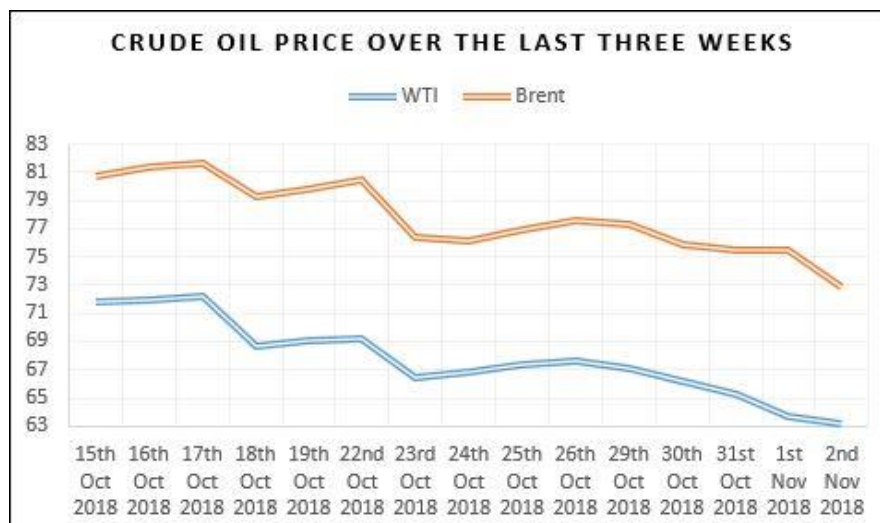
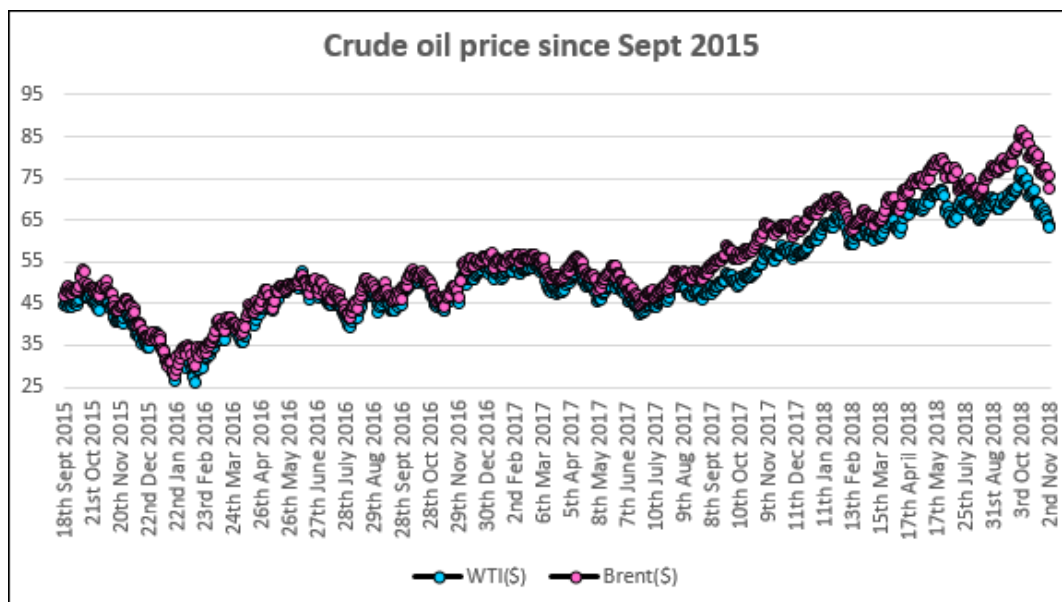


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- The price of crude dropped this week due to concerns about a slowdown in energy demand growth. The rise in American oil stockpiles has given reason to believe about the market being supplied with enough oil to bring down the gains in price in August and September. This rise in stockpiles has happened even as the US has been trying to impose sanctions on Iranian output from the market, and the production in Venezuela has been falling.
- OPEC crude production has reached its highest level since November 2016, with Saudi Arabia and Libya filling in some of the shortfall in supply due to the US sanctions. As per a Bloomberg survey, the OPEC crude production reached 33.33 mb/d in October 2018, with Saudi Arabia's production standing at 10.68 mb/d, non-OPEC member Russia's production reaching 11.41 mb/d, and Libya producing 1.22 mb/d. Such supplies have fueled fears that the market may be flooded with surplus crude oil. Having said this, both Saudi Arabia and Russia have indicated that they need

to decide as a group how much oil they need to pump next year. Some news to that effect might transpire at the forthcoming OPEC interim meeting on November 11th at Abu Dhabi, or their formal meeting in Vienna on December 6th and 7th.

- As the deadline for the US sanctions on Iran is approaching (Nov 4) and President Trump and his administration have been warning about the repercussions on not abiding by them, still there are some Asian countries such as India, South Korea, Japan and Iraq that are seeking waivers from the US. India, the biggest importer from Iran has been reducing its import but may not completely shut it down. South Korea and Japan have also stopped importing from Iran, but it may not continue for long. South Korea has already requested for a waiver, and Japanese refiners have requested their government to obtain a similar waiver. Iraq does not import Iran crude, but relies on Iran for electricity and natural gas to fuel its power plants. These supplies are required for a struggling economy. China, engaged in a tussle with the US over trade tariffs, has rejected the US request for not buying Iranian crude, though it will not increase purchases. Under US pressure, the European companies have quit working in Iran. As on today the news is that the US has allowed eight countries to provisionally keep buying Iranian oil at lower levels, after the deadline of November 5. These eight countries include India, Japan and South Korea.
- Production from Brazil's Petrobras is expected to rise in 2019, as large deposits of oil found a decade ago in deep waters of the Atlantic will come online. Per one estimate, production will increase from 2 mb/d to 2.4 mb/d.
- Early next year a large offshore production storage and offloading vessel will be delivered to Nigeria's field, where Total SA is the operator. The vessel will start operations in deeper waters than ever in Nigeria, and the production is expected to ramp up overall by 10%. This project along with others forms part of a strategic shift that began a decade ago to look at deep water offshore fields and minimize risks from sabotage, kidnapping and crude theft.

So much for the industry news this week.

For the lighter side this week

The precious metal gold has occupied a special place since early times, whether it was for its use in making coins, or jewelry or even as more and more of it gets accumulated in government vaults in different countries. Recently, I read a news item about gold, and so followed it up by gathering more information, which I share hereunder.

In historical times, in the absence of any medium of transaction, articles or good were traded as such or by way of bartering. Some thought went to devising a transaction medium that should be durable (long-life), is divisible without any loss to its value, should be convenient in its handling, should be consistent in that its pieces are identical, and should have intrinsic value, which people would need or want. To this one could add the ease of fabrication or minting. A metal such as platinum has a high melting point (1768°C) compared with gold (1064°C), and so is difficult to process. This search led to the invention of coins. Thus, the practice of bartering got replaced by trading goods in terms of metallic coins, which were introduced as early as 700 BC.

The precious metal gold was the obvious choice and gold coins circulated in many countries. Gold and silver coins existed for some time, with more value for the former. An alloy of gold and silver called

electrum was also used for currency. But, gradually, coinage was replaced with paper currency. The paper notes in different denominations have no intrinsic value, but they are representative currency. What this meant was that it was issued with a promise by the government or a bank to exchange it for a certain amount of old or silver. The old British Pound or Pound Sterling was once guaranteed to be redeemable for a pound of sterling silver. This continued in the 18th and 19th century. More recently representative money got replaced by *fiat* money. That is, money is now given by a government fiat or decree, and enforceable legal tender laws were made. This is now the practice followed by almost all countries in the world.

Every country prints paper currency equivalent to the value of all the goods and services available in that country. National governments cannot just print representative currency as it likes. Gold reserves in different countries are thus held by different countries, which add up to the overall value for which the currency is put in circulation. Thus, countries hold huge stocks of gold (in metric tons) as reserves, which are added up every year as more and more gold is found and isolated. Gold is being mined at approximately 2600 tons a year around the world, and the total quantity of gold that has been isolated from the Earth stands at approximately 180,000 tons. Most of this gold is held in government vaults, and some is used in jewelry, for which India is the largest customer.

The top 10 countries holding gold reserves are as shown in the table below (as of January 11, 2018)
<https://www.youtube.com/watch?v=ICnSBHhV7Go>

Indians have an emotional attachment with gold. As per the World Gold Council estimates about 22,000 tons of gold are in the hands of the people or in temple vaults across the country, which is worth **\$1 trillion**.

	Country	Quantity (in tons)
1	United States	8133.5
2	Germany	3381
3	Italy	2451.8
4	France	2435
5	Russia	1909.8
6	China	1797.5
7	Switzerland	1040
8	Japan	765.2
9	The Netherlands	612.45
10	India	557.7

I hope you find these interesting.

So much for this week! Till the next post, stay safe and happy!