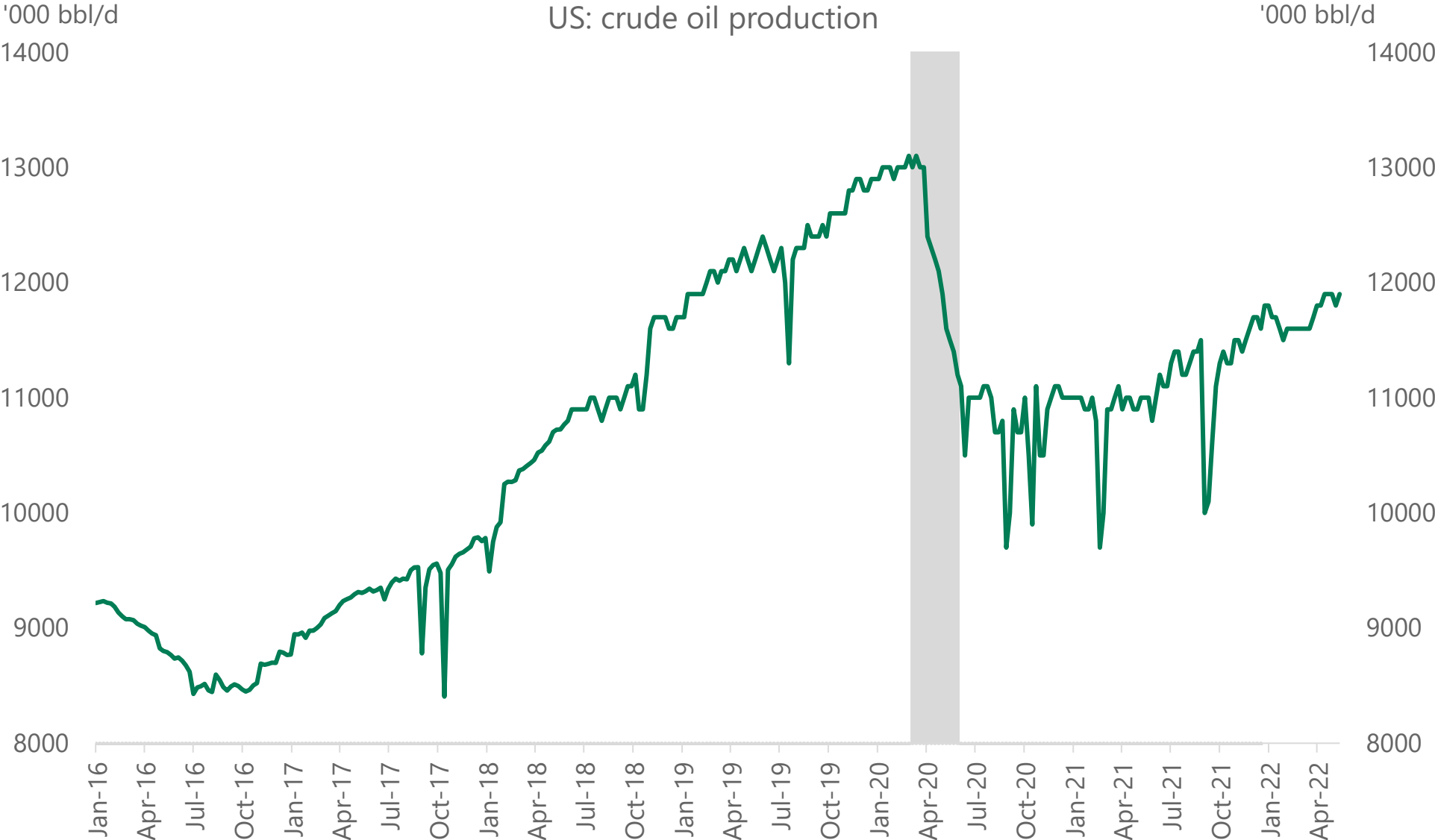
# Supply & demand

# Strategic petroleum reserve capacity and inventory level



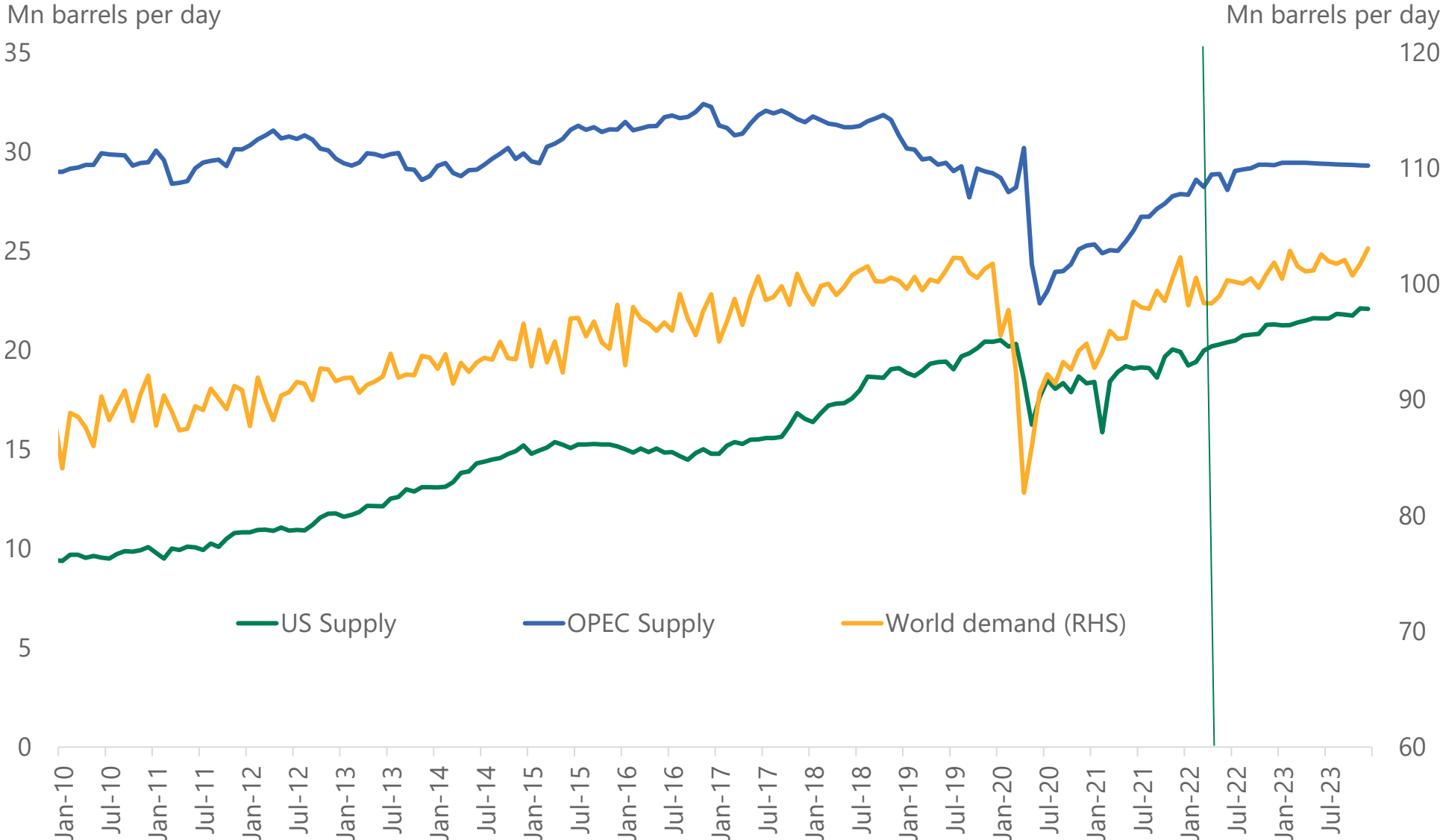
Source: DOE, Bloomberg, Apollo Chief Economist

# US crude oil production significantly below pre-pandemic levels



Source: U.S. Department of Energy, Bloomberg, Apollo Chief Economist

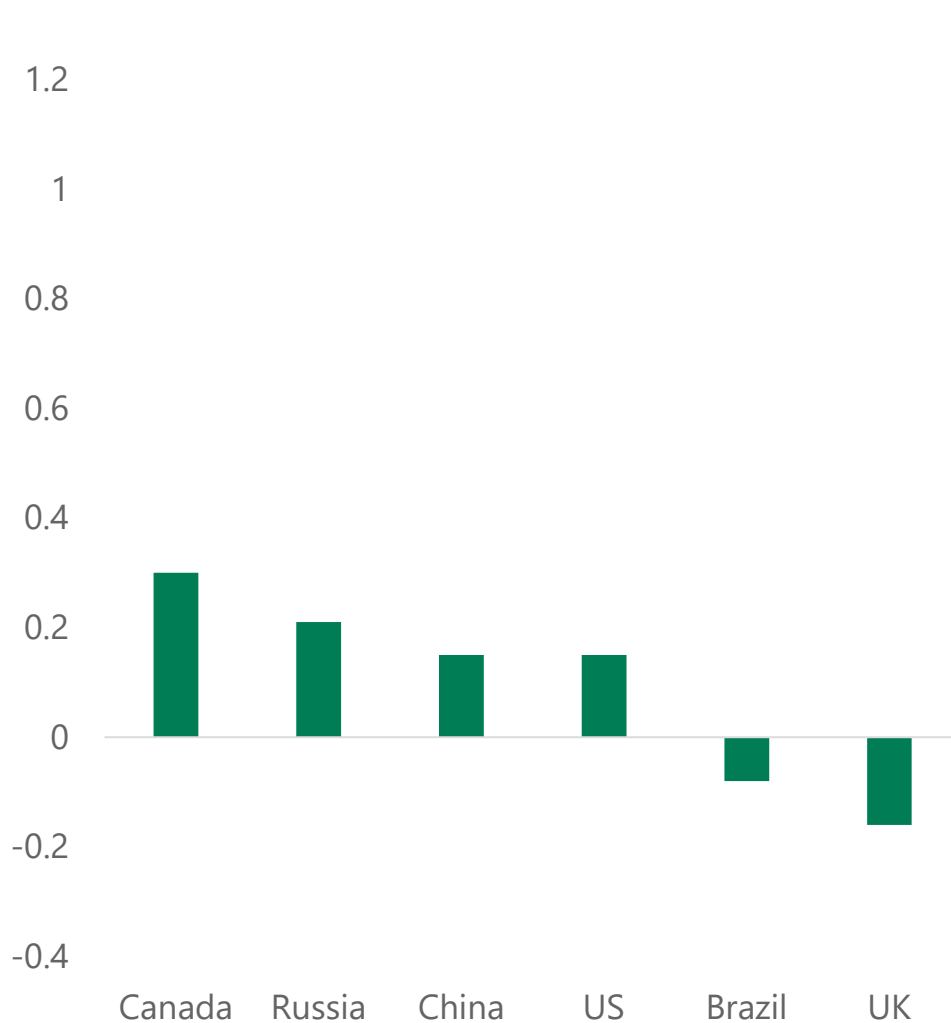
# Oil market supply and demand



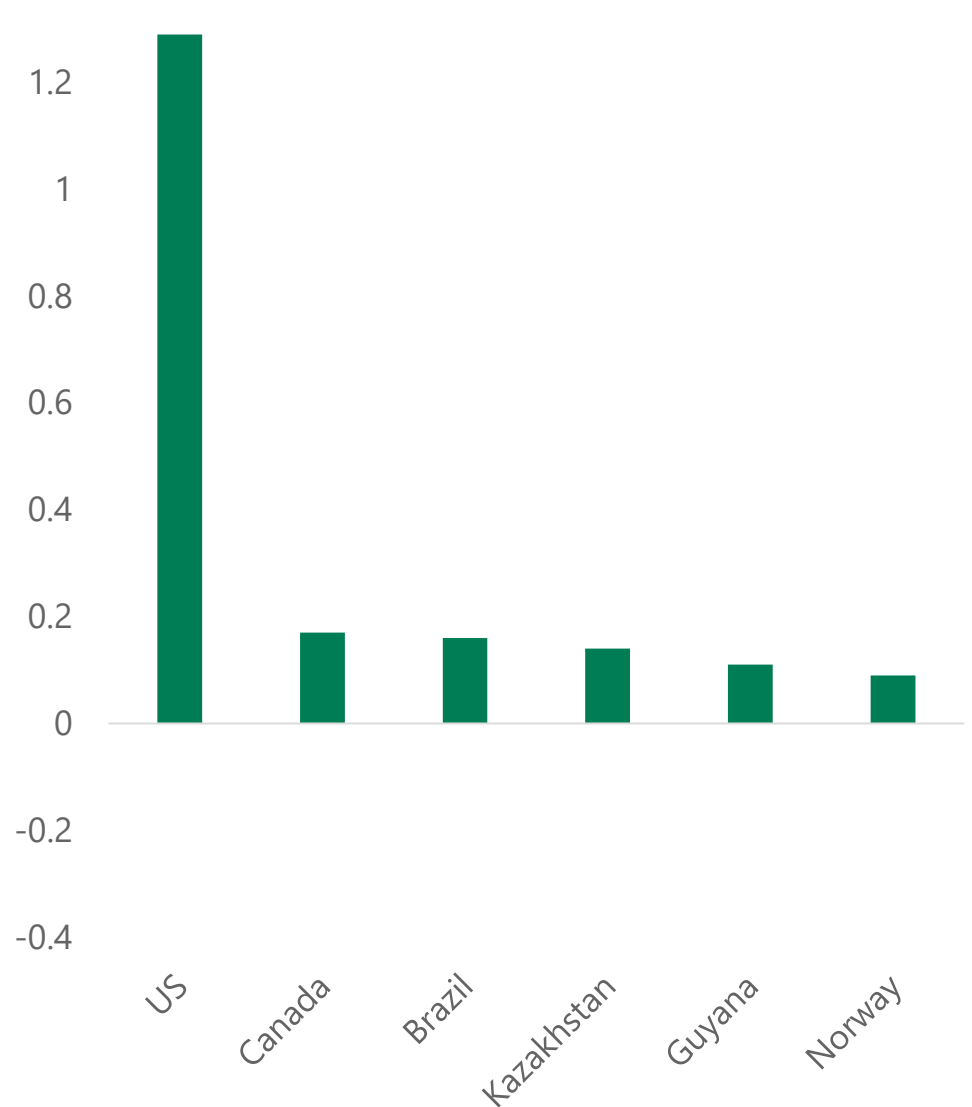
Source: Bloomberg, EIA, Apollo Chief Economist. Note: Forecasts come from EIA

# Key drivers of oil supply in 2021 and 2022

mn b/d **Annual liquids production changes for selected countries in 2021 (mn b/d)**

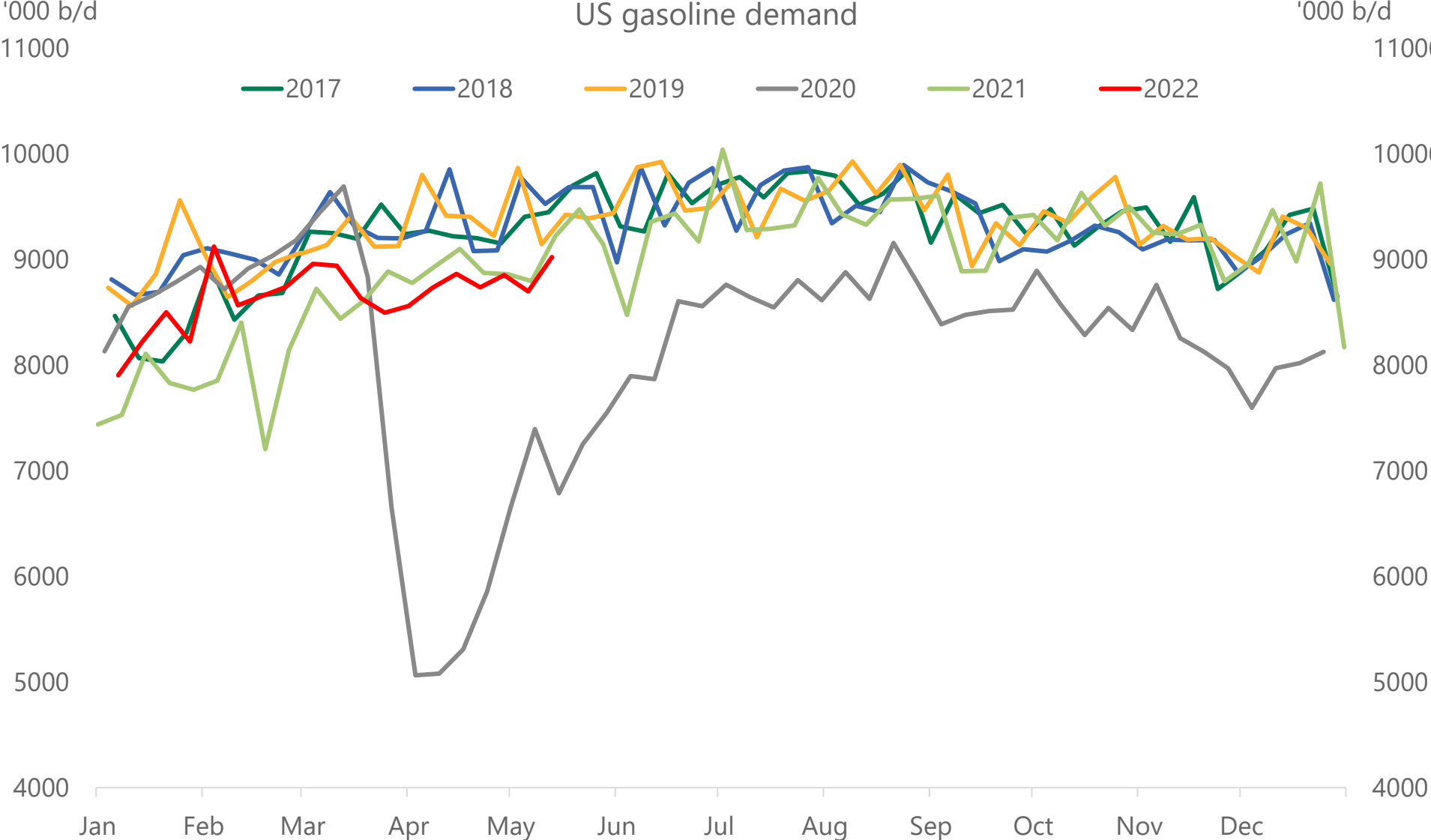


mn b/d **Annual liquids production changes for selected countries in 2022 (mn b/d)**



Source: OPEC OMR May 2022, Apollo Chief Economist

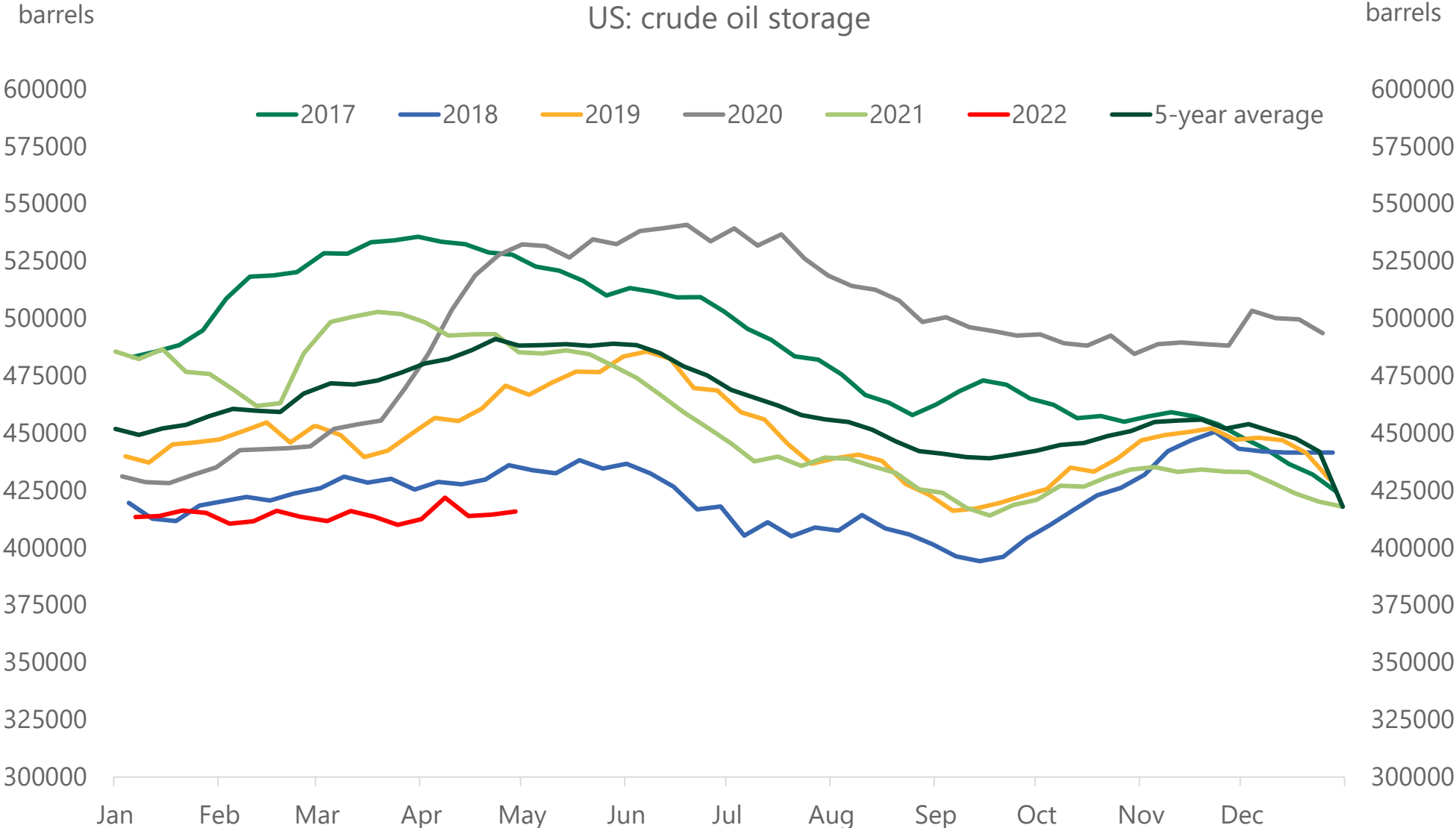
# US gasoline demand follows normal pattern



Source: EIA, Bloomberg, Apollo Chief Economist

# Inventory

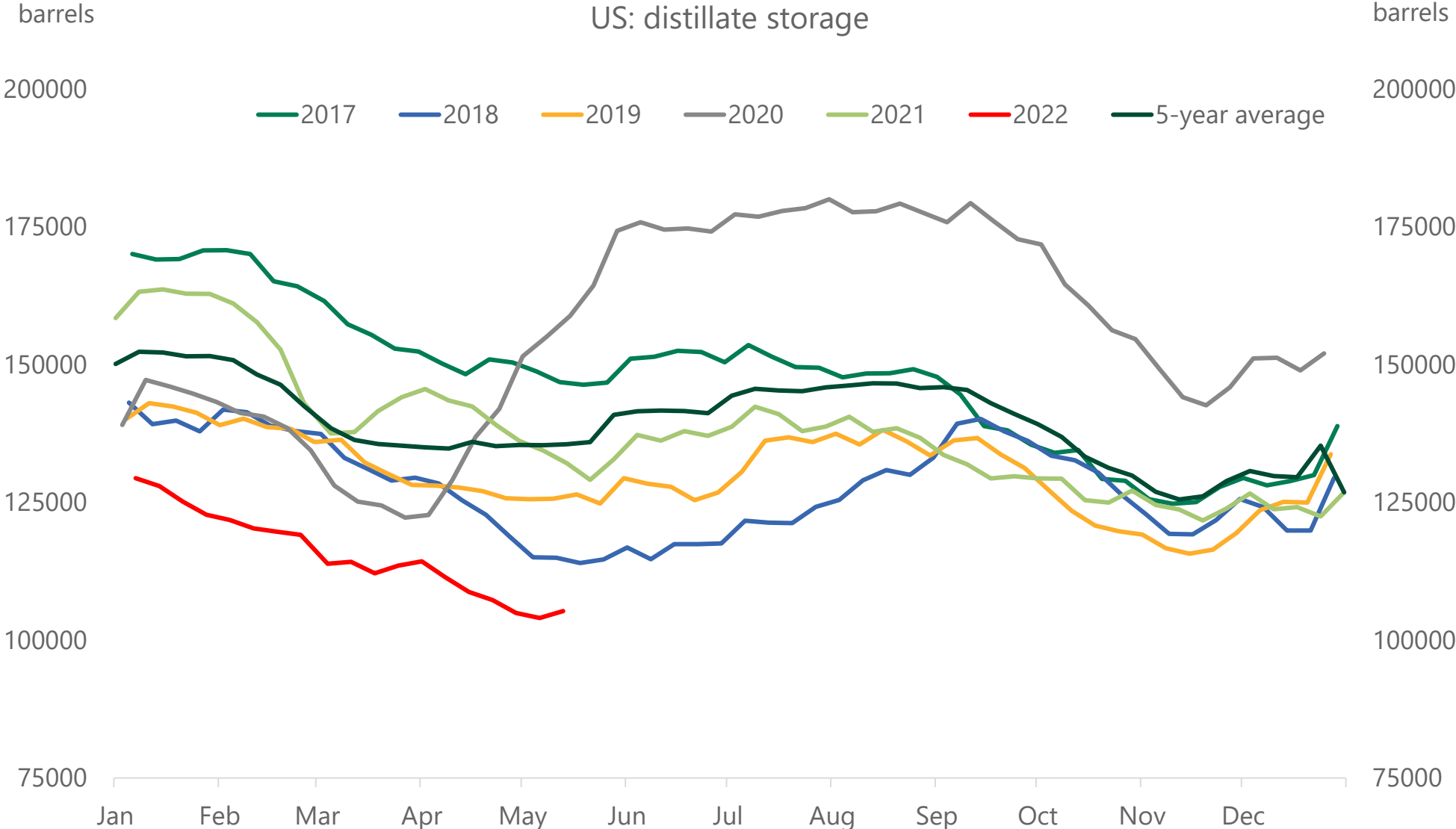
# US crude oil storage at low levels



Source: EIA, Bloomberg, Apollo Chief Economist (note: old 5-year average = 2011 – 2015)

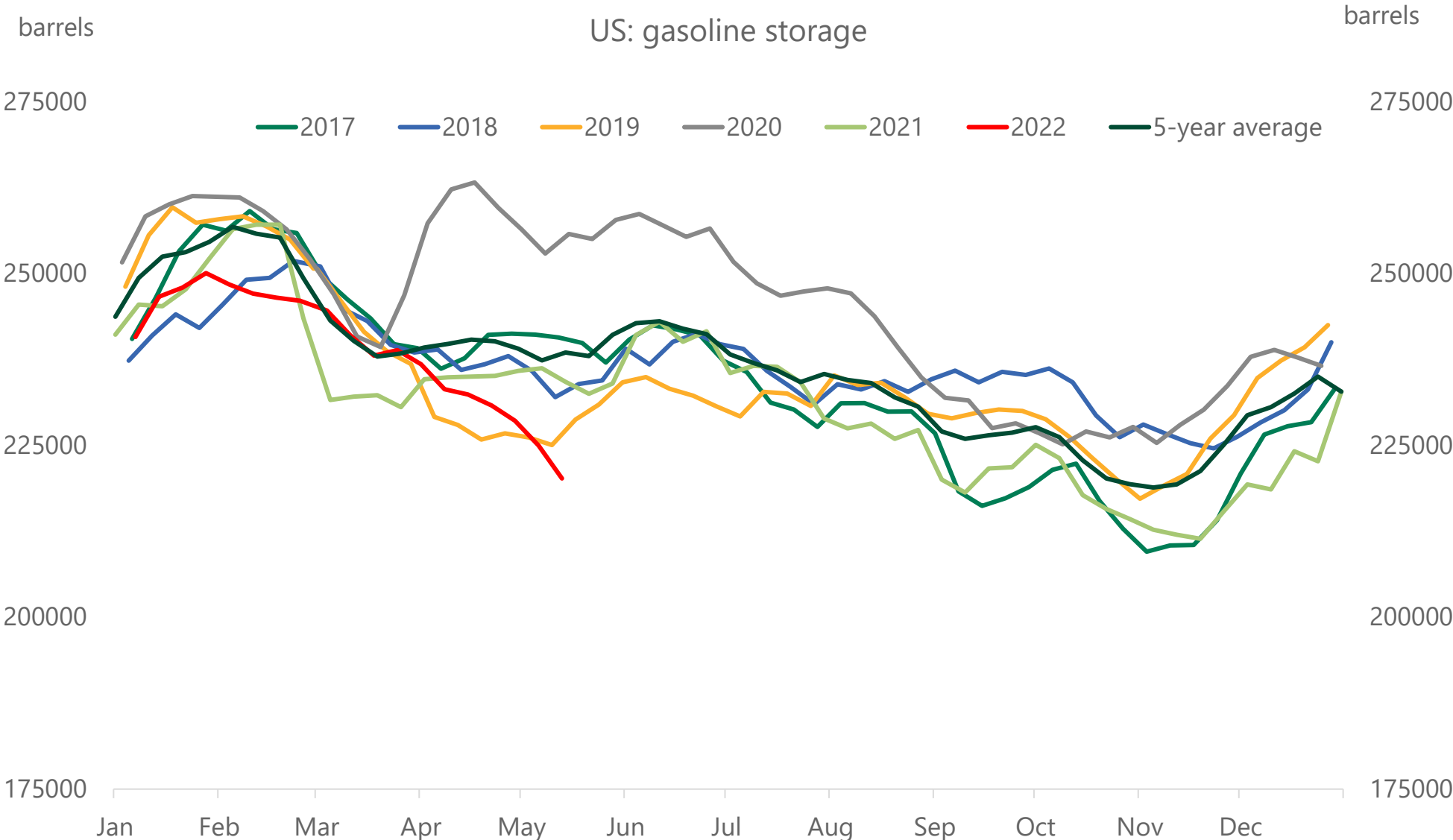


# US distillate storage at low levels



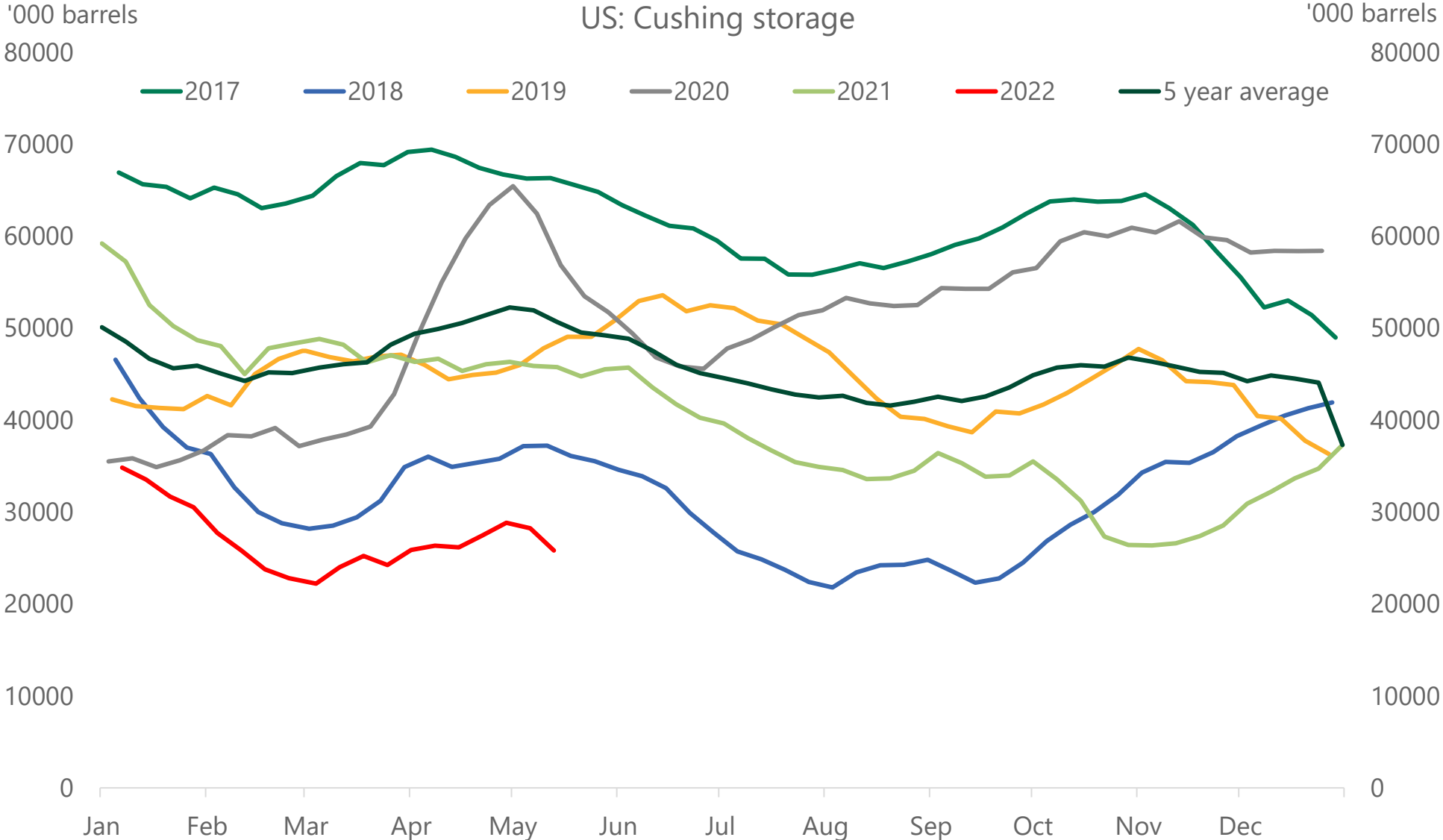
Source: EIA, Bloomberg, Apollo Chief Economist (note: old 5-year average = 2011 – 2015)

# US gasoline storage at low levels



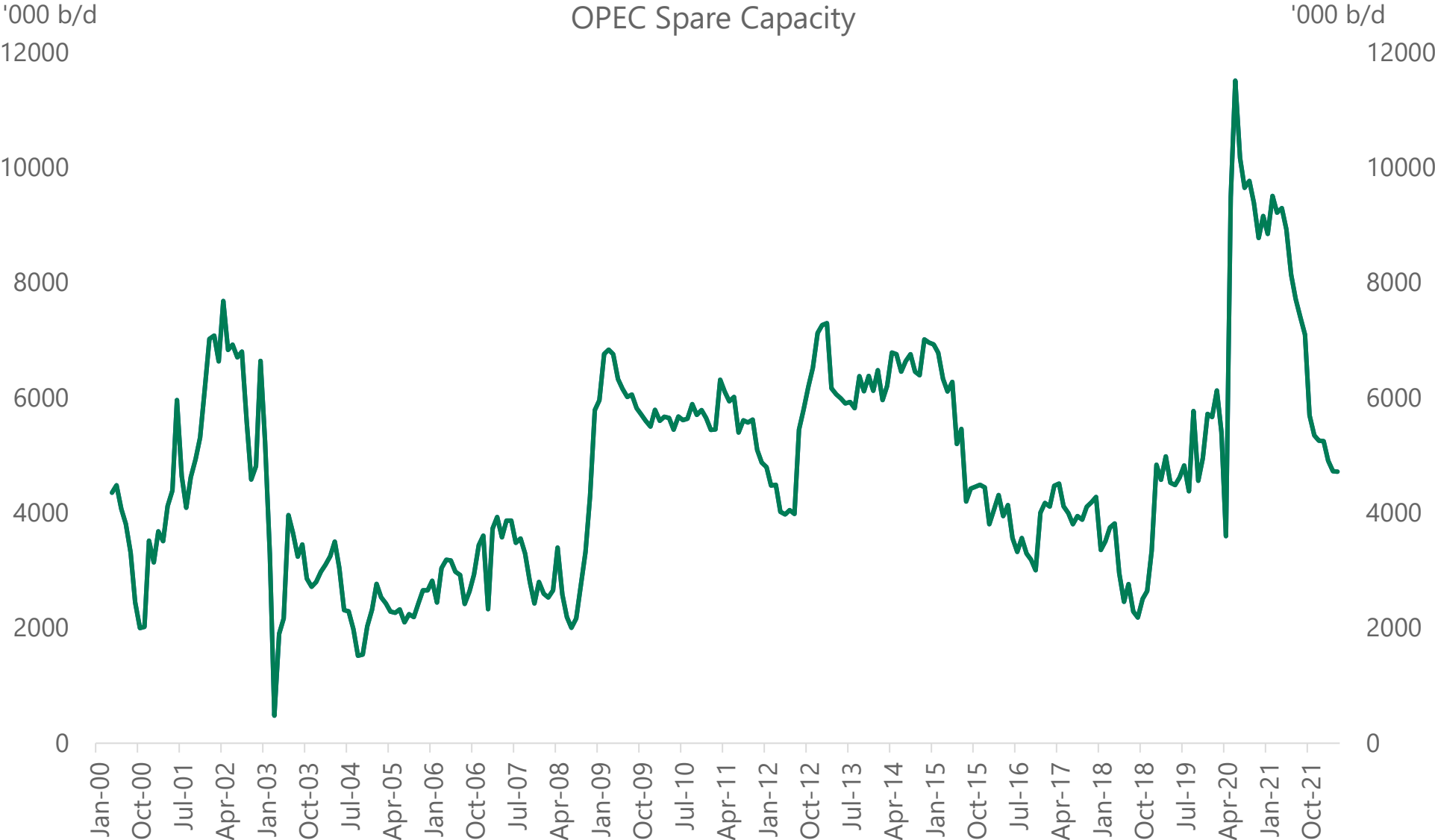
Source: EIA, Bloomberg, Apollo Chief Economist (note: old 5-year average = 2011 – 2015)

# Cushing storage at low levels



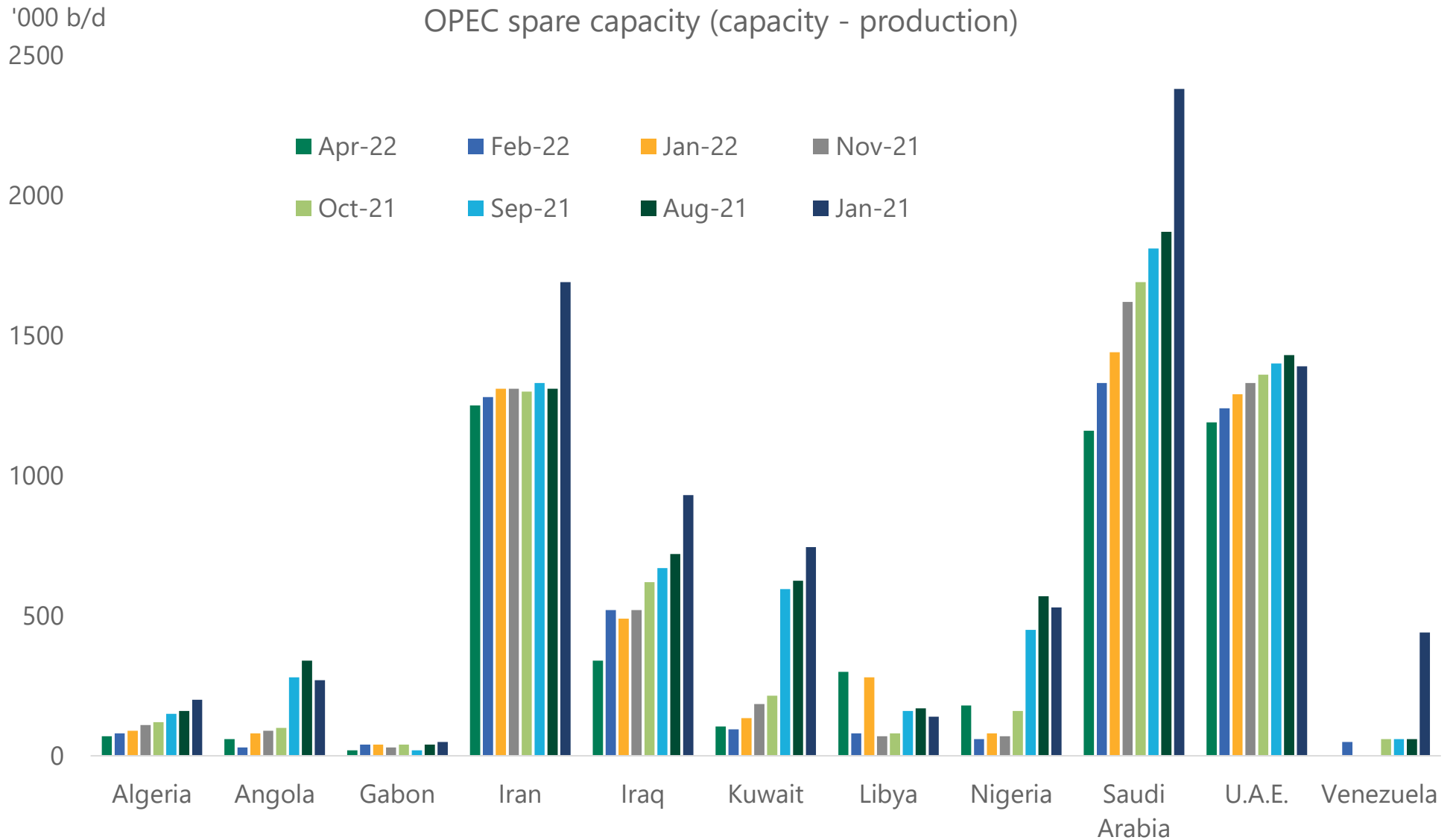
Source: Bloomberg, DOE, Apollo Chief Economist

# OPEC spare capacity declining



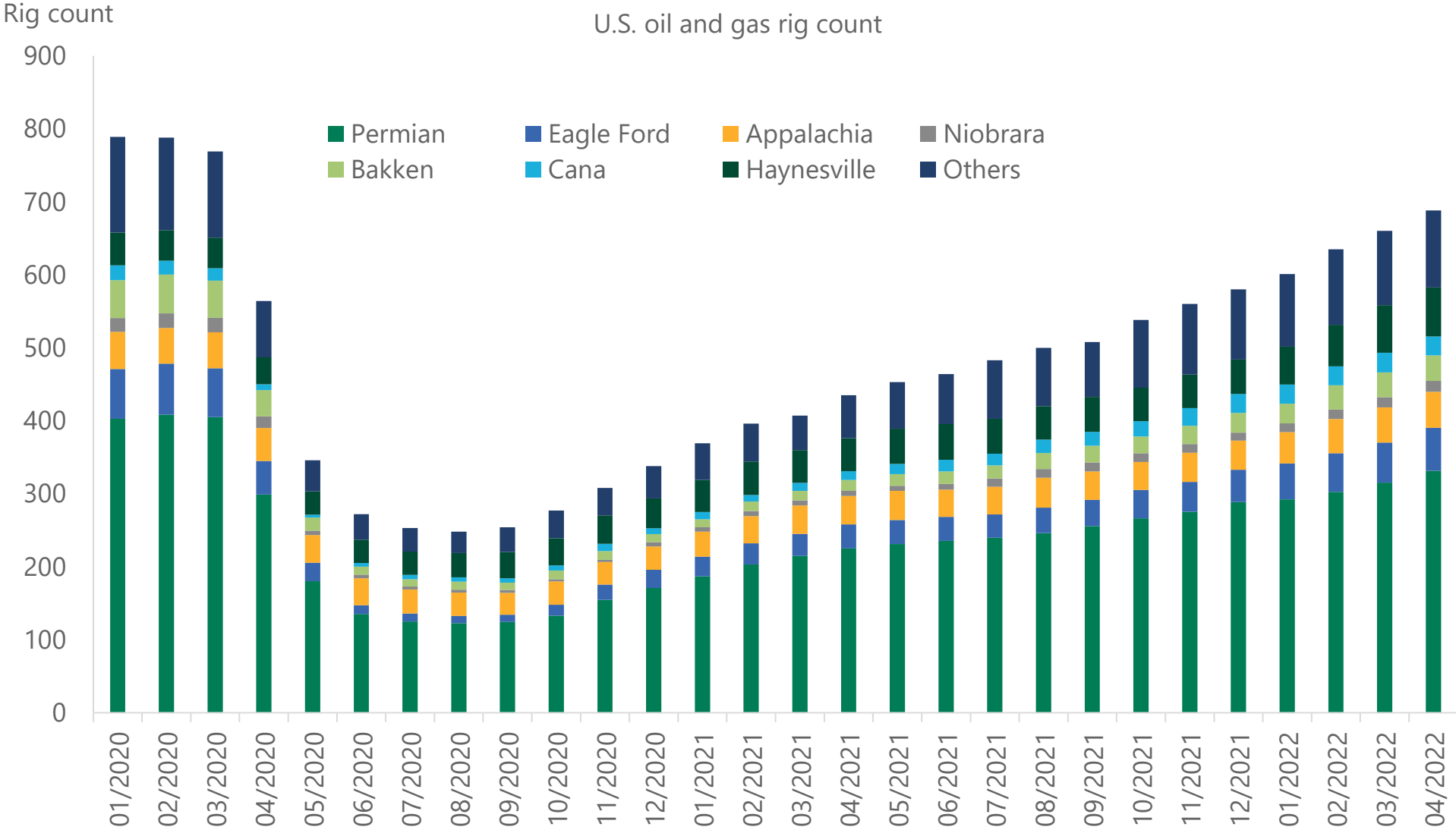
Source: Bloomberg, Apollo Chief Economist

# OPEC spare capacity declining



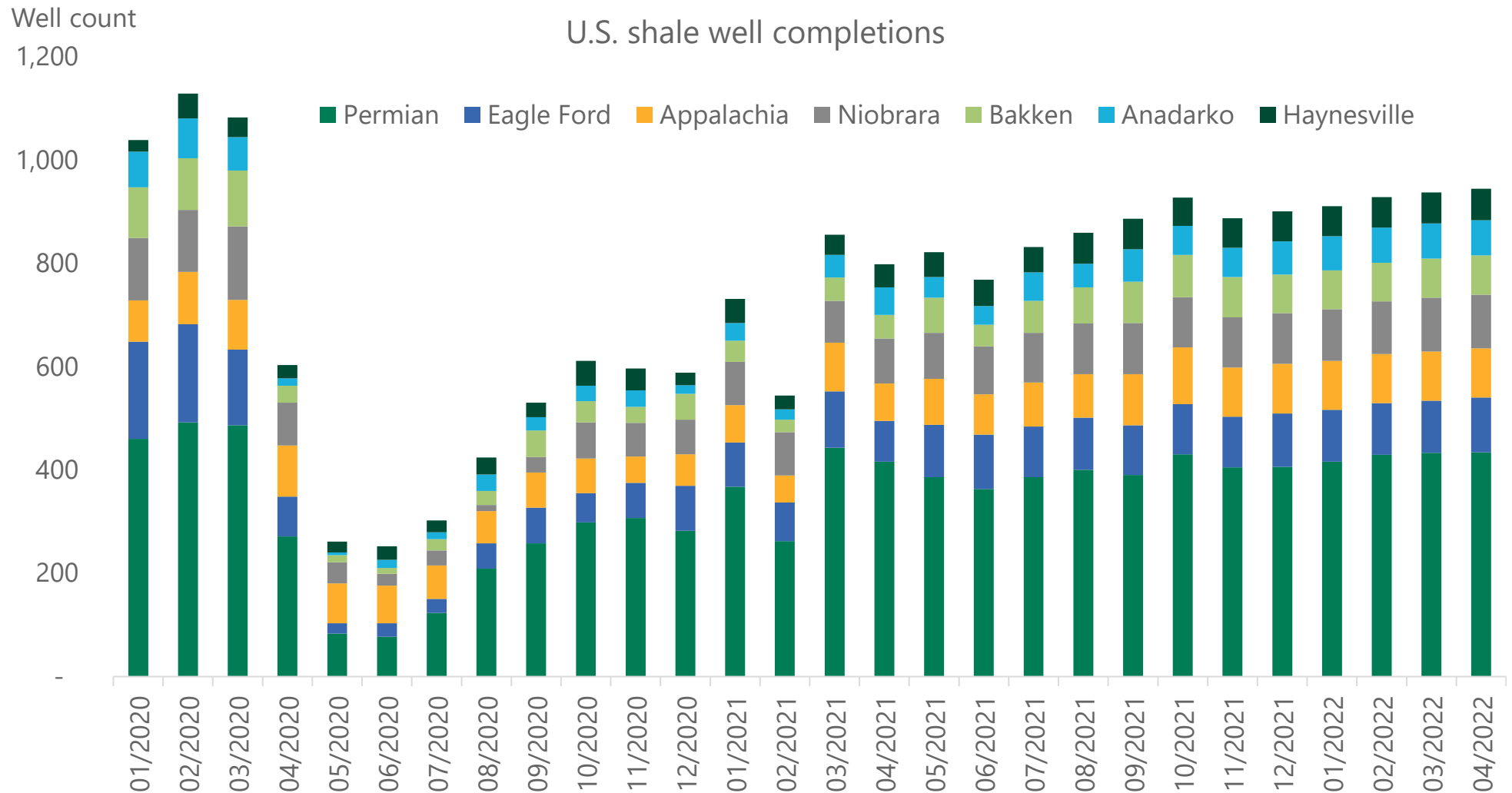
Source: Bloomberg, Apollo Chief Economist

# US oil and gas rig count increased by 28% between October 2021 and April 2022...



Source: Baker Hughes, Bloomberg, Apollo Chief Economist

# ...but US well completions increased by only 2% between October 2021 and April 2022



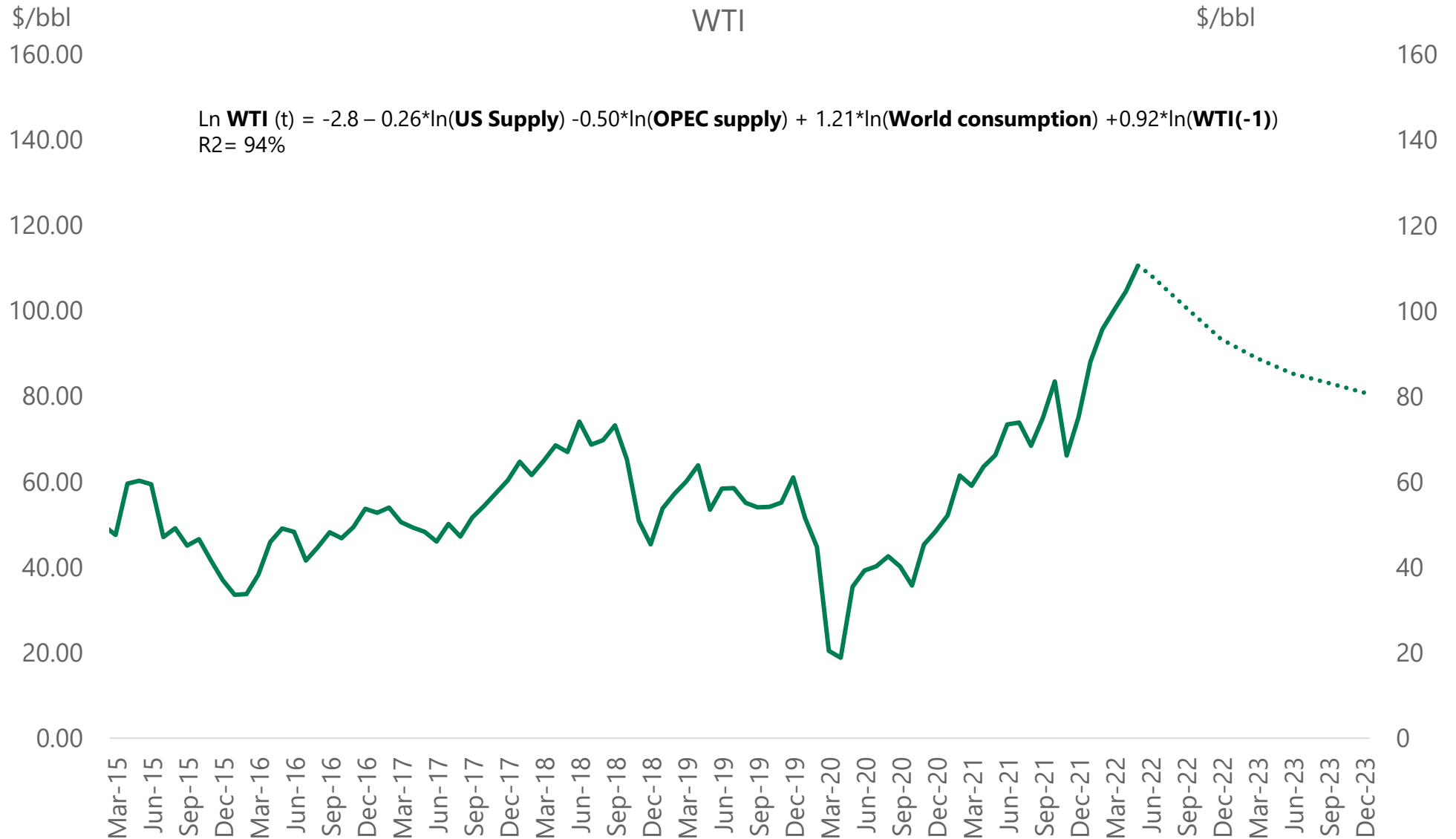
Source: Baker Hughes, Bloomberg, Apollo Chief Economist (Note: Once a natural gas or oil well is drilled, and it has been verified that commercially viable quantities of natural gas are present for extraction, the well must be 'completed' to allow for the flow of petroleum or natural gas out of the formation and up to the surface. This process includes strengthening the well hole with casing, evaluating the pressure and temperature of the formation, and then installing the proper equipment to ensure an efficient flow of natural gas out of the well. Well completion commonly refers to the process of finishing a well so that it is ready to produce oil or natural gas)

<http://naturalgas.org/naturalgas/well-completion/>

# WTI forecasting model



# Forecasting oil prices



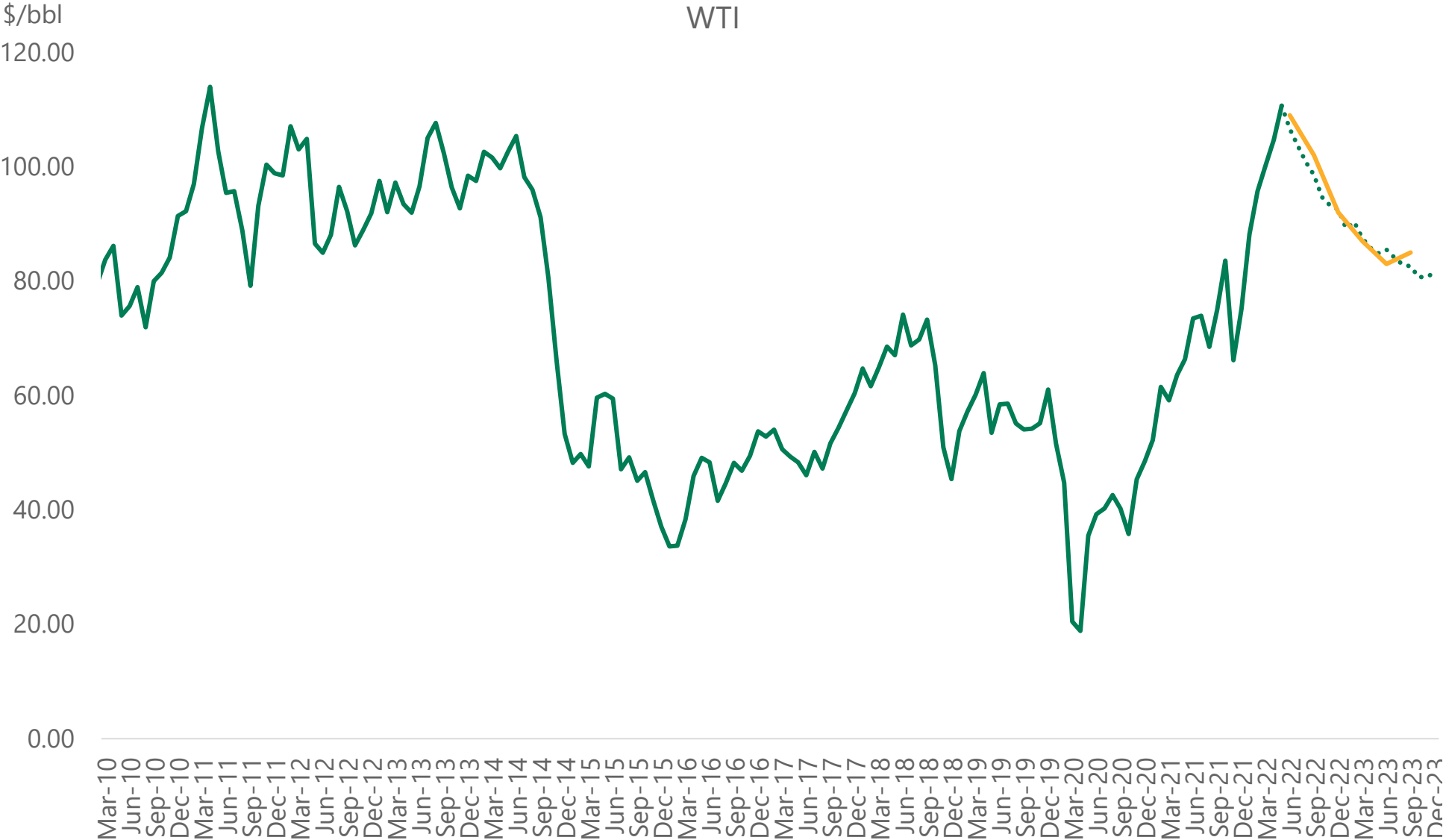
Source: Bloomberg, Apollo Chief Economist

# Model forecast: Actual and predicted



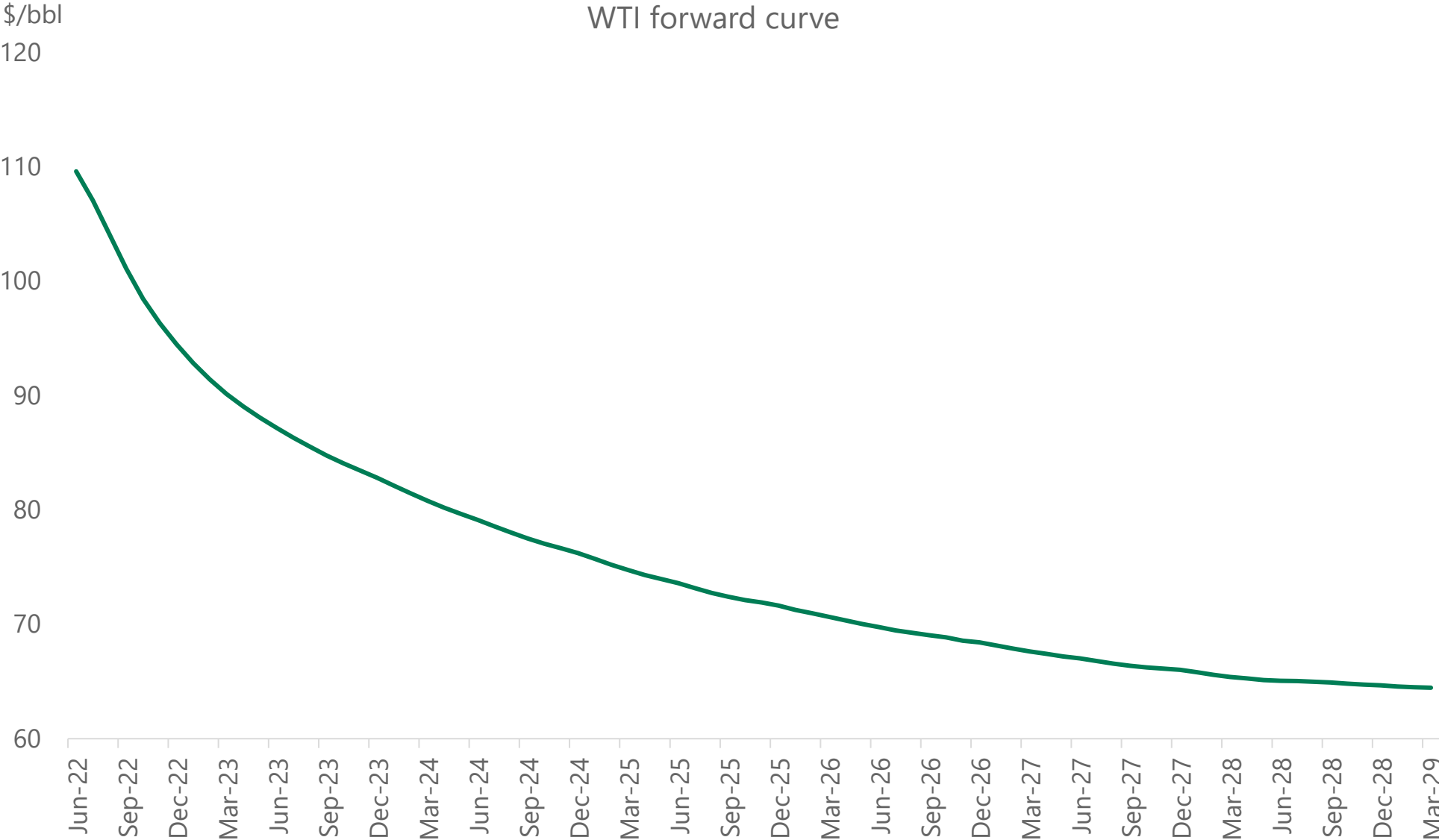
Source: Bloomberg, Apollo Chief Economist

# Consensus vs model forecast



Source: Bloomberg, Apollo Chief Economist

# WTI forward curve



Source: Bloomberg, Apollo Chief Economist

# Model forecast

Date	Forecast	Consensus
30-06-2022	106.60	109
31-07-2022	103.61	
31-08-2022	100.76	
30-09-2022	98.56	102
31-10-2022	94.68	
30-11-2022	93.20	
31-12-2022	92.49	92
31-01-2023	89.21	
28-02-2023	90.35	
31-03-2023	87.51	87
30-04-2023	85.83	
31-05-2023	84.88	
30-06-2023	85.48	83
31-07-2023	84.09	
31-08-2023	82.92	
30-09-2023	82.59	85
31-10-2023	80.68	
30-11-2023	80.72	
31-12-2023	81.48	

Source: Bloomberg, Apollo Chief Economist

# Biography



## **Torsten Slok, Ph.D.**

Chief Economist

Apollo Global Management

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Torsten Slok joined Apollo in 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade, including #1 in 2019. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.