



- The week opened with the news from previous Friday that the US rig count had increased by 10 to 862 (per Baker Hughes data) for the first time this year, and thus the signal for increased US crude production. Different reports then surfaced including US Fed's signa that the interest rates may not be increased for the present, solid gasoline demand, the growth for crude was smaller than expected and that a steep drop in imports from Saudi Arabia. The next result was the price of the barrel rose on Tuesday, and to the highest since November on Wednesday. The crude oil price dipped on Thursday as a US government report said that the country's production had swelled to an all-time high in November. It again looked up on Friday.

- OPEC has been able to implement its proposed production cuts to almost 80% of its planned target. Saudi Arabia was able to cut deeper than it had pledged, and UAE and Kuwait also made sizeable cuts. In January, the OPEC production fell by 930,000 b/d to 31.02 mb/d, according to Bloomberg data. Added to this was the production drop in Iran due to sanctions spearheaded by the US, and in Libya due to infighting in the country. In January, Iran's output fell by 150,000 b/d to 2.74 mb/d, and Libya pumped 900,000 b/d, which is a reduction of 100,000 b/d. Similarly, Venezuela's production was 1.27 mb/d; Saudi Arabia pumped 10.2 mb/d in January and is expected to pump 10.1 mb/d in February. OPEC+ ministers are expected to convene in March in Baku, the Azerbaijan capital, where they will reassess if the production cuts need to be extended beyond the summer this year.
- In a move to raise pressure on Venezuelan President Nicolas Maduro, US President Trump imposed sanctions on the state-owned oil company PDVSA and its central bank on Monday. The US had urged Venezuela's military to peacefully transfer the power to the leader of the country's National Assembly, Juan Guaido, whom the US recognizes as the interim president. The imposed sanctions will block \$7 billion in Venezuelan assets and reduce the country's exports by \$11 billion over the next year.
- Venezuela produces large quantities of heavy crude oil, which is diluted, so that it can be piped to terminals for export. The diluent is naphtha, which is imported from the US. With the sanctions in place now, Venezuela is looking for importing naphtha from Europe and Russia. No doubt these imports will be more expensive, but the complicating factor is that several European countries have recognized Juan Guaido as the nation's leader, and if they would be willing to export, not to mention the risk of being shut of the financial system. After the US and China, India is the third-largest buyer of Venezuelan oil and imported an average of 340,000 b/d last year. The two private refiners, Reliance Industries Ltd. and Nayara Energy Ltd. have been the primary buyers, as their advanced refining systems can process thick Venezuelan crude into high-value fuel. The other state-owned refiners cannot handle the low quality of the crude. It is possible that more Venezuelan oil supplies become available for India to purchase.
- Even as Saudi Aramco prepares for selling shares in what could be the biggest IPO (multi-billion dollar), it plans to retain the exclusive rights to develop the country's reserves. Per an official audit, Saudi Arabia's reserves total 268.5 billion barrels, out of which Aramco's share would be 263.1 billion barrels, and the remainder lies in the area that the country shares with Kuwait. While Aramco extracts all the Saudi hydrocarbons on its own, it partners with Total SA and ExxonMobil for refining it.

So much for the industry news this week.

For the lighter side this week

We have all heard of McDonald's, the world's largest fast food chain, which as published in 2016 had 36, 899 restaurants worldwide, in 120 countries. We have had food at these restaurants and relished it. But who was the founder of these restaurants?

This inquisitive thought led me to find out that the first McDonald's restaurant was opened by the McDonald brothers, Richard and Maurice in 1937 in California. This restaurant was located at a strategic position and proved to be a success. It catered to teenagers and young working families. After a successful couple of years, the brothers decided to renovate their business by introducing food items that customers preferred, such as hamburgers, milkshakes and French fries, and preparation for these in an assembly line fashion. This turned out to be a success, and by 1953 they started franchising their system first, and later the complete concept along with the name and trademark of the pair of Golden Arches.

In 1954, an American businessman, Ray Kroc on hearing that McDonald brothers were using eight of his multimixer milk-shake machines, decided to visit the restaurant and see them in action himself. He was so impressed with the whole set up that he suggested the brothers franchise their restaurant throughout the country. Finding the brothers to be reluctant about his idea, Kroc offered to take the responsibility of franchising across the country, where the arrangement was that the franchiser got 1.9% of the gross sales and the McDonald brothers would get 0.5%. In 1955, Kroc opened the first restaurant near Chicago, and over the next three years had thirty-four restaurants running. By 1959 he had 102 operational locations.

Eventually, in 1961 Kroc asked the McDonald brothers to quote a price for the complete franchise, which they sold for \$2.7 million. By following aggressive marketing and constantly changing the food offerings, as per customer choices, McDonald's Corporation went public and continued its growth in the 1970s and 1980s. By April 1988, it had opened 10,000 restaurants, and by mid-1996, 20,000, with more growth outside the US.

Kroc died in 1984 at the age of 82 and a millionaire. In 2016, a Hollywood biopic named 'The Founder' was made on Ray Kroc.

Thus, though the original McDonald's was the name of the franchise belonging to the McDonald brothers, the founder of the McDonald Corp. was Ray Kroc.

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