



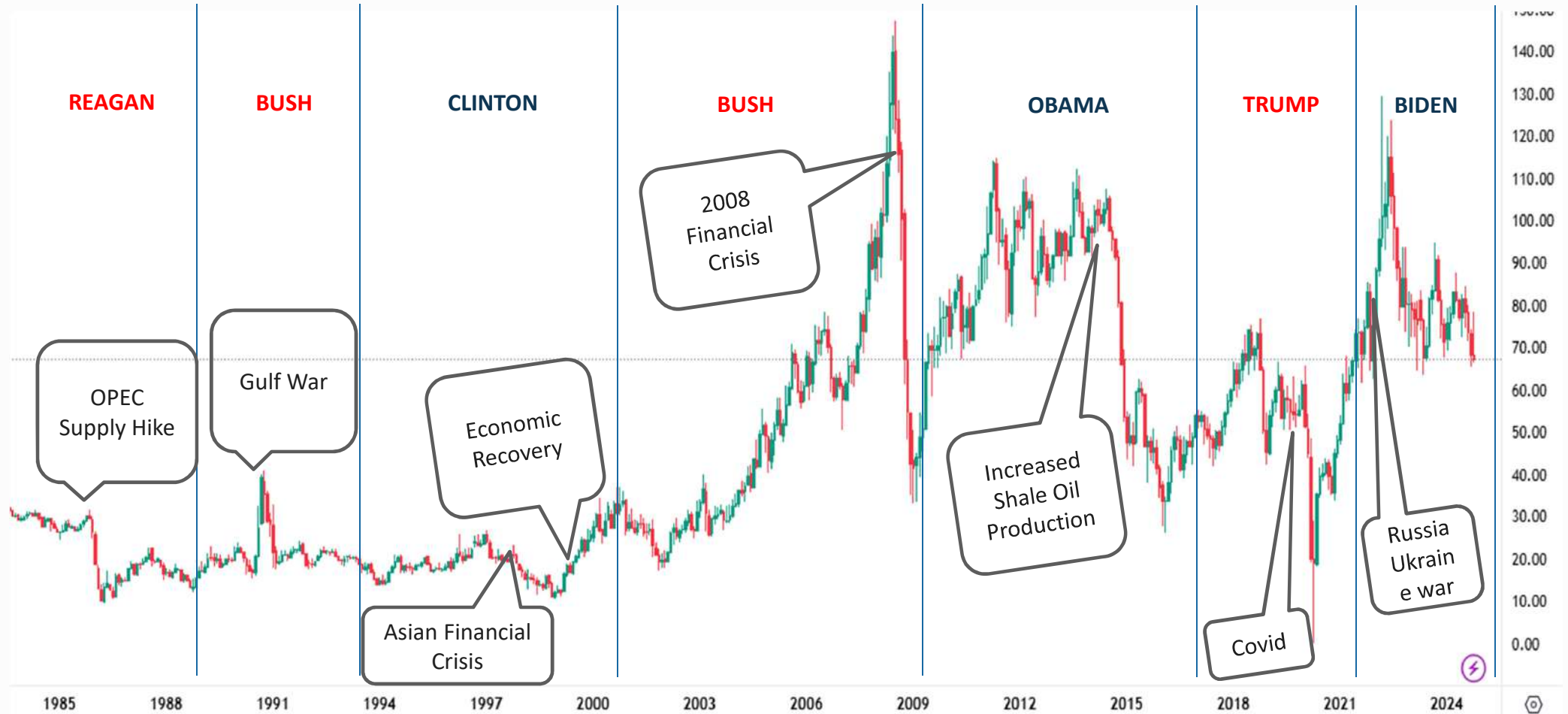
Crude Oil – Election Volatility Ahead

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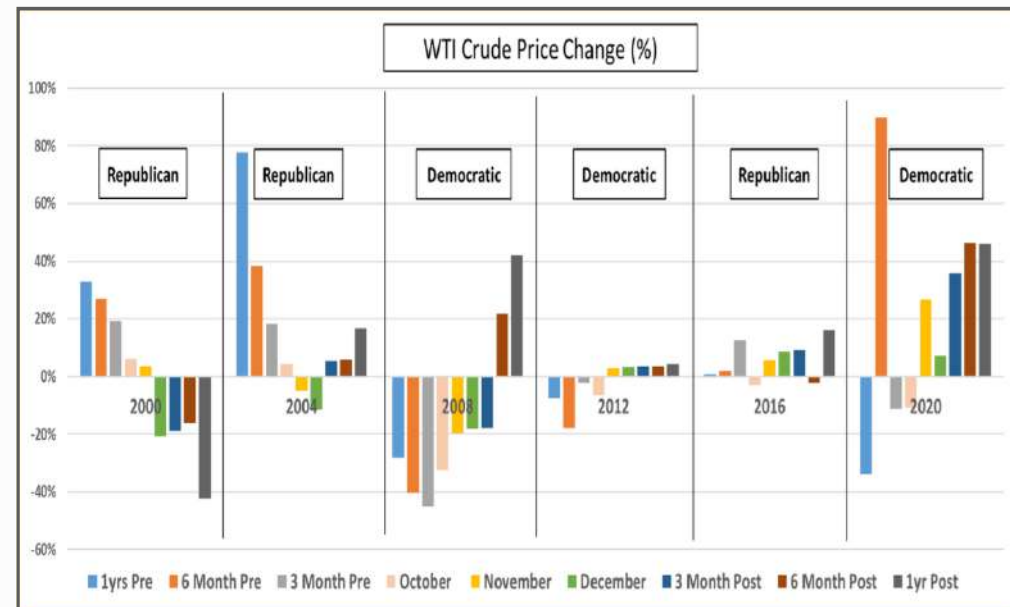
2024

Crude Oil US Election Outlook: Monthly Time Frame



WTI crude performance during U.S. Elections

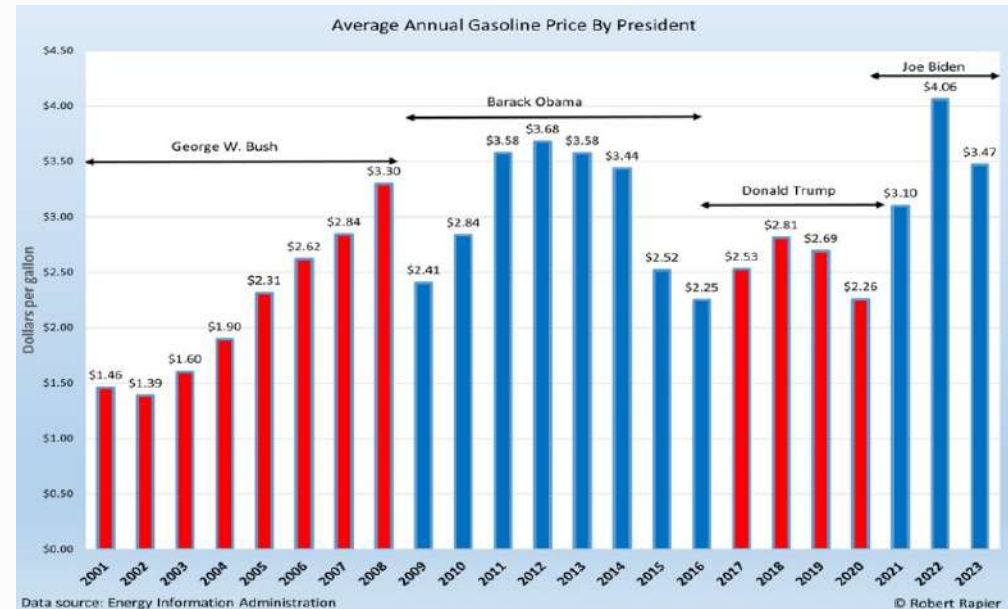
- As per the findings, Crude prices have been less volatile during elections months
- Positive post-election trend for crude prices during democratic presidency
- Pre-election trend has been positive during republican presidency
- Compared to economic events, USA elections have very less influence on crude prices



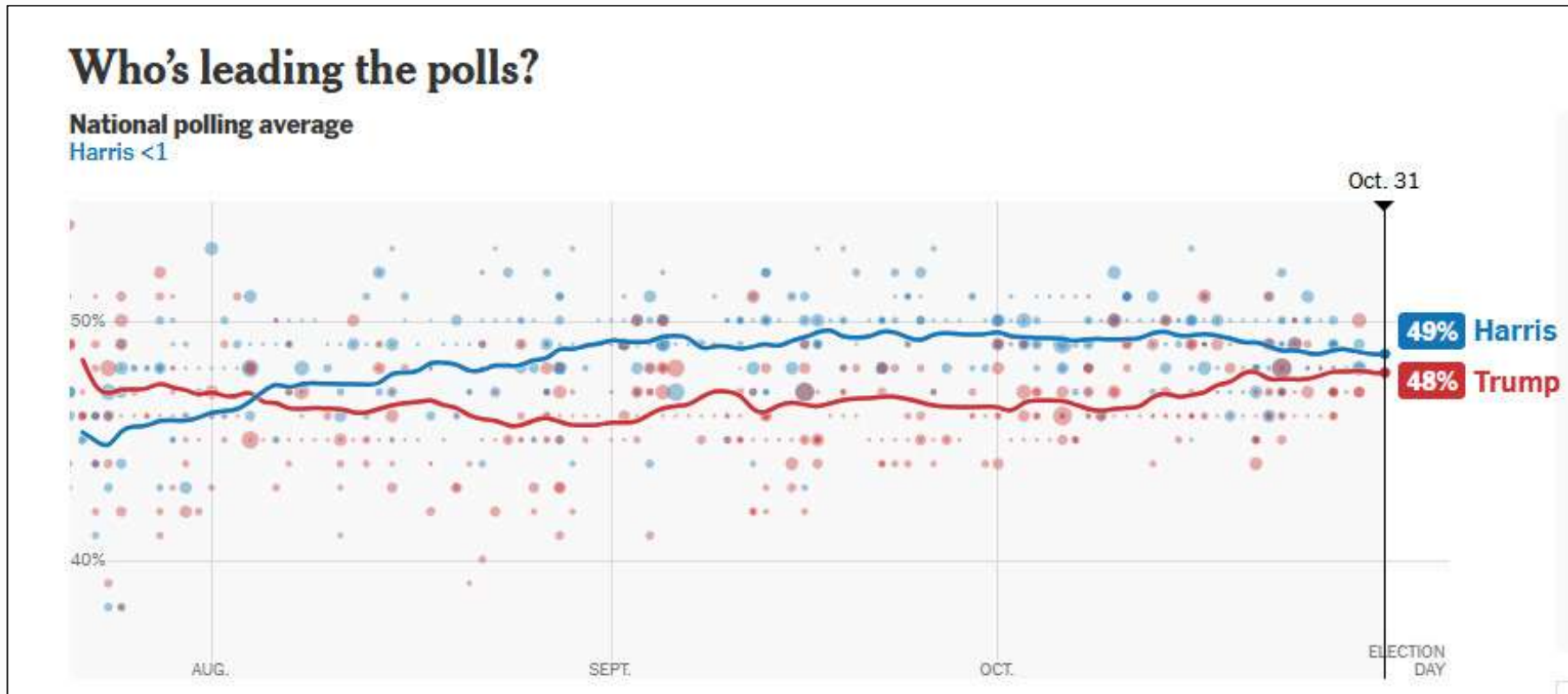
Source: RTRS

U.S. Gasoline Prices and Elections

- Politicians tend to be sensitive to gasoline prices, which can be important for voters.
- Biden administration announced the sale of 1 million barrels of gasoline from the Northeast Gasoline Supply Reserve in May to help ease prices at the pump
- The sale resulted in media headlines about White House trying to lower gasoline prices.
- Former President Trump reported to reducing prices further, below \$2, part of broader pledge to lower energy costs overall by at least half
- While president can influence fuel prices somewhat, costs depend mostly on market dynamics.
- Prices often decline in the fall, for example, as days become shorter and temperatures cool, factors that discourage people from venturing out.



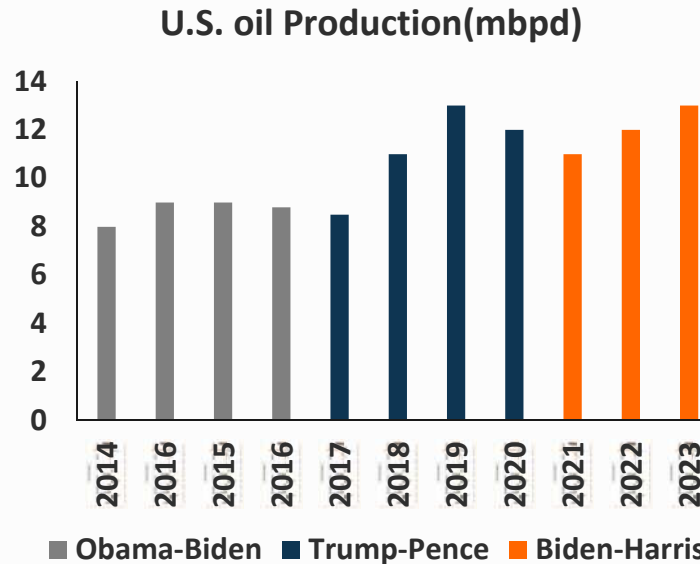
Source: EIA



Source: NY TIMES

U.S. Crude Oil Production

- **Trump-Pence:**
- Leased more land for drilling in sensitive areas like Arctic National Wildlife Refuge, National Petroleum Reserve-Alaska, and Utah wilderness
- Actively pushed to reduce regulatory hurdles, urging agencies to bypass environmental reviews and loosen regulations to expedite projects.



Source: NY TIMES

- **Biden-Harris:**
- Approved ConocoPhillips' massive project in Alaska and included oil and gas leasing provisions
- Focused on clean energy with regulations to reduce methane leaks and increased royalties for production on federal lands. Issued moratorium on new federal leases in 2021, though it was blocked by courts.

- ❖ Under each of the three most recent presidencies, Republican and Democratic alike, U.S. oil and gas production was higher at the end of the administration's term than at the beginning
- ❖ Under both Trump and Biden-Harris, US oil and gas production surged, despite different energy goal

Under Harris: Status Quo for oil

- ❖ Iranian barrels will continue to flow
- ❖ OPEC+ will extend production cuts in 2025
- ❖ Ukraine- Russia conflict will continue
- ❖ Israel- Iran conflicts will likely de-escalate(no impact on oil supplies)

Under Trump 2.0: Net Bear for oil

- ❖ Iran sanctions will be enforced led to ~1.8Mbpd pf production loss
- ❖ Possibility of trade tariffs and additional trade tensions
- ❖ OPEC+ will respond to production loss from Iran by following current production increase
- ❖ Likely choice to seize opportunity to buy SPR more aggressively than Biden admin.(low prices)

Under Harris: No policy closure

- ❖ No plans to apply any tariffs

Under Trump 2.0: Inflationary Policy

- ❖ A risk that tariffs on steel and aluminium are further expanded to apply to Canada, EU and Mexico which are currently exempted
- ❖ Given that steel imports make up 20% to 25% of U.S. consumption of the metal, tariffs would make domestic steel more expensive

Policy Overview



Source: Economic Times

- **China's Economic Growth & Renewable Shift:**

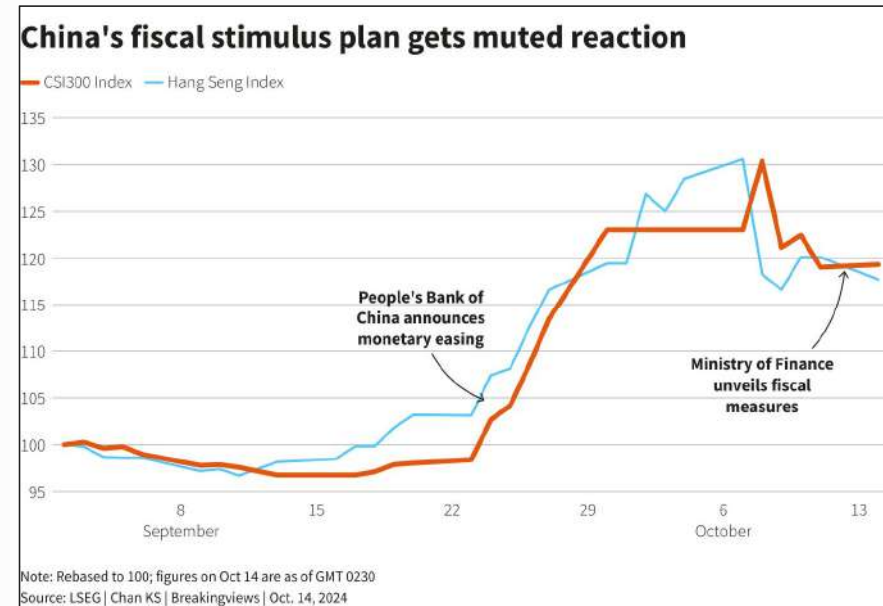
- ❖ China's slowing growth and the global move towards renewable energy have prompted the IEA and OPEC to lower oil demand forecasts for 2024 and 2025.

- **Impact of Chinese Stimulus:**

- ❖ Recent Chinese stimulus measures have not yet fully impacted the economy.

- **Potential Trump Victory:**

- ❖ Trump win could introduce more volatility to oil markets due to his history of aggressive trade policies and tariffs, affecting Chinese demand, U.S. inflation, and geopolitical risks



Source: LSEG

- **Middle East and Russia-Ukraine Conflicts:**

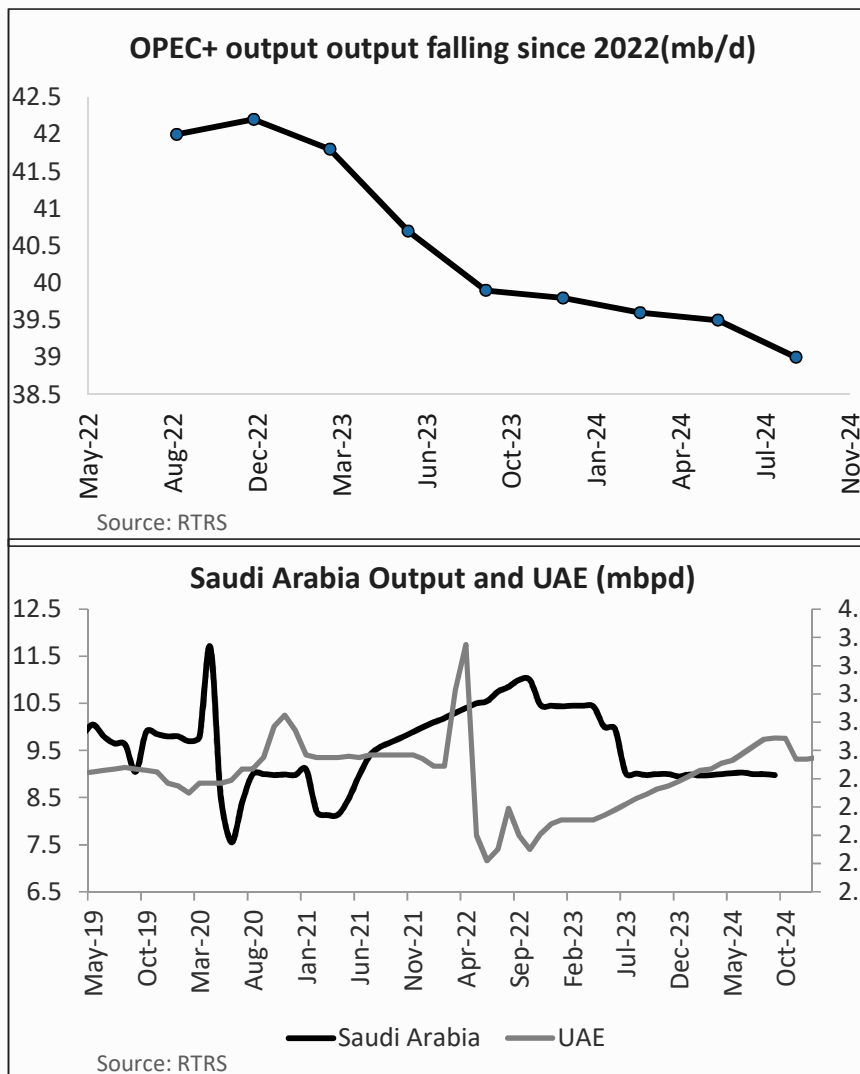
- ❖ Escalating tensions in Middle East and Russia-Ukraine conflict are raising concerns about potential disruptions to oil supplies, with oil facilities at increasing risk from regional instability.
- ❖ **Trump's Stance on Conflict:** Trump is expected to adopt more aggressive sanctions or taking actions that could heighten geopolitical tensions = **increase volatility in oil markets due to added risk of supply interruptions**
- ❖ **Harris's Diplomatic Approach** = Diplomatic efforts to address these conflicts, favouring negotiation over escalation = **bring more stability to oil market, reducing risk premium**

- **Impact on Oil Prices:**

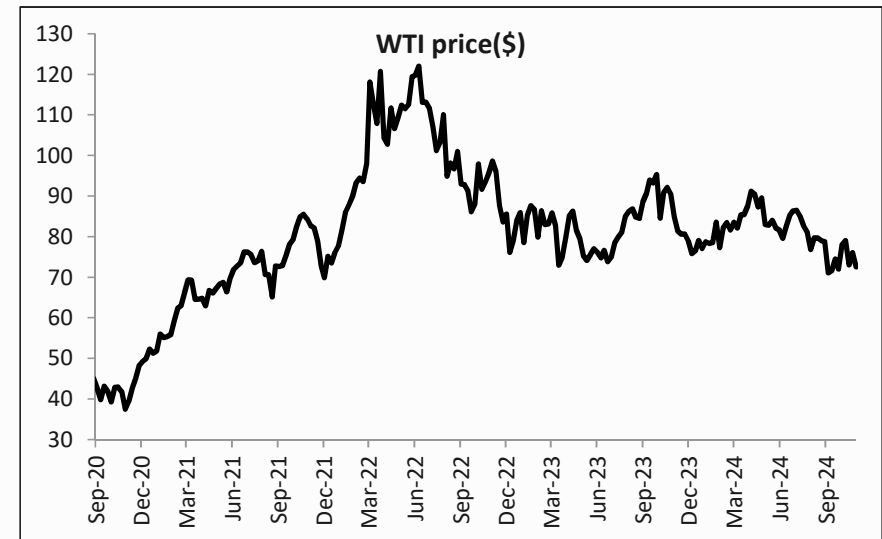
- ❖ **Trump's Approach** = **Upside risks for oil prices** due to increased chances of supply disruption, and markets might react to higher perceived risk of an aggressive U.S. stance on global conflicts
- ❖ **Harris's Approach** = **Likely to moderate oil price volatility**, as a diplomatic stance may reduce likelihood of escalated conflicts affecting supply chains and facilities

OPEC and Non-OPEC Policies

- OPEC production quotas remain a key driver of oil prices
- Trump’s push for deregulation and increased US production could lead OPEC to adjust quotas
- OPEC+ would probably open the taps faster and bring extra supply under Trump Presidency
- Harris would likely encourage a more balanced approach.
 - ❖ Trump: Potential OPEC supply adjustments, bearish pressure
 - ❖ Harris: Stable, regulated supply outlook



- From now to the end of 2024, these are the key focus points for readers:
 - ❖ US election results (Trump or Harris).
 - ❖ OPEC+ policy in early December.
 - ❖ China's fiscal policy announcements
- Oil prices are currently in a sideways consolidation phase, leaning towards a neutral to bearish outlook
- A Harris administration will likely follow the current energy policy path, supporting alternative and renewable production and consumption and inhibiting fossil fuels.
- Meanwhile, a second Trump administration will increase drilling and fracking.
- The close race could cause lots of volatility in crude oil prices over the coming weeks.
- Harris victory could be supportive for crude oil prices, whereas Trump victory could be negative for oil prices.



Source: RTRS



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