



PETROLEUM PRODUCTS PRICING REGULATORY AGENCY (PPPRA)
OPERATIONS DEPARTMENT

**WEEKLY MARKET
FUNDAMENTALS AND ENERGY
REPORT**

27TH - 3RD MAY 2018

INTRODUCTION

In the week under review, Brent Dated was slightly down 0.2% amid concern Russia's oil production would continue to climb above its quota under the OPEC/non-OPEC deal for a second consecutive month, according to data by Russia's Energy Ministry. Russia's pledge in the OPEC/non-OPEC deal is to shave off 300,000 bpd from its October 2016 level, which was the country's highest monthly production in almost 30 years—11.247 million bpd.

However, analysts anticipate that President Trump may decide to pull out of the Iran nuclear deal, which would lead to a spike in prices, although how high a spike it will be is mere speculative at this moment. On the other hand, the US might just surprise everyone by deciding to stay in the deal despite alleged evidence that Iran lied about its nuclear program, which was revealed publicly by Israel's PM Benjamin Netanyahu. If this happens, prices will likely correct downwards.

Furthermore, booming U.S. production will also have a negative impact on price developments when the EIA releases its full weekly petroleum report later in the week. Last week, the daily average production stood at 10.59 million barrels, making the U.S. the second-largest producer globally, behind only Russia with 11 million bpd. Yet it is possible that the U.S. will overtake Russia relatively soon. Since the start of 2018, US daily production has grown by more than a million barrels.

HOME FRONT:

President Muhammadu Buhari's recent meeting with President Donald Trump of the United States (U.S.) gave the two leaders the opportunity to discuss significant issues bordering on fight against terrorism and how to grow Nigeria's economy through partnership.

The meeting at the White House was important even as Buhari became the first sub-Saharan African leader to be hosted by Trump for such fundamental bilateral talks on more issues such as trade, investment and governance.

After the bilateral meetings and subsequent meetings with investors, analysts observed that the visit would bring some gains and opportunities for Nigeria.

It is believed the meeting focused on how to increase the level of trade between Nigeria and the U.S., supplying of military equipment in the fight against terrorism in Nigeria, and the return to Nigeria of monies that have been siphoned out of Nigeria and lodged in various banks around the world.

In other news and according to Reuters, Nigerian energy firm - Forte Oil said it plans to sell its upstream services and power businesses in Nigeria and divest from Ghana to focus on its core fuel distribution operation at home.

The move comes as a surprise one for a company whose Chief Executive Akin Akinfemiwa told investors in Lagos in August that he wanted to aggressively pursue Mergers and Acquisition (M&A) opportunities along the energy value chain and acquire marginal oilfields to boost its upstream business.

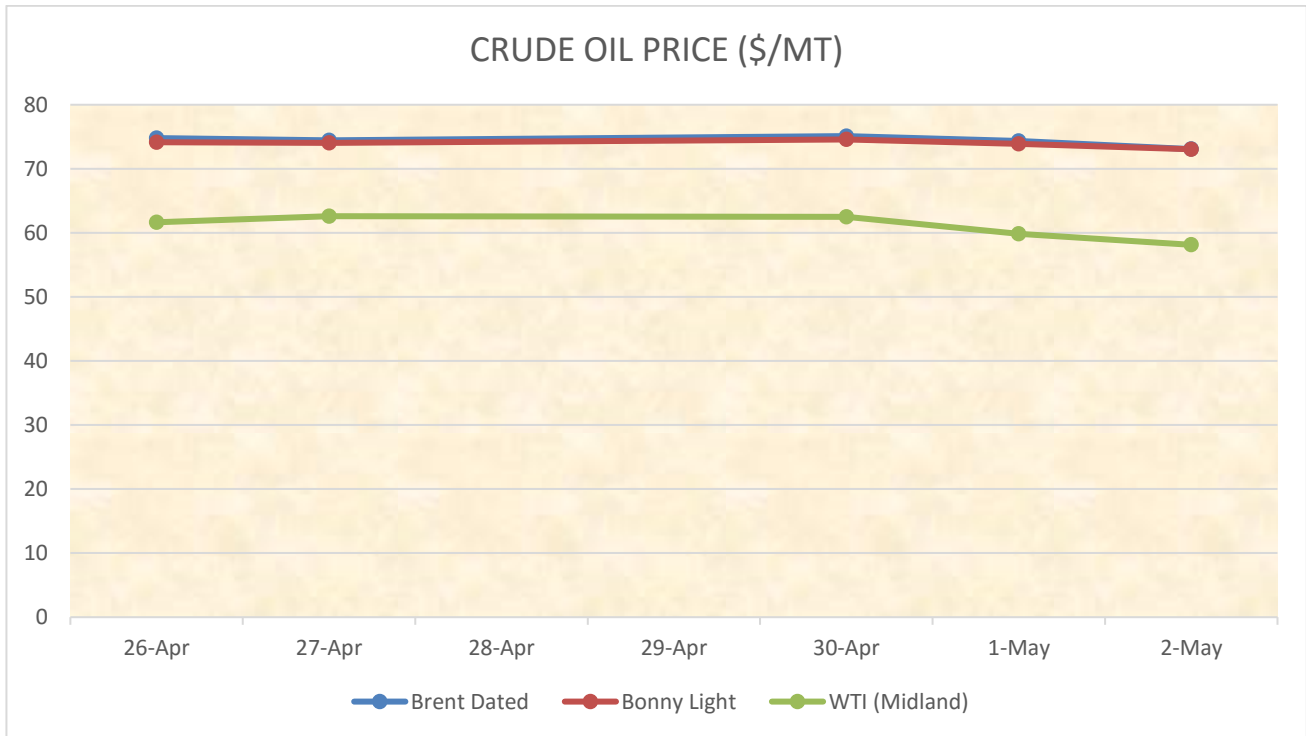


Chart 1: Crude oil prices (27th April – 3rd May 2018)

SOURCE:  PLATS

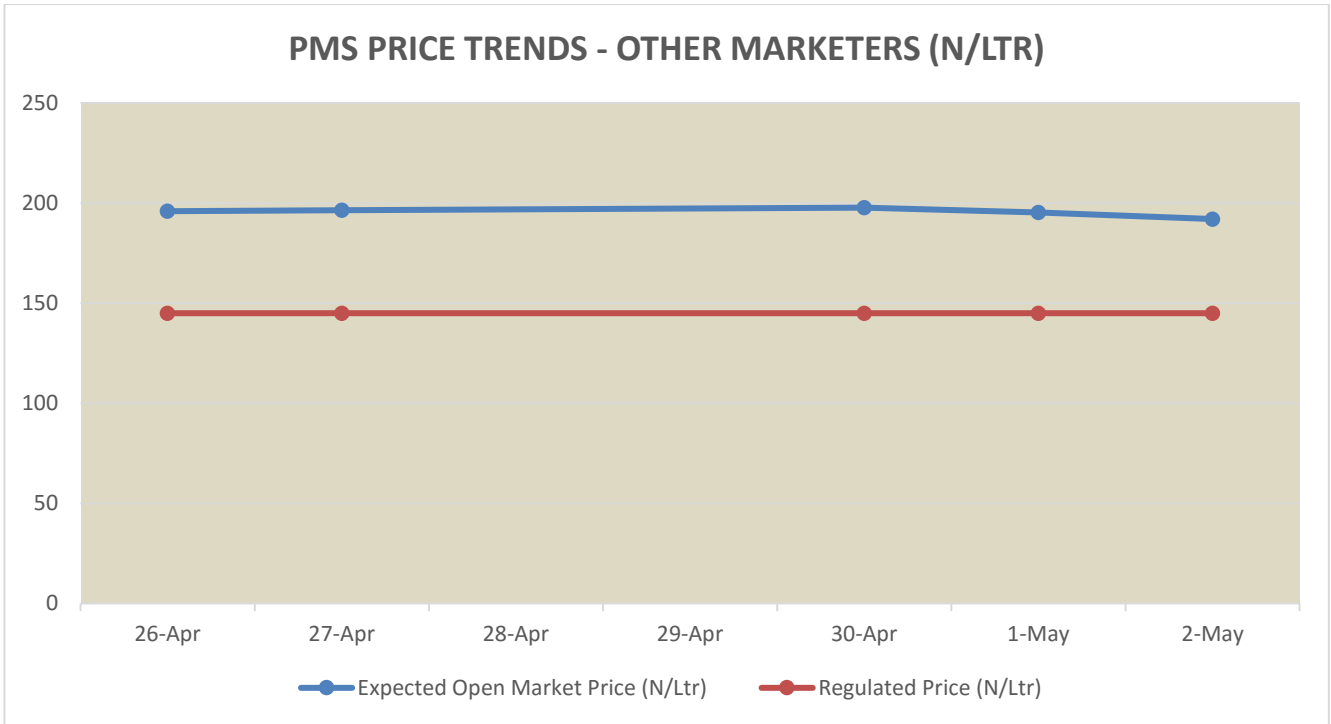


Chart 2: PMS Price Trends – Other Marketers (27th April – 3rd May 2018)

SOURCE:  **PLATS**

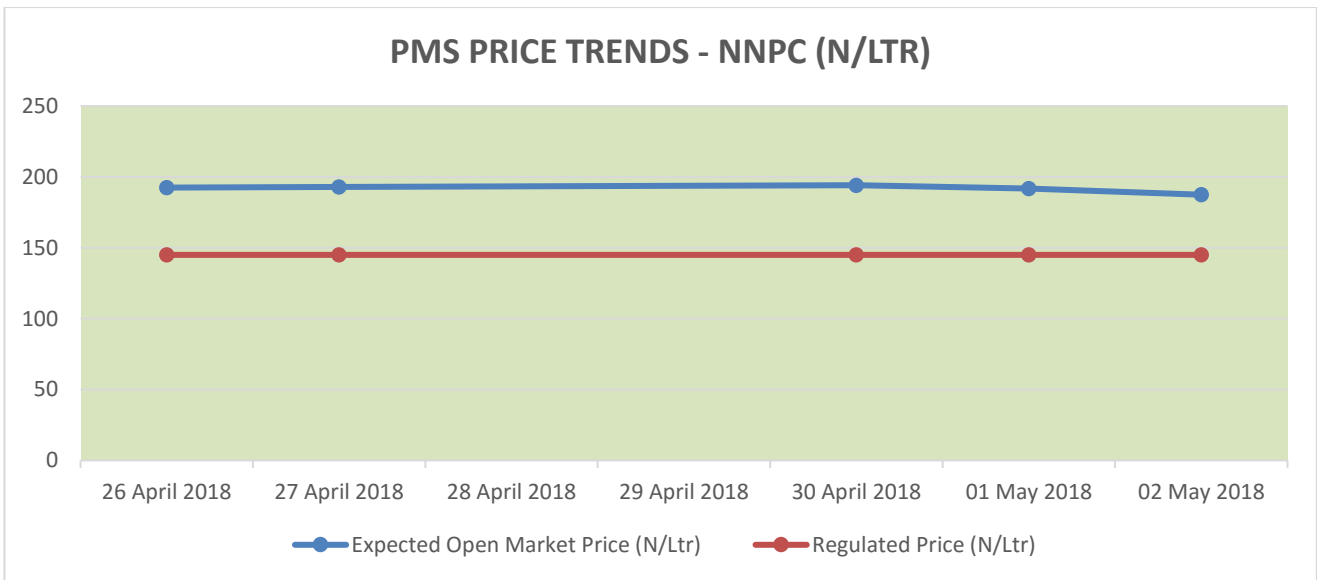


Chart 3: PMS Price Trends – NNPC (27th April – 3rd May 2018)

SOURCE:  **PLATS**

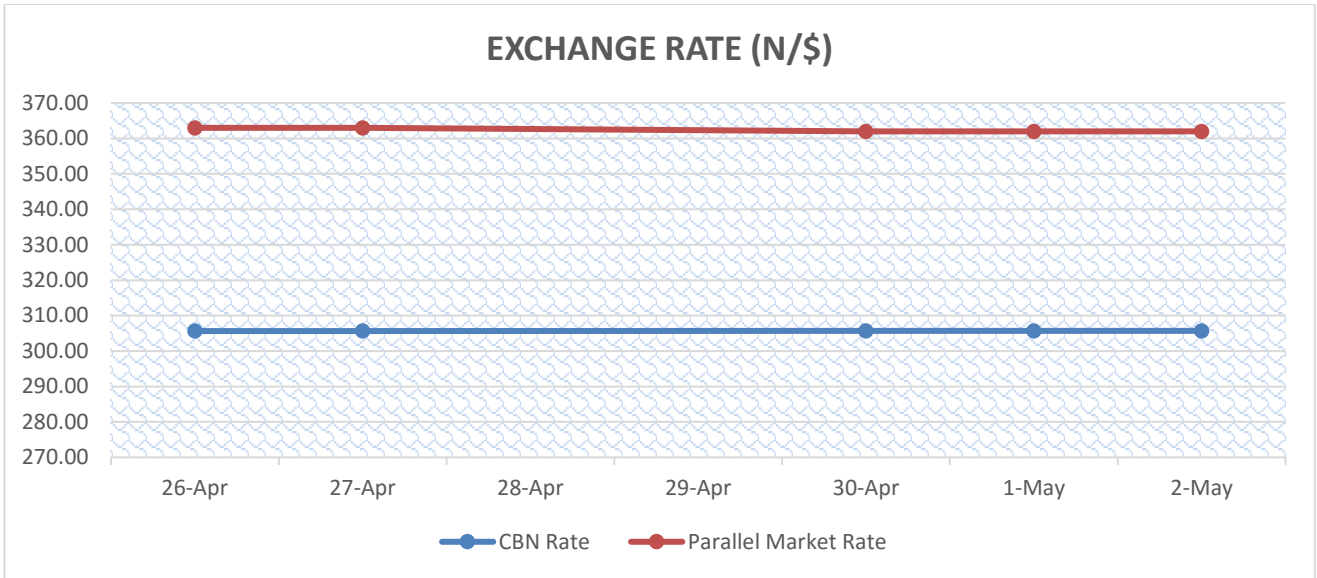


Chart 4: Exchange Rate (27th April – 3rd May 2018)

SOURCE:  PLATTS

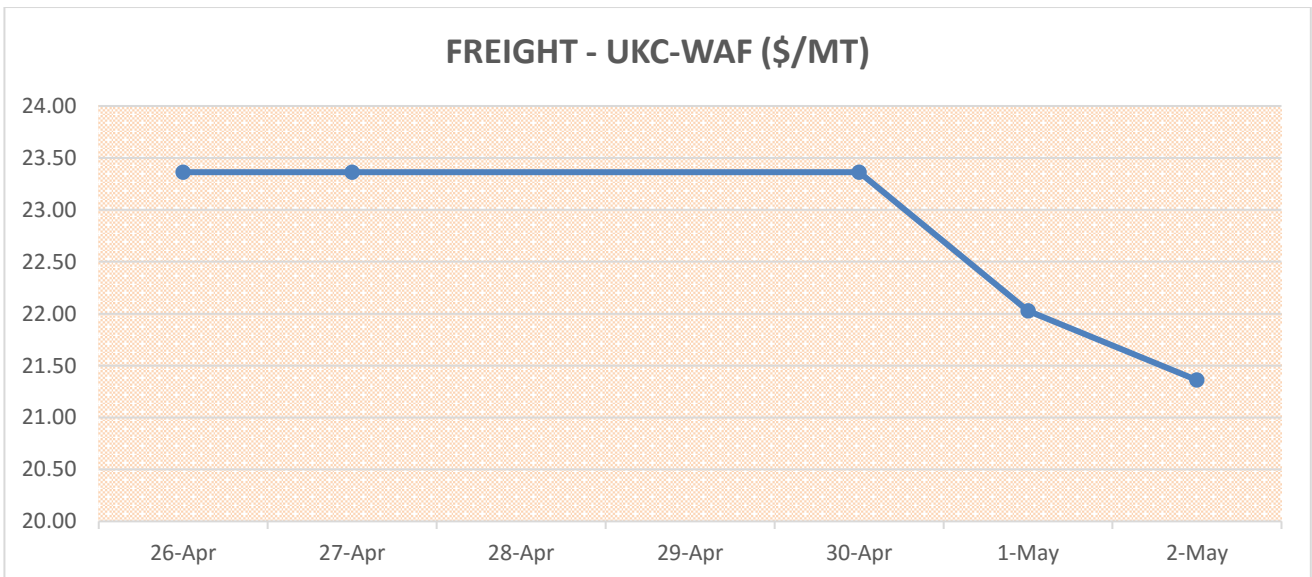


Chart 5: Freight Rate (27th April – 3rd May 2018)

SOURCE:  PLATTS

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