



- Crude oil has been trading at low levels due to fears over slowing global economic growth, which will fuel market oil surplus. Oil prices looked up mid-week as Saudi Arabia predicted that OPEC will extend supply cuts next year. The other reason was the expected decrease for American crude stockpiles ahead of an official announcement. But the API reported that the crude inventories rose by 3.45 mb last week. The other concerning item was the statement from the Russian Energy Minister that his country's oil production is rising, even though it is preparing to abide by the OPEC+ proposal for implementing reductions in the market to the tune of 1.2 mb/d. The only comfort seems to have come from the IEA statement that unplanned losses from Iran and Venezuela could double the cutbacks announced by OPEC+.

- The price of oil has been falling over the last two weeks since OPEC and its allies announced their proposed production cuts to remove surplus crude from the market. As per OPEC data, the proposed cuts could balance the supply and demand in the first half of 2019, less crude will be needed in the second half as the slowing global economy may kick in. Added to this situation is the US shale production that has been growing at record-breaking levels. When this happens OPEC+ may have to again resort to cutbacks, this time up to double of what is done in the first half.

Between the announcement for curbing exports and their eventual impact on importers' inventories, crude prices usually fall, as happened in 2017. Perhaps, for the present, one will have to wait and watch how it plays out in early 2019.

- India plans to circumvent US oil sanctions on Iran by using escrow accounts of five Iranian banks held with the United Commercial (UCO) Bank of India to deposit money for oil purchases from Iran. The word escrow refers to something valuable that is held in trust by an agent or a third party and is turned in after the agreed conditions have been met.

India imports close to 80% of its annual crude requirement, and Iran has been offering better credit terms than other oil producers from the Middle East. Iran has also accepted payments in Indian rupees instead of US dollars. This mode of payment has been resorted to earlier when the US imposed sanctions in Iran in 2012, and as much as 45% of the payments were made into escrow accounts in India. The remaining payments were settled in euros in another overseas bank. India has purchased \$9 billion worth of crude from Iran over the last financial year ended March 31st. This mechanism fulfills President Trump's goal of choking money going directly into Iran. Iran will use part of the deposited money for purchasing essential goods (food, medicines, etc.) from India and for expenses incurred by its diplomatic missions (rentals, salaries, etc.) in India.

US has granted India an exemption from the sanctions and has allowed it to import 300,000 b/d for 180 days. This falls short of Iran's daily exports to India of about 540,000 b this year.

- The prevailing low crude prices at a time when oil companies have been finalizing their budgets, have prompted them to roll back on them for 2019. Shale oil is sensitive to the fluctuations in the crude oil prices and so the Permian basin, which is the largest producer for the US, and was expected to add another 1 mb/d by the end of 2019, may not be able to do so now. With the crude process in the \$40 range, the production from the Permian basin may not reach the predicted 4.9 mb/d by the end of 2019, and may stagnate at 4mb/d.

So much for the industry news this week.

For the lighter side this week

The expression '*doubting Thomas*' is used to refer to a skeptic who refuses to believe something without personal experience or check on the proof. I had come across the expression '*doubting Thomas*' many times before, but recently I wondered about its origin. A little search made me collect the following information, which I am sharing.

The character Thomas was one of Jesus Christ's twelve disciplines. They had been together with Jesus and heard His prophecies and witnessed His miracles. They were also there when Jesus was beaten, tortured and crucified. But unfortunately, Thomas was not with the other disciples when Jesus rose from the dead. So, later when they told him that they had seen their Lord, Thomas didn't believe them and said, 'I won't believe it unless I see the nail wounds on his hands, put my fingers into them, and place my hand into the wounds in his side.' What his fellow disciples were saying should have been enough for him to believe, but his disbelief and suspicion took the better of him.

A week later, all the disciples were together when Jesus appeared in a closed room, to comfort them in their time of despair and sorrow, and said, 'Peace be with you all.' He then said to Thomas, 'Put your finger here, and look at my hands. Put your hand into the wounds in my side. Don't be faithless any longer. Believe!'

It is then Thomas believed in Jesus, the God, and said 'My Lord and my God!'

Thus, the expression doubting Thomas began to be used in the 19th century for a person who remains suspicious and looks for a proof before believing in something. So, the next time you tell an acquaintance about something spectacular that you have acquired, and you are asked to show proof for it, you might want to do that but you could also exclaim, 'you are a doubting Thomas!'

I hope you find these interesting.

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