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The Oil Manual | Europe

Geopolitics vs the Unresolved 2025 Surplus

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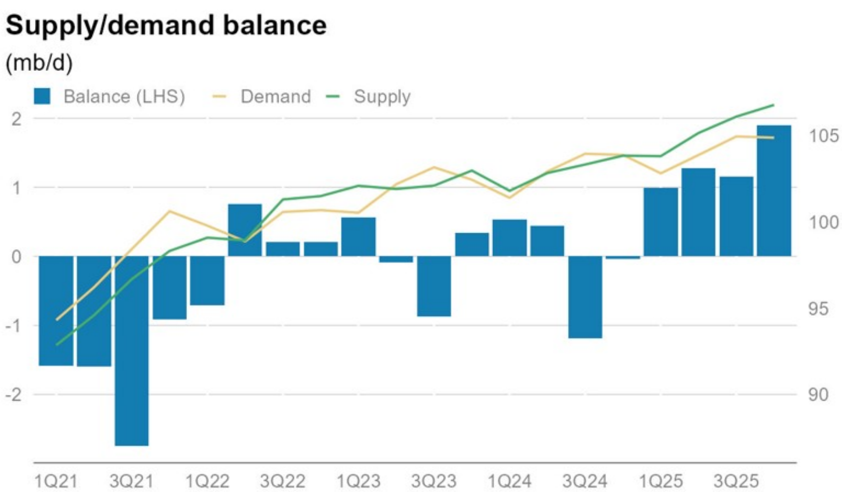
Heightened geopolitical risks have supported oil prices and appear likely to continue to do so. However, the underlying balance has continued to weaken. Without an actual supply disruption, the expected surplus in 2025 has grown. We increase our near-term Brent forecast but lower our forecasts further out.

Key Takeaways

- Concerns over a potential disruption in Middle East supply have driven prices higher. As uncertainty seems likely to persist, we raise near-term Brent forecasts.
- In the meantime, however, the underlying balance has continued to weaken. Demand has come in weaker than expected, and supply has been stronger.
- In our previous update, we saw the oil market 0.7 mb/d oversupplied in 2025; by now, this estimate has increased to a surplus of 1.3 mb/d.
- With such an outlook, prices usually fall to drive a rebalancing. However, as long as supply risks keep price supported, the 2025 surplus remains unresolved.
- With that in mind, we now see slightly lower prices further out and reduce our Brent forecast to $70/bbl for 2H 2025.

Exhibit 1: The events in the Middle East are a serious issue, but without a supply disruption – still our base case – we continue to see a large surplus in 2025



Source: IEA, EIA, Platts, Wood Mackenzie, Rystad, Morgan Stanley Research

Exhibit 2 : We increase near-term Brent forecasts due to heightened geopolitical risks but lower our longer-dated estimates to drive the rebalancing and lower the expected surplus

($/bbl)	4Q24	1Q25	2Q25	3Q25	4Q25	2026
Brent						
New	80.0	77.5	75.0	72.5	70.0	75.0
Previous	75.0	75.0	75.0	75.0	75.0	75.0
Change	*5.0*	*2.5*	*-*	*- 2.5*	*- 5.0*	*-*

Previous research:

- The Oil Manual: Are Oil Prices Signalling Recession?
- The Oil Manual: Continue to Tread Cautiously
- The Oil Manual: Treading Cautiously
- The Oil Manual: Looking Beyond Seasonality
- The Oil Manual: Overshoot, Undershoot
- The Oil Manual: Incorporating Geopolitical Risk
- The Oil Manual: How Brent Can Reach $90/bbl This Summer
- The Oil Manual: Cautiously Optimistic

Geopolitics vs the Unresolved 2025 Surplus

The range of possible outcomes for the oil market has rarely been as wide as it is at the moment. In one potential scenario, the crisis in the Middle East causes a disruption to the supply of oil, which in turn tightens the oil market and sends prices higher – possibly sharply. In another scenario, OPEC+ puts its considerable spare capacity to work in an effort to regain market share, in which case prices could fall – again possibly sharply. Both of these scenarios have existed before, but rarely – if ever – at the same time.

Needless to say, this backdrop makes price forecasting particularly challenging, which is one of the reasons for our wide bull/bear-case spread – see Exhibit 19 . Below we discuss both scenarios, but in the end, we take a cautious stance:

We previously modelled next year's oil market to be 0.7 mb/d oversupplied, but this estimate has grown to 1.3 mb/d in recent weeks. Even in recent weeks, demand has continued to come in weaker and supply stronger than expected. In the absence of a disruption to oil supply in the Middle East – and our expectation is that this is indeed still unlikely – this still leaves a sizeable surplus on the horizon in 2025.

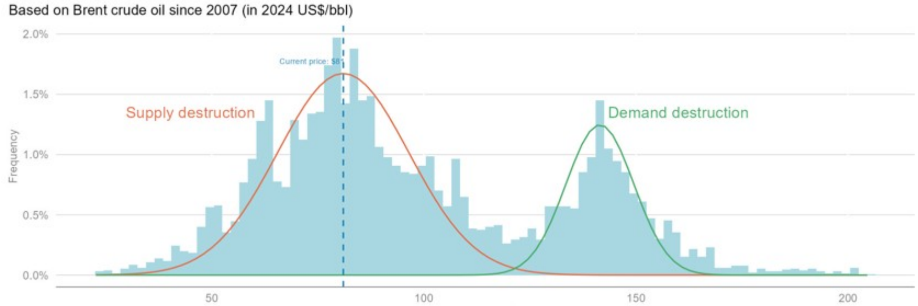
When market participants can see such an imbalance well in advance, the oil market has often responded in such a way that the forecast eventually does not materialise: supply gets eroded, and more demand eventually emerges. In principle, that could well happen again. However, the factors that could rebalance the 2025 oil market arguably won't kick in when Brent is close to $80/bbl, leaving next year's imbalance unresolved for now.

In the short term, we suspect that concerns over supply disruptions will continue to support oil prices. We have reflected this in our 4Q Brent forecast, which we have increased from $75 to $80/bbl, although the uncertainty interval around this is large. That said, the increased surplus we foresee in 2025 is likely to weigh on prices during the course of next year: we now see Brent ending next year at $70/bbl, down from $75/bbl before.

Exhibit 3: The oil market has historically had two anchor points: a low price that held back supply and a high price that erodes demand. Assuming that 'demand destruction' does not become a necessity, we foresee prices staying in that lower distribution. With a premium for geopolitical risk, Brent is currently at the midpoint of that lower distribution. However, with a surplus in 2025, we ultimately see prices slightly 'to the left'

Distribution of inflation-adjusted oil prices

Based on Brent crude oil since 2007 (in 2024 US$/bbl)



Source: Platts, Bloomberg, Morgan Stanley Research

Exhibit 4: With weak speculative positioning, prices can rally in the short term

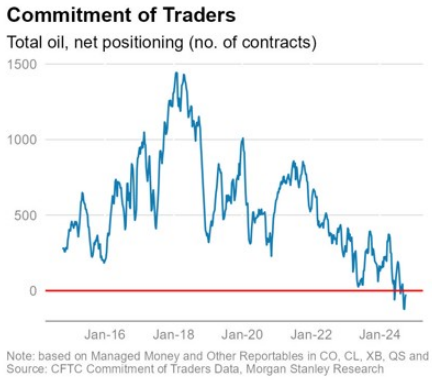


Exhibit 5: Outside the covid period, OPEC+ spare capacity is currently at a 30-year high

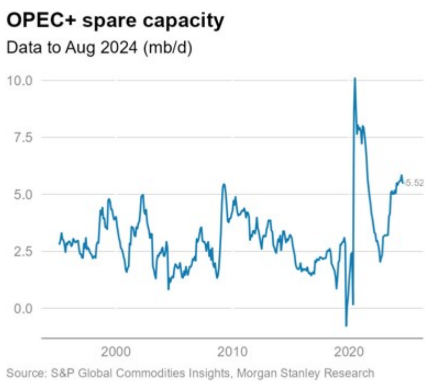
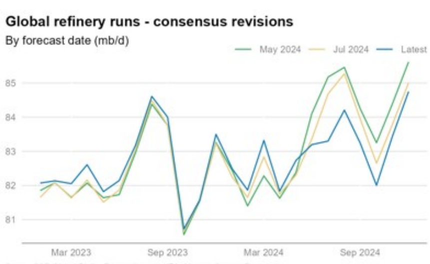


Exhibit 6: Consensus estimates for refinery runs have steady been lowered in recent months



In case of a supply disruption

In early 2022, oil market participants widely expected that Russia would lose ~3 mb/d of its production capacity. When the oil market needs to absorb such a sharp decline in supply in a very short period of time, 'demand destruction' may be the only way to balance the market. In turn, history has shown that the price at which considerable demand destruction kicks in is in the order of ~$130/bbl.

When geopolitical risks come into focus, the oil market often prices in some probability that this scenario happens again. However, we would argue that in the current situation, the likelihood that demand-destruction becomes a necessity is still very low, for two reasons: first, the total amount of supply-at-risk is smaller than it was in 2022. Second, OPEC+ currently has around 5-6 mb/d of spare capacity, which means it can compensate for sizeable supply losses.

Still, the market would be tighter and inventories would be lower if supply is lost. In a previous edition of *The Oil Manual*, we set out a methodology for translating a supply/demand forecast into a price forecast – see here. Based on that approach, we estimate that a 1-2 mb/d supply reduction for 3-6 months could drive Brent to the mid-to-high $80s. That is a somewhat 'mechanical' calculation – in practice, oil prices typically over- and undershoot. However, if the need for demand-destruction is not there, the very high prices of 2022 are unlikely to be seen again.

Also, it is also worth reiterating that the expectation of a 3 mb/d supply loss in Russia in 2022 did not materialise. In the end, Russia lost very little production capacity in 2022.

In case of no supply disruption…back to fundamentals

Over the last few months, we have steadily lowered our forecast for **oil demand growth** for this year. Our estimate for growth peaked at 1.5 mb/d back in April, but by August we had already lowered this to 1.1 mb/d.

Yet, even in recent weeks, demand has continued to come in lower than expected. This is mostly driven by China and, to a lesser extent, India, the Middle East, Japan and Korea. As a result, we lower our demand growth forecast again to now 0.95 mb/d for 2024, and reduce our estimate for 2025 demand growth from 1.2 to 1.1 mb/d. In total, this shaves off nearly 0.3 mb/d of our 2025 demand forecast.

This can also be seen in forecasts from others. In Exhibit 7 , we summarise the average demand growth forecast from several external oil market consultancies. By now, this 'consensus' forecast has fallen to slightly above 1.0 mb/d (Exhibit 8).

Exhibit 8 shows the revisions in this consensus estimate since July, capturing both the August and September revisions. Over this period, consensus demand growth has fallen sharply by ~305 kb/d, driven predominantly by weaker-than-expected data in China and, to some extent, the US. In terms of products, the disappointment has been most notable in in gasoil/diesel demand, but demand for jet fuel and fuel oil has also been underwhelming.

Exhibit 7: The consensus oil demand growth forecast for 2024 currently stands at ~1.0 mb/d, driven by jet fuel and petrochemical feedstock (i.e. LPG/ethane), mostly in Asia

Consensus oil demand growth

2024 vs 2023, average across selected forecasters (kb/d)

Region	LPG/ ethane	Naphtha	Gasoline	Jet/ kerosene	Gasoil/ diesel	Fuel oil	Other oil	Total liquids
North America	140	−10	−30	40	−120	−5	5	**25**
China	200	105	90	135	−105	−125	−120	**185**
India	40	5	60	15	55	−10	45	**205**
Other Asia	75	15	20	140	25	45	−35	**285**
Europe	10	20	40	55	−115	−5	−20	**−20**
Middle East	10	0	65	40	40	65	−70	**145**
FSU	−20	−10	25	5	50	−5	20	**60**
Latin America	10	5	−5	10	25	−20	55	**80**
Africa	−5	0	10	10	30	15	5	**70**
World	**460**	**125**	**270**	**455**	**−110**	**−45**	**−115**	**1,035**

Source: Argus, Energy Aspects, S&P Global Platts, Morgan Stanley Research

Exhibit 8: Over the last two monthly revisions cycles, the consensus demand estimate has fallen sharply, down 305 kb/d, driven by weakness in China and gasoil/diesel

Revisions to 2024 oil demand growth forecasts

Change in forecast since July, average across forecasters (kb/d)

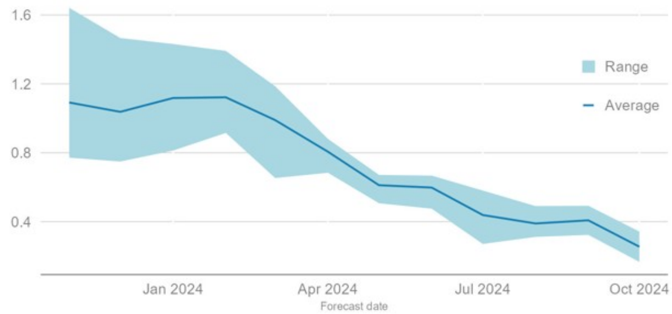
Region	LPG/ ethane	Naphtha	Gasoline	Jet/ kerosene	Gasoil/ diesel	Fuel oil	Other oil	Total liquids
North America	−20	−5	10	0	−65	0	35	**−40**
China	35	−5	−35	−40	−85	−75	−75	**−275**
India	−5	−10	5	0	−10	0	15	**0**
Other Asia	−15	−15	−10	0	−5	−15	65	**10**
Europe	−15	30	5	0	−10	0	15	**25**
Middle East	−5	0	30	−5	15	40	−85	**−5**
FSU	−25	0	−5	0	0	0	0	**−30**
Latin America	10	0	0	0	5	0	−5	**10**
Africa	0	0	0	0	−5	5	5	**5**
World	**−35**	**0**	**10**	**−45**	**−160**	**−45**	**−30**	**−305**

Source: S&P Global Platts, Energy Aspects, Argus, Morgan Stanley Research

Something similar has happened to **non-OPEC supply**, which has also come in lower than initially expected this year. The consensus forecast for growth in supply of crude and condensate (i.e. ignoring natural gas liquids, certain unconventionals and biofuels for the moment), stood at ~1.1 mb/d at the start of the year.

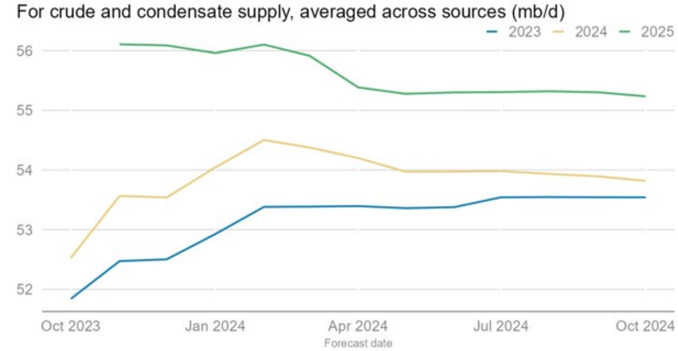
By now, however, most forecasters see this at just ~0.3 mb/d, with the decline driven by lower-than-expected production in the US, Brazil and Russia (still considered as non-OPEC for this analysis) – see Exhibit 9 .

Exhibit 9: Forecasts for non-OPEC production growth in 2024 have fallen steadily....



Source: IEA, S&P Global Commodities Insights, Energy Aspects, Morgan Stanley Research

Exhibit 10: ...but this is to an important extent driven by upward revisions to 2023 data, with only modest downgrades to 2024 in recent months



Source: IEA, S&P Global Commodities Insights, Energy Aspects, Morgan Stanley Research

Exhibit 11: ...and neither is this common. Usually, non-OPEC supply growth surprises to the upside

Evolution of IEA non-OPEC production growth forecasts, for different years

For crude oil, condensate and NGLs (mb/d)

	Month of year when forecast was made				
Year	January	June	Latest report	Revision from Jan figure	Revision from June figure
2010	0.18	0.81	1.19	1.01	0.38
2011	0.66	0.56	0.14	-0.52	-0.42
2012	1.02	0.65	0.65	-0.37	0.00
2013	0.98	1.06	1.44	0.46	0.38
2014	1.70	1.45	2.42	0.72	0.97
2015	0.93	0.97	1.44	0.51	0.47
2016	-0.58	-0.90	-1.63	-1.05	-0.73
2017	0.28	0.66	1.57	1.29	0.91
2018	1.68	2.05	2.66	0.98	0.61
2019	1.64	1.87	3.89	2.25	2.02
2020	2.13	-3.09	-2.02	-4.15	1.07
2021	0.58	0.87	0.73	0.15	-0.14
2022	2.79	1.62	1.88	-0.91	0.26
2023	0.72	1.70	2.44	1.72	0.74

Source: IEA, Morgan Stanley Research

At the moment, forecasts for non-OPEC supply growth for 2025 are once again high too: we forecast crude + condensate supply to grow by 1.3 mb/d next year and total liquids supply to rise by 1.6 mb/d. This is an important part of why we expect next year's supply/demand balance to be in surplus.

It is possible that – again – this turns out to be an overestimate. If that is the case, perhaps we might be overstating the 2025 surplus.

Although possible, there are three comments to make that puts this into context:

First, the downwards revision to non-OPEC supply growth in 2024 has to a large extent been driven by upwards revisions to 2023 estimates. As mentioned, the consensus forecast for non-OPEC C+C growth has dropped from 1.1 to 0.3 mb/d since the start of this year, a downwards revision of 0.8 mb/d. However, this is due to a 0.6 mb/d *upwards* revision of 2023 supply and downwards revisions of only 0.2 mb/d to 2024 supply. The growth forecast may have fallen sharply, but estimates for the level of supply are down only very modestly.

Second, it is not common for non-OPEC supply to undershoot forecasts. In fact, the opposite has historically been true. To analyse this, we have collected historical forecasts from the IEA back to 2010. In Exhibit 11 , we summarised the IEA's forecast for non-OPEC total liquids supply growth for the current year from its January report and its June report, and compare that to what actually happened.

Excluding 2020, which was a very unusual year, the IEA has underestimated non-OPEC supply growth by on average 700 kb/d in its January report. Of this, only half was due to stronger-than-expected growth in US shale.

Against this backdrop, the underperformance of non-OPEC growth in 2024 is somewhat unusual. It may happen again in 2025, but considering the full history of non-OPEC supply forecasts, we would argue that it is too early to assume this will happen again

(Note: it is not our intention to isolate the forecast from the IEA here; forecasts from others do not appear more accurate than the IEA's, although we do not have as much historical data for others, making the exercise harder.)

Exhibit 12: Several 'field-by-field' forecasts for the oil market point towards 2 mb/d of total liquids growth in non-OPEC in 2025

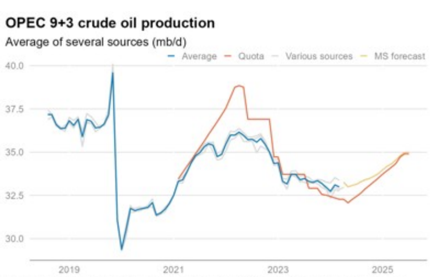
Non-OPEC production growth forecasts

Growth/(decline) in 2025 (kb/d)

Country	Woodmac	Platts	Rystad	Average
United States	1,220	456	379	685
Brazil	473	167	404	348
Canada	78	316	229	208
Kazakhstan	156	159	204	173
Norway	75	87	139	100
Other	399	459	332	396
Vietnam	−17	−20	−17	−18
Ecuador	−81	19	−1	−21
Colombia	−33	3	−37	−22
Egypt	−22	−40	−18	−27
Malaysia	−17	−77	−40	−45
Mexico	−216	−8	−95	−106
Crude/condensate	**2,014**	**1,520**	**1,479**	**1,671**
NGL	363	383	155	300
Other	NA	104	36	70
Total liquids	**2,377**	**2,007**	**1,671**	**2,018**

Source: Wood Mackenzie, S&P Global Platts, Rystad, Morgan Stanley Research

Exhibit 13: Following the OPEC+ agreement, we forecast OPEC production to increase 0.8 mb/d in 2025



Note: OPEC 9+3 consists of the 9 formal members of OPEC and the 3 non-OPEC countries that have agreed to additional voluntary cuts (i.e. Russia, Kazakhstan and Oman)
Source: S&P Global Platts, IEA, Energy Aspects, EIA/DOE, Morgan Stanley Research

Third, we already assume some 'haircut' in non-OPEC supply compared to bottom-up forecasts. In Exhibit 12 , we summarise estimates for non-OPEC supply growth from a number of external consultancies that provide data on the oil market on a field-by-field basis. Aggregating their data suggests total non-OPEC liquids supply growth in 2025 of ~2.0 mb/d.

This looks too high to us. In particular, Woodmac's estimate for US supply growth looks surprisingly high. In addition to that, operational issues, weather effects and other factors typically cause some slippage. For that reason, we assume growth of 1.5 mb/d in our forecasts. With that in mind, we would argue that we already build in some 'margin of safety' in our estimates.

(A technicality perhaps, but neither the data in Exhibit 12 nor the 1.5 mb/d mentioned above include refinery processing gains, which likely increases by 0.1 mb/d next year. Therefore, the final estimate for non-OPEC supply growth in our model in Exhibit 19 is shown as 1.6 mb/d.)

The final component of our supply/demand outlook is, of course, **production from OPEC+ countries**. A useful subset of this are the 9 OPEC countries that take part in the quota regime, plus the 3 non-OPEC countries that have committed to voluntary cuts (i.e. Russia, Kazakhstan and Oman). Exhibit 13 brings together data on their recent production and their aggregate quota, as well as our forecast for production for this group.

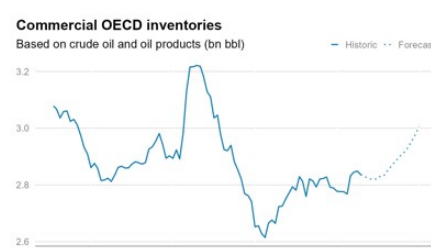
As shown, we assume improving adherence to the production quota over the coming year. As a result, our forecast for production growth is lower than OPEC+'s announced quota increase. Based on the profile shown in Exhibit 13 , aggregate crude oil production from OPEC countries increases by ~0.8 mb/d, on our forecast.

Based on these estimates, the market's balance for 2025 is broadly as follows: we suspect that the oil market 2024 will be in a small 0.1 mb/d deficit. In 2025, we expect demand growth of 1.1 mb/d, non-OPEC supply growth of 1.6 mb/d, OPEC NGL growth of 0.1 mb/d and OPEC crude oil growth of 0.8 mb/d. All together, this points to a surplus of 1.3 mb/d, as mentioned earlier.

Exhibit 14: After a deficit in 3Q and a balanced market in 4Q, we foresee a surplus in 2025

Source: IEA, EIA, Platts, Wood Mackenzie, Rystad, Morgan Stanley Research

Exhibit 15: With that, we expect commercial OECD inventories to build towards 3 bn barrels in 2025



Source: IEA, Morgan Stanley Research estimates

A surplus of 1.3 mb/d is substantial, which raises the question: how often has this actually happened? We can model this supply/demand imbalance, but is this actually a realistic forecast?

To be clear, history is not on the side of this outcome. Exhibit 16 shows the supply/

demand imbalance in the oil market over the last 40 years, based on IEA data. The red-dotted line marks a surplus of 1.3 mb/d. As shown, this outcome is very rare.

Exhibit 17 shows a similar analysis. In recent years, it has been common for 40-50% of the supply/demand imbalance to show up in OECD inventories. Therefore, we would expect that if the oil market were to be 1.3 mb/d oversupplied next year, OECD inventories would rise at a rate of 500-600 kb/d (highlighted by the light-blue ribbon).

As shown, this has happened before, but usually only during severe oil market crises, such as during Covid, the GFC, the Asian financial crisis, etc. We see a surplus in 2025, but equally, it would be hard to argue that the oil market outlook is as weak as that.

Exhibit 16: We forecast a surplus of 1.3 mb/d, but history suggests this is actually quite unlikely

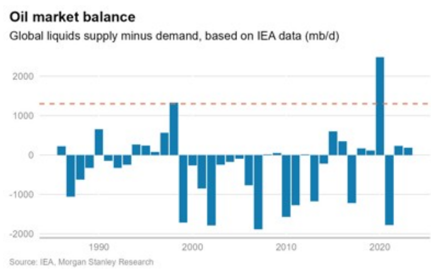
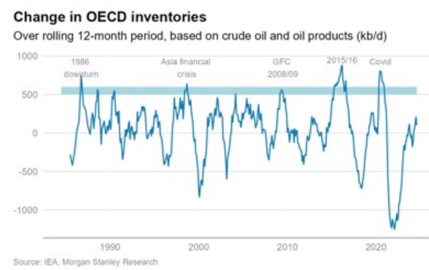


Exhibit 17: With such a surplus, OECD inventories will likely rise 500-600 kb/d – again, highly unusual



In those previous crises, oil market conditions deteriorated quite suddenly, leaving little time for supply and demand to adjust, resulting in these large inventory draws. At the moment, this does not seem to be the case. In fact, the 2025 surplus has been flagged well in advance – we are not the only ones to highlight it.

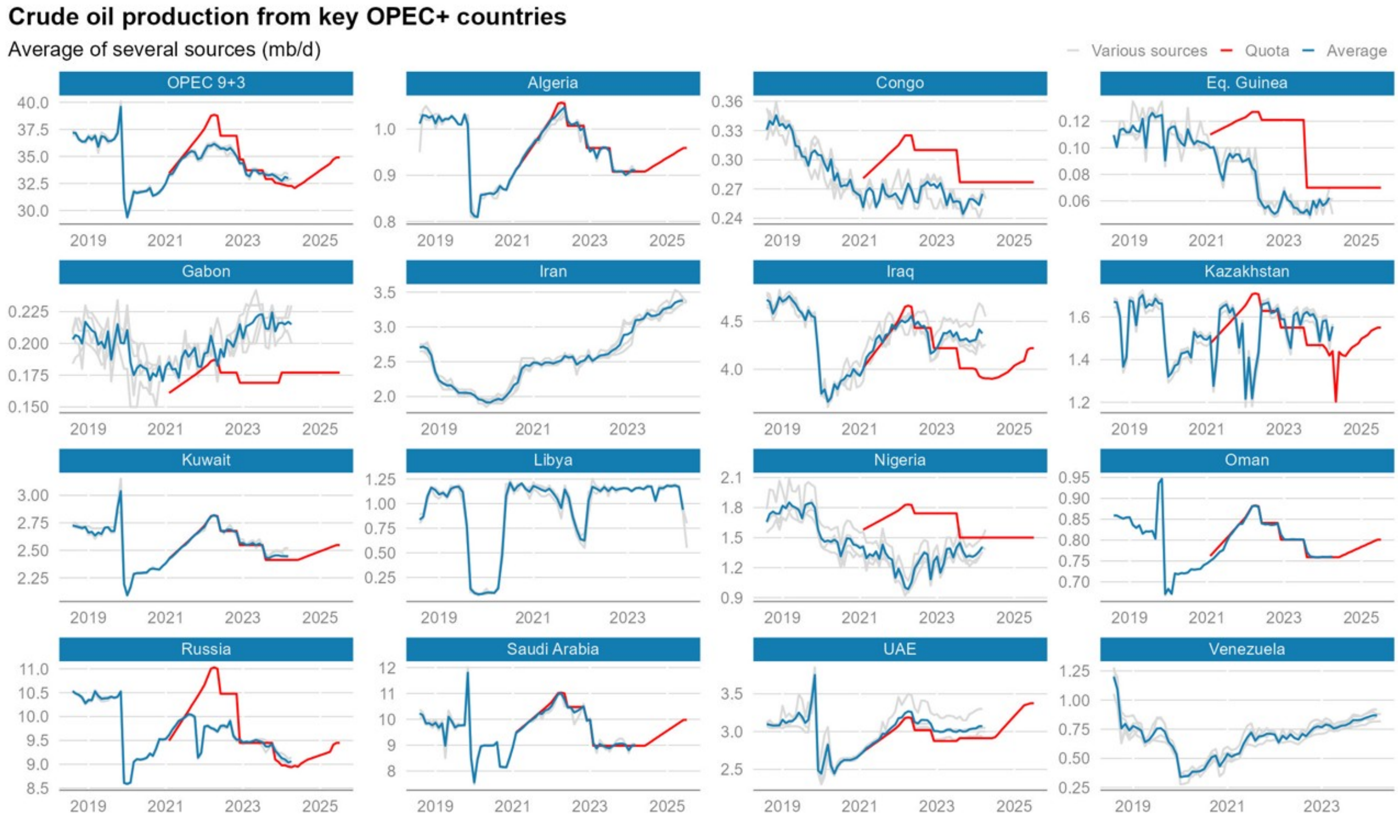
When such an imbalance is well understood, sufficiently in advance, the oil market has a habit of responding in a way that the imbalance does not materialise - usually, the forecast corrects itself.

In turn, this suggests our forecast for a 1.3 mb/d surplus is, in many ways, not the end of the analysis – rather, it's the start. Given that history suggests surplusses like this typically do not happen, it raises the question of what could change to prevent this outcome?

There are several possible factors that could bring this about, but they would all require lower prices – perhaps not for long, but at least for a period. Lower energy prices would be deflationary and would possibly boost the global economic recovery, which in turn could feed back into oil demand growth. Also, most forecasters still model US production growth of 350-550 kb/d next year (our forecast is 350 kb/d). A period of lower prices could slow drilling activity and reduce this growth outlook. Then, at lower prices, OPEC may be inclined to tweak its production agreement by a few hundred kb/d next year.

Combined, these factors could go a long way towards absorbing the 2025 surplus. However, as long as heightened geopolitical risks keep Brent supported at $80/bbl, they are unlikely to gain momentum. Geopolitics appear likely to continue to support prices in coming weeks/months. However, if they do not result in an actual supply disruption, at some point we would expect that a temporary period of lower prices might be needed to resolve the issue of the 2025 surplus.

Exhibit 18:



Note: OPEC 9+3 consists of the 9 formal members of OPEC and the 3 non-OPEC countries that have agreed to additional voluntary cuts (i.e. Russia, Kazakhstan and Oman)
Source: S&P Global Platts, IEA, Energy Aspects, EIA/DOE, Morgan Stanley Research

Summary balances and price forecasts

Exhibit 19:

Liquids balance

	2022	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25	4Q25	2025	y/y change 2023	y/y change 2024	y/y change 2025
Demand	**100.0**	**102.1**	**101.4**	**102.9**	**103.9**	**103.9**	**103.0**	**102.8**	**103.9**	**104.9**	**104.9**	**104.1**	**2.1**	**1.0**	**1.1**
OECD	45.6	45.6	44.8	45.5	46.2	46.3	45.7	45.3	45.7	46.2	46.2	45.8	0.1	0.1	0.1
Non-OECD	54.4	56.4	56.6	57.4	57.7	57.6	57.3	57.5	58.2	58.7	58.7	58.3	2.0	0.9	1.0
Non-OPEC supply	**67.0**	**69.4**	**69.5**	**70.3**	**70.6**	**71.0**	**70.3**	**70.9**	**71.9**	**72.4**	**72.7**	**72.0**	**2.4**	**0.9**	**1.6**
USA	17.9	19.4	19.4	20.2	20.4	20.5	20.1	20.3	20.7	20.7	20.8	20.7	1.5	0.7	0.5
Russia	11.1	11.0	10.8	10.7	10.5	10.4	10.6	10.5	10.6	10.7	10.8	10.6	-0.1	-0.3	0.0
OPEC NGLs/condensate	5.4	5.4	5.4	5.5	5.5	5.6	5.5	5.5	5.5	5.6	5.7	5.6	0.1	0.1	0.1
Call on OPEC crude	**27.6**	**27.2**	**26.5**	**27.2**	**27.8**	**27.3**	**27.2**	**26.4**	**26.4**	**26.9**	**26.6**	**26.6**	**-0.4**	**-0.0**	**-0.6**
OPEC crude	27.9	27.4	26.9	27.1	27.2	27.2	27.1	27.4	27.7	28.0	28.5	27.9	-0.4	-0.3	0.8
Implied balance	**0.2**	**0.2**	**0.4**	**-0.1**	**-0.6**	**-0.0**	**-0.1**	**1.0**	**1.3**	**1.2**	**1.9**	**1.3**	**-0.0**	**-0.3**	**1.4**
Misc to balance	-0.1	-0.2	0.1	0.5	-0.6	-	0.0	-	-	-	-	-	-0.1	0.2	-0.0
Stock change	**0.1**	**-0.0**	**0.5**	**0.4**	**-1.2**	**-0.0**	**-0.1**	**1.0**	**1.3**	**1.2**	**1.9**	**1.3**	**-0.1**	**-0.0**	**1.4**

Price forecast - Brent ($/bbl)

Period	Bear	Base	Bull
4Q24	60.0	80.0	95.0
1Q25	60.0	77.5	95.0
2Q25	60.0	75.0	95.0
3Q25	60.0	72.5	95.0
4Q25	60.0	70.0	95.0
2026	60.0	75.0	95.0

Price forecast - WTI ($/bbl)

Period	Bear	Base	Bull
4Q24	55.0	75.0	90.0
1Q25	55.0	72.5	90.0
2Q25	55.0	70.0	90.0
3Q25	55.0	67.5	90.0
4Q25	55.0	65.0	90.0
2026	55.0	70.0	90.0

Crude and condensate balance

	2022	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25	4Q25	2025	y/y change 2023	y/y change 2024	y/y change 2025
Demand	**81.6**	**83.4**	**83.2**	**83.4**	**84.5**	**84.0**	**83.8**	**84.0**	**83.8**	**85.5**	**84.5**	**84.4**	**1.8**	**0.4**	**0.7**
Refinery runs	80.8	82.6	82.6	82.7	83.6	83.4	83.1	83.4	83.0	84.5	83.9	83.7	1.7	0.5	0.6
Direct burn	0.7	0.8	0.6	0.6	0.9	0.6	0.7	0.6	0.7	1.0	0.7	0.7	0.0	-0.1	0.0
Non-OPEC supply	**52.2**	**53.8**	**54.2**	**53.9**	**53.9**	**54.8**	**54.2**	**55.3**	**55.3**	**55.5**	**56.1**	**55.5**	**1.6**	**0.4**	**1.3**
USA	12.0	12.9	12.9	13.2	13.4	13.5	13.3	13.6	13.6	13.6	13.7	13.6	0.9	0.3	0.3
Russia	10.7	10.6	10.5	10.4	10.1	10.1	10.3	10.2	10.2	10.3	10.4	10.3	-0.1	-0.3	0.0
OPEC supply	**29.7**	**29.3**	**28.8**	**29.1**	**29.2**	**29.2**	**29.1**	**29.4**	**29.8**	**30.2**	**30.6**	**30.0**	**-0.4**	**-0.3**	**0.9**
Crude	27.9	27.4	26.9	27.1	27.2	27.2	27.1	27.4	27.7	28.0	28.5	27.9	-0.4	-0.3	0.8
Condensate	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	0.0	0.0	0.1
Implied balance	**0.3**	**-0.2**	**-0.2**	**-0.4**	**-1.4**	**0.0**	**-0.5**	**0.8**	**1.3**	**0.2**	**2.1**	**1.1**	**-0.5**	**-0.3**	**1.6**
Misc to balance	-0.5	0.1	0.1	0.7	0.0	0.1	0.2	-0.2	0.1	-0.2	0.1	-0.0	0.7	0.1	-0.3
Stock change	**-0.2**	**-0.1**	**-0.1**	**0.3**	**-1.4**	**0.1**	**-0.3**	**0.5**	**1.4**	**-0.0**	**2.2**	**1.0**	**0.1**	**-0.2**	**1.3**

Note: A more detailed supply/demand balance is available on request.
Source: IEA, Platts, Morgan Stanley Research estimates

Prices and differentials

Exhibit 20:

Prices and differentials

Last 12 months ($/bbl)

Source: Platts, Bloomberg, Morgan Stanley Research

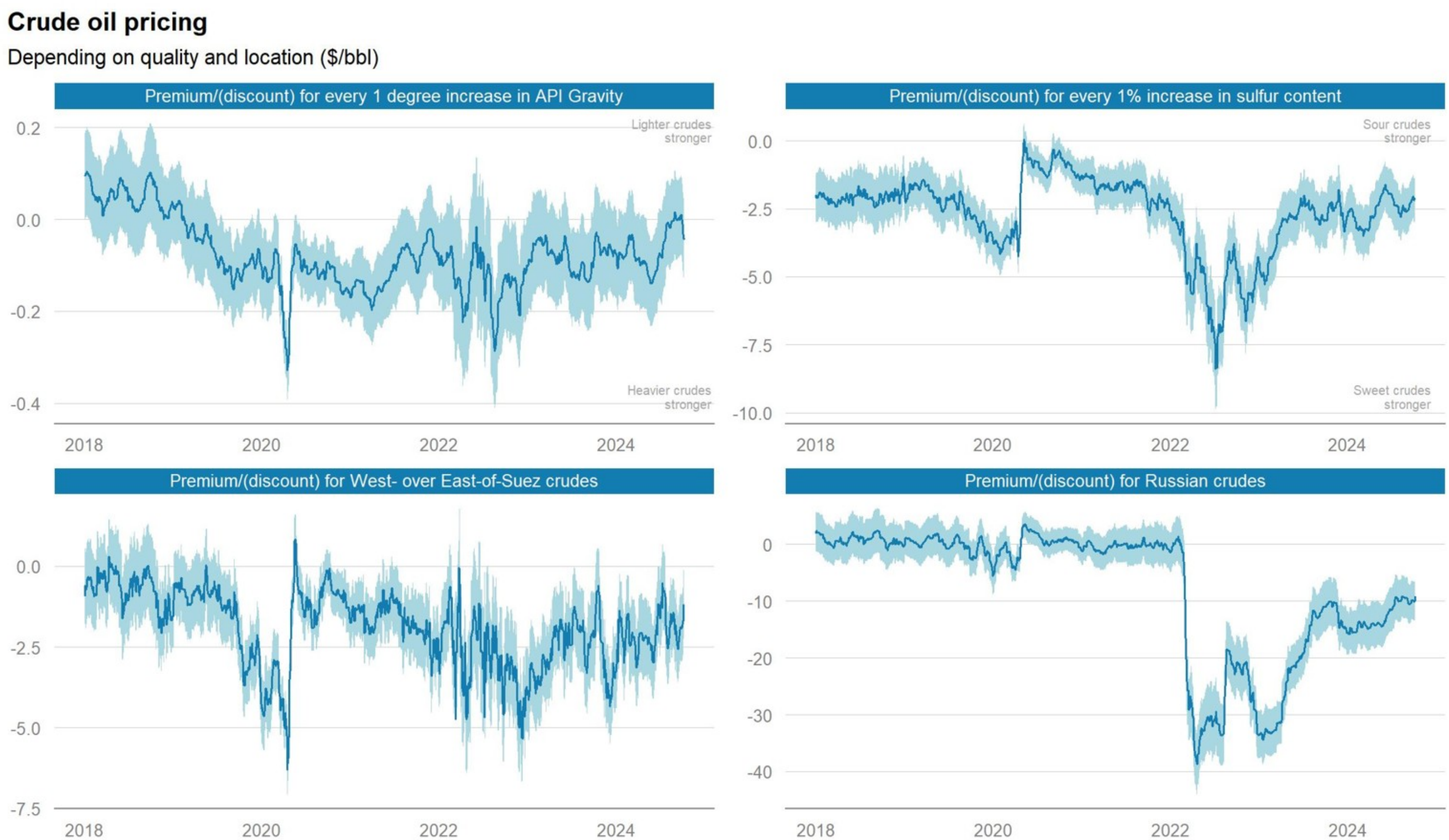
Forward curves and time spreads

Exhibit 21:

Note: Horizontal axis in top charts show contract month
Source: Bloomberg, Platts

Crude quality

Exhibit 22:



Note: analysis based on weekly regression across 95 seaborne crudes
Source: Platts, Morgan Stanley Research

North Sea indicators

Exhibit 23:

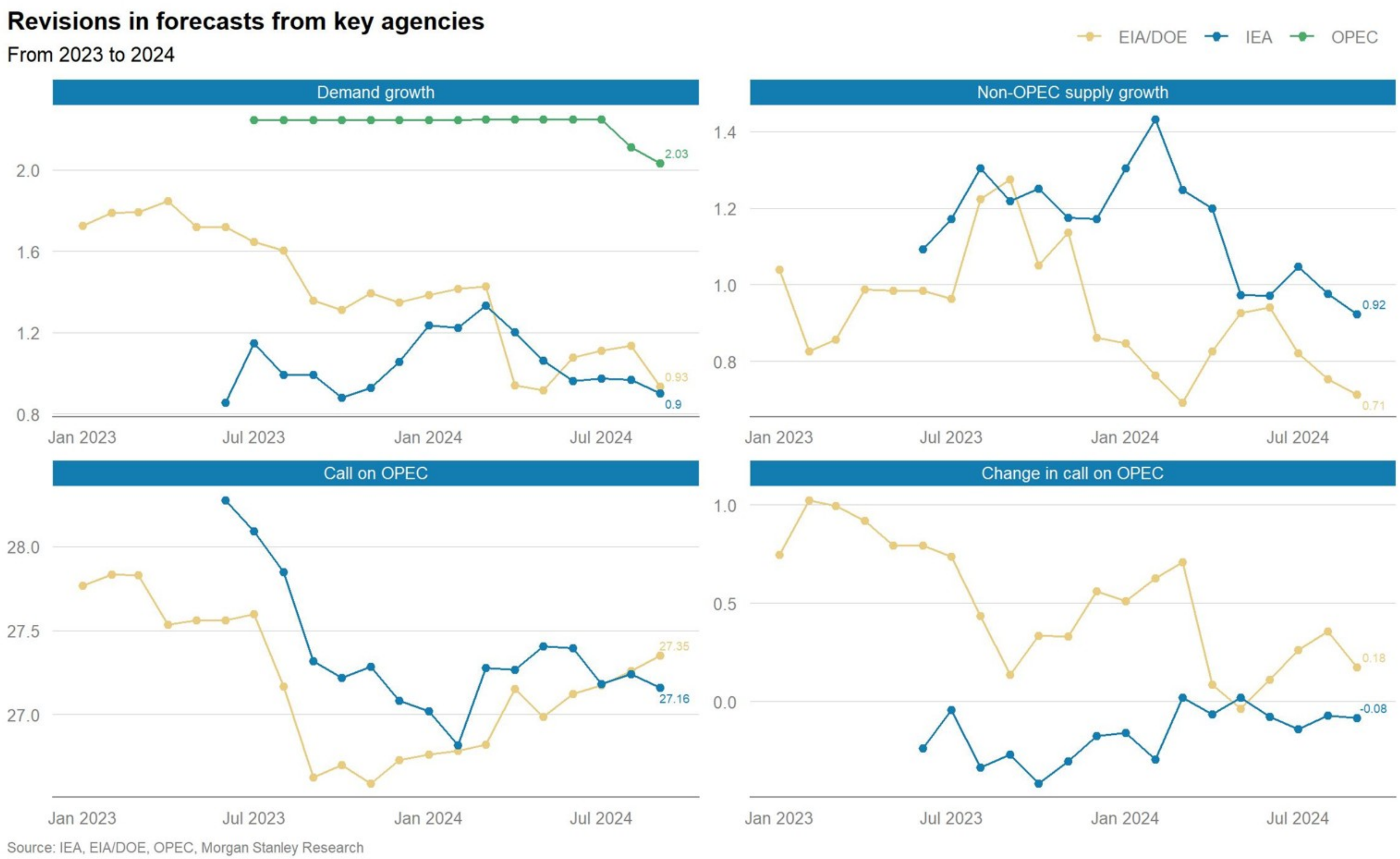
North Sea indicators

Loadings in mb/d; others in $/bbl

Source: Platts, Bloomberg, Morgan Stanley Research

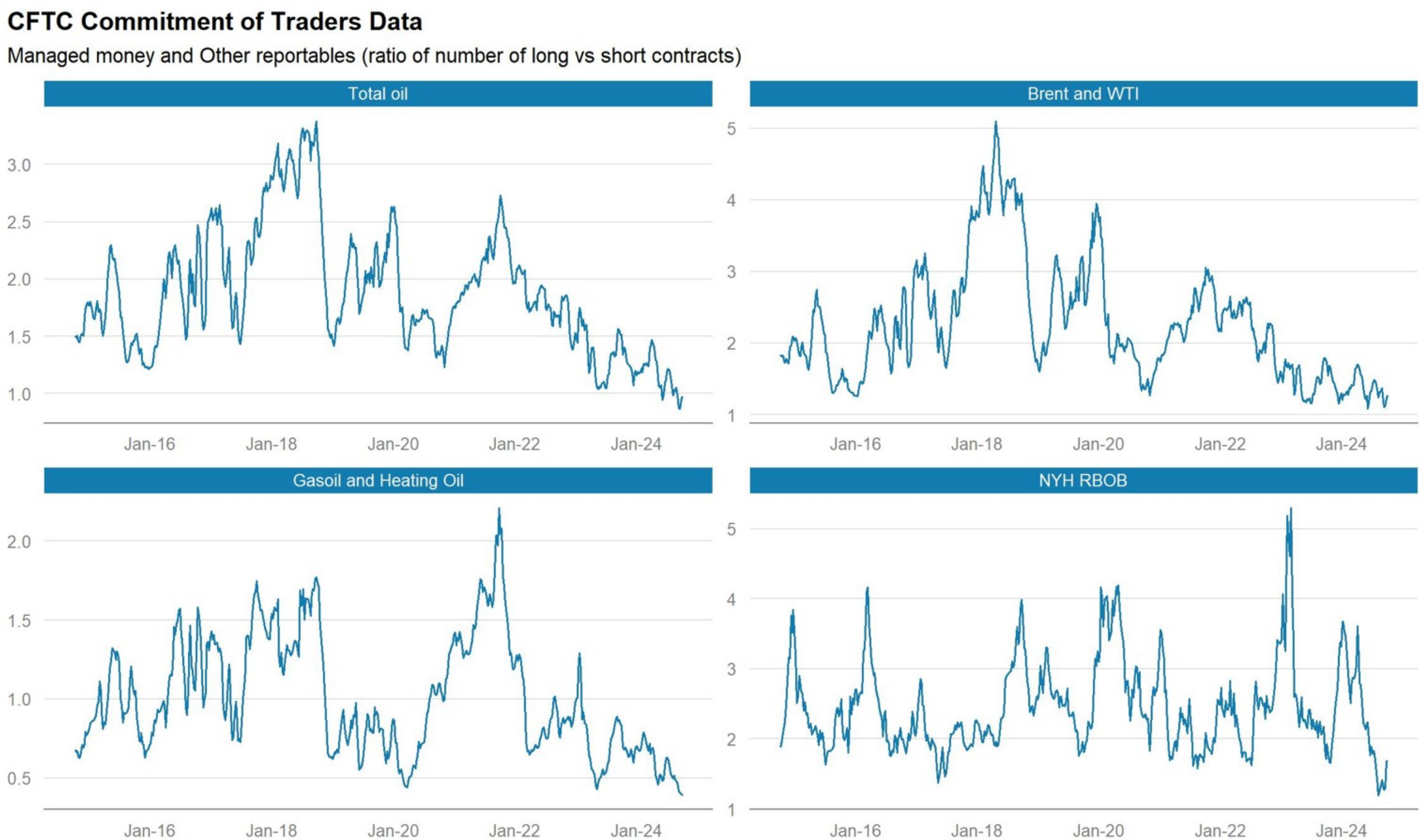
Key agency revisions

Exhibit 24:



Positioning

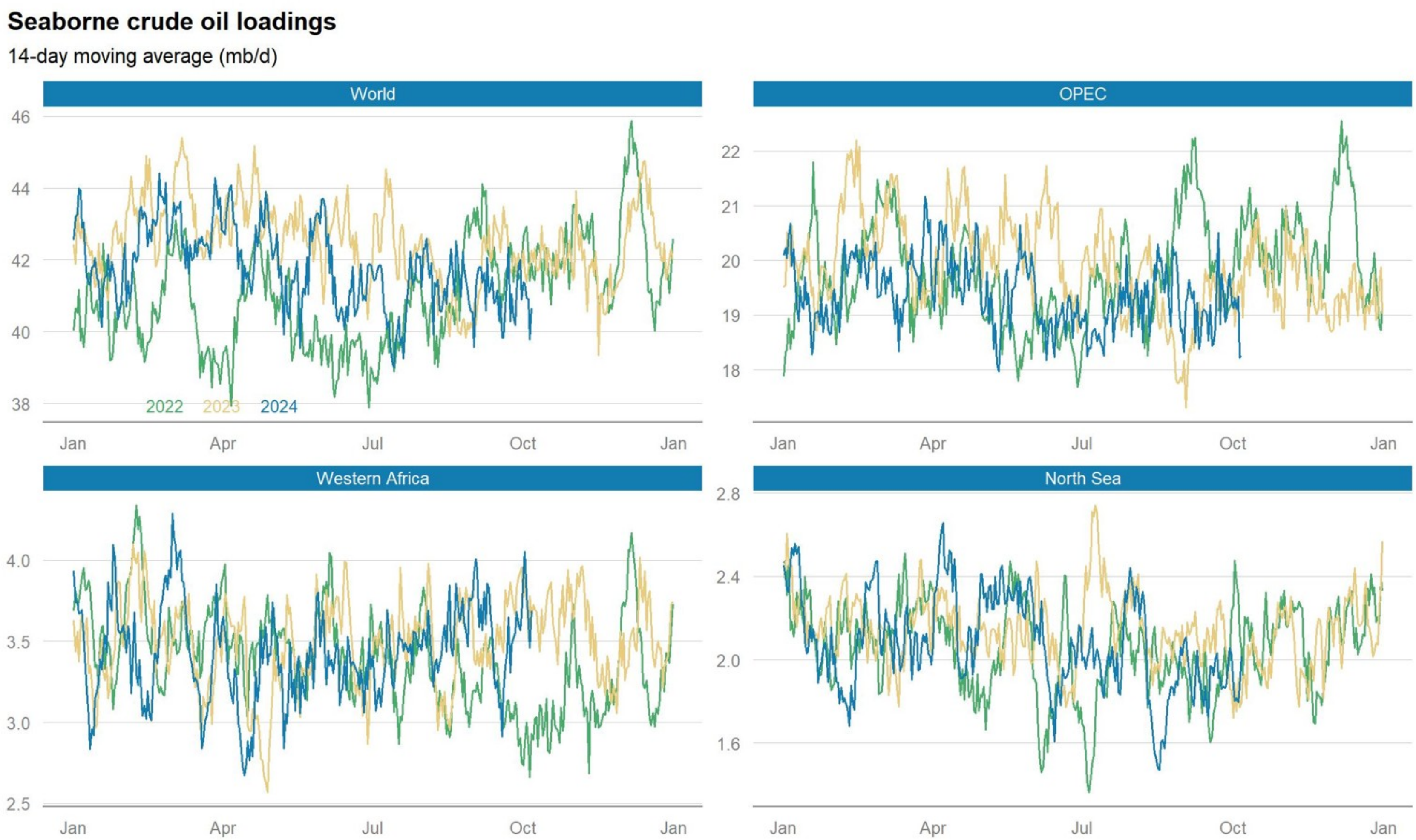
Exhibit 25:



Source: CFTC, Morgan Stanley Research

Seaborne exports – key countries

Exhibit 26:

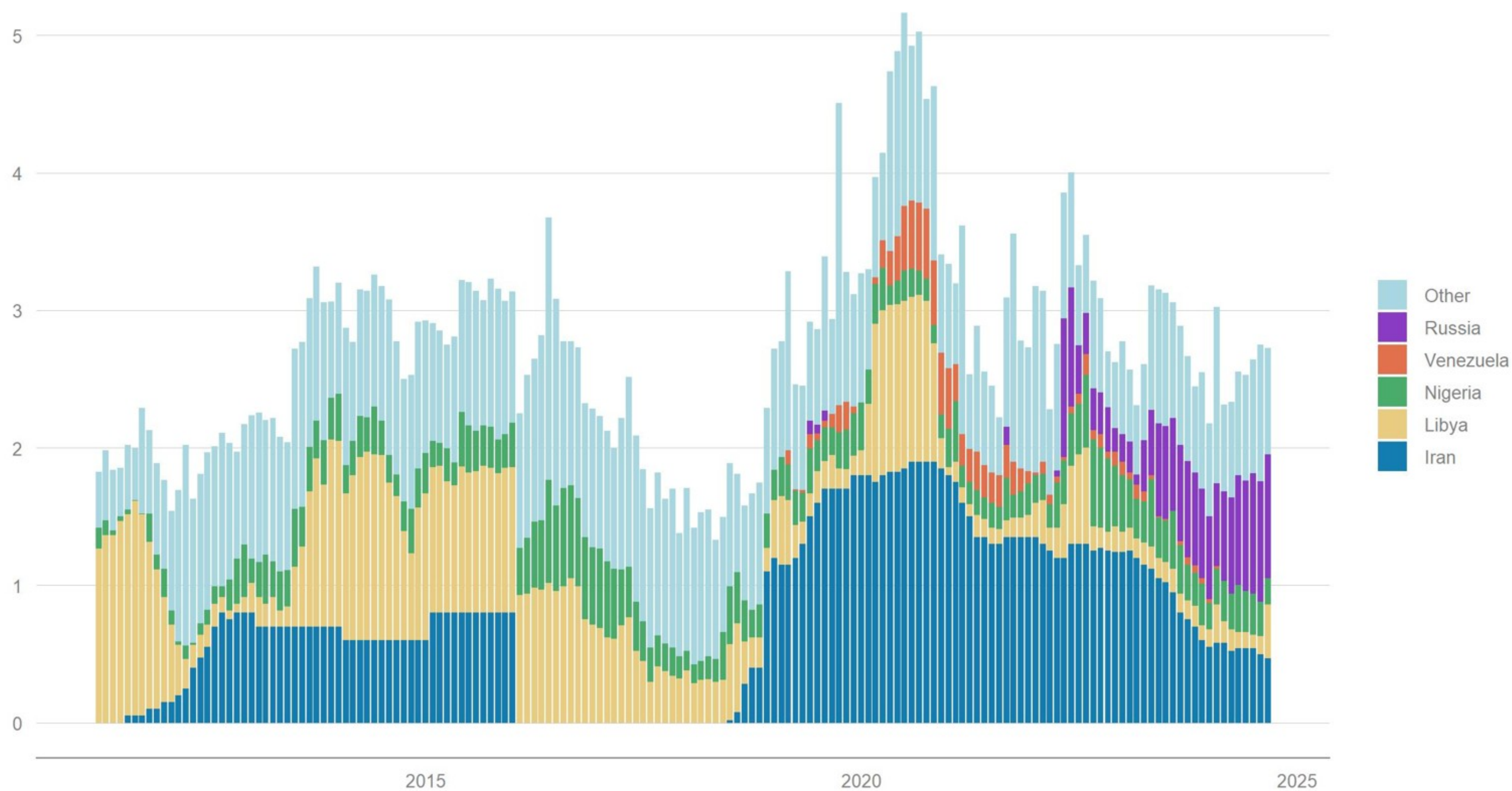


Source: Kpler, Morgan Stanley Research

Unplanned outages

Exhibit 27:

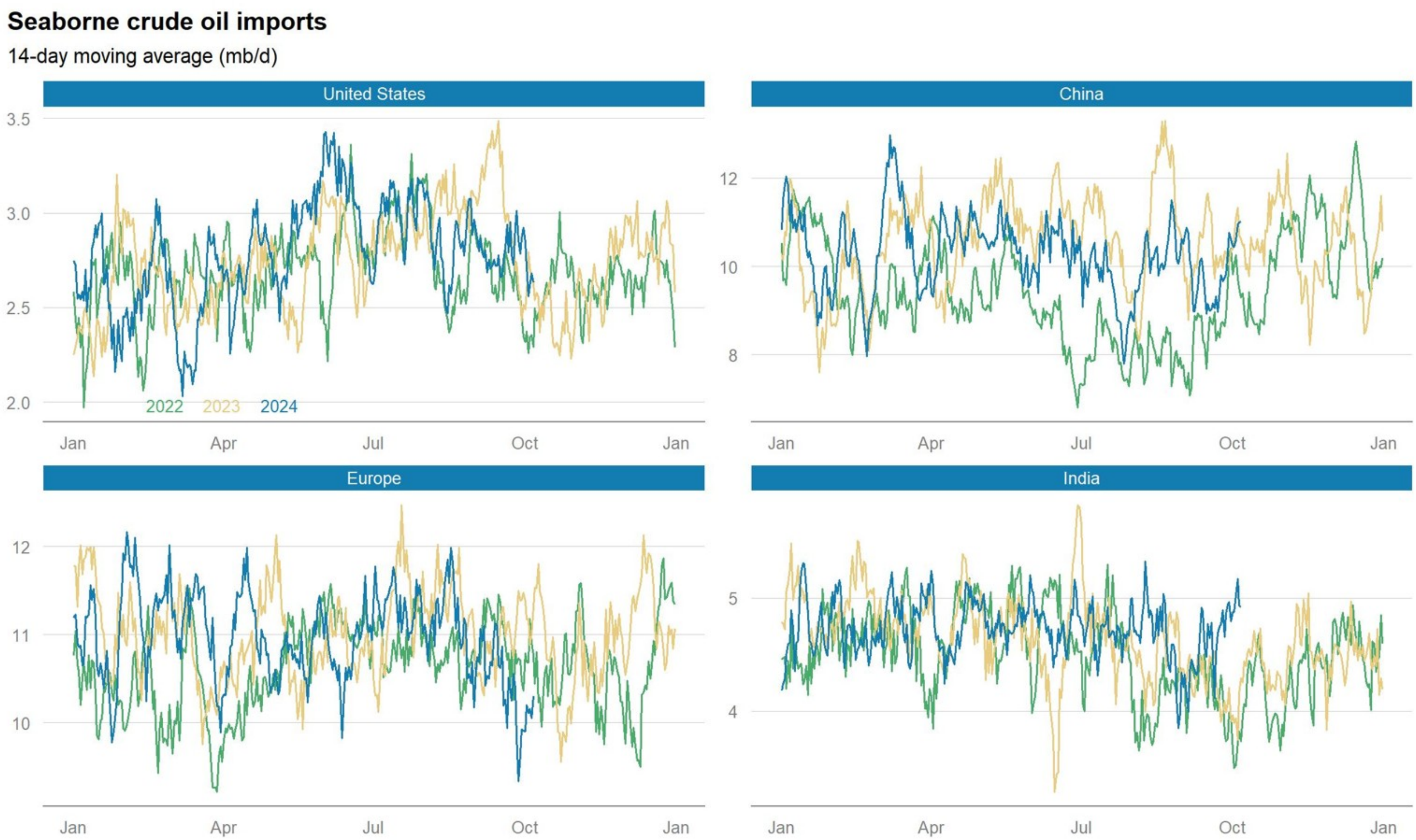
Unplanned oil production disruptions
Data to August 2024 in (mb/d)



Source: EIA/DOE, Morgan Stanley Research

Seaborne crude imports – key countries

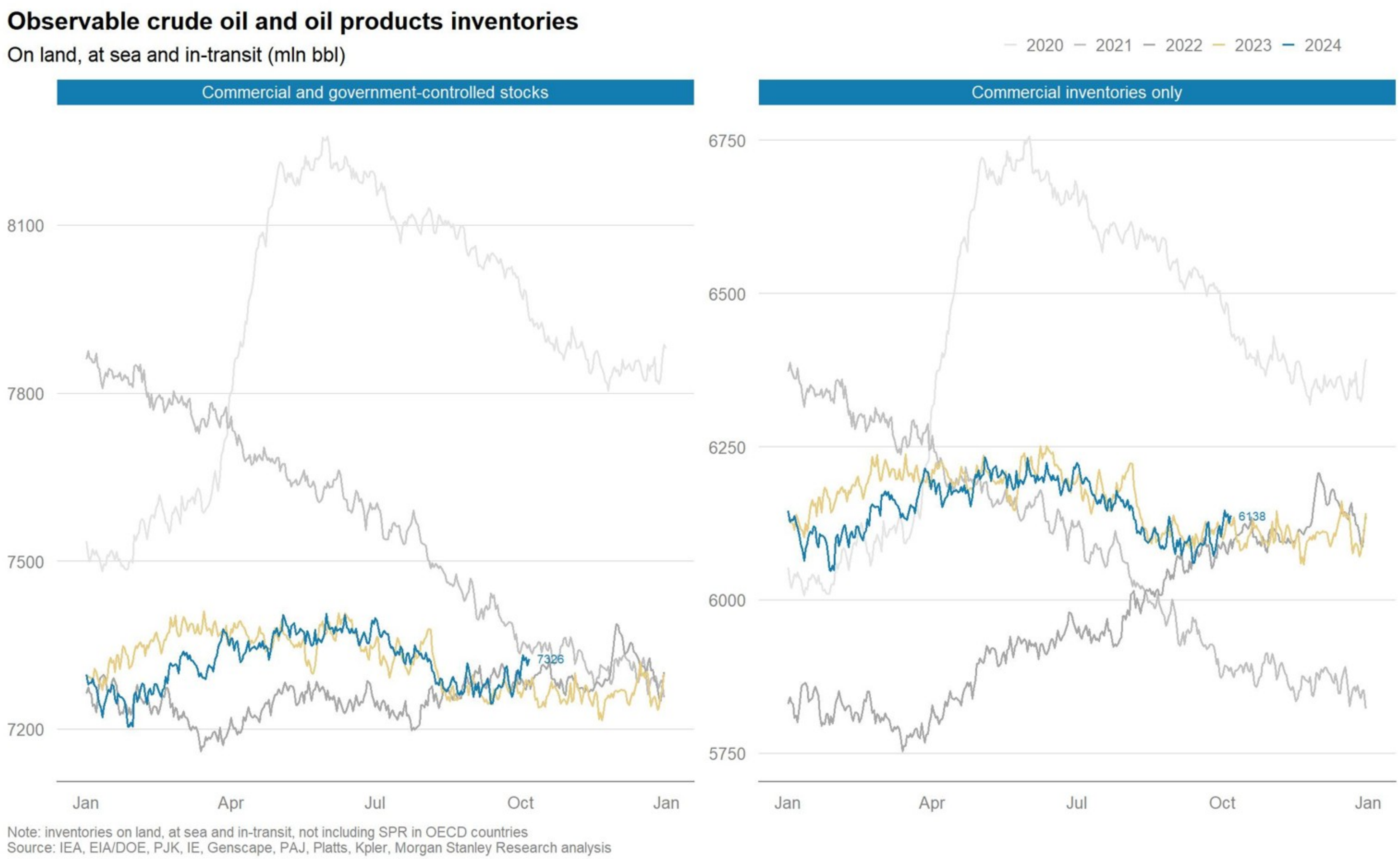
Exhibit 28:



Source: Kpler, Morgan Stanley Research

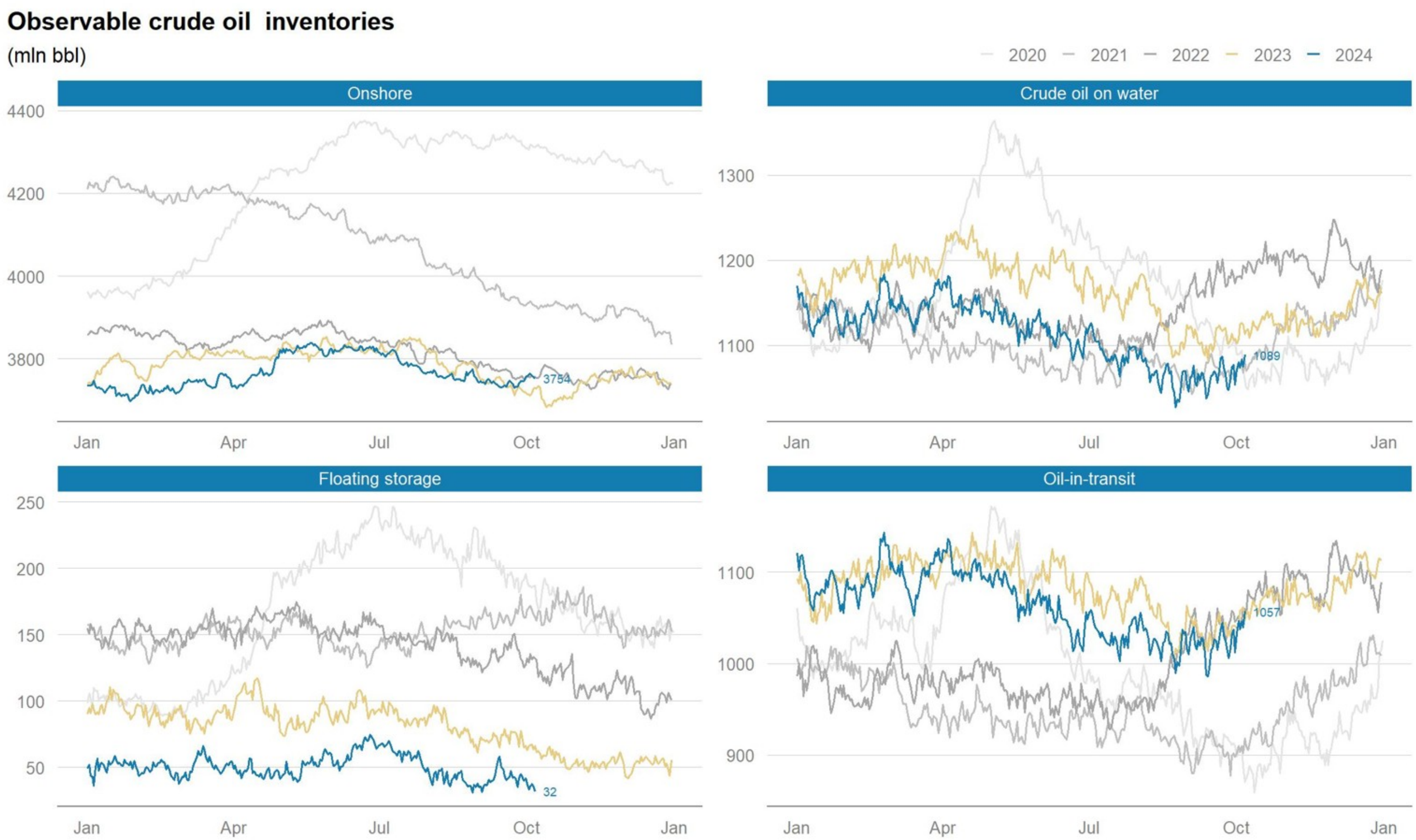
Global inventories

Exhibit 29:



Inventories by location

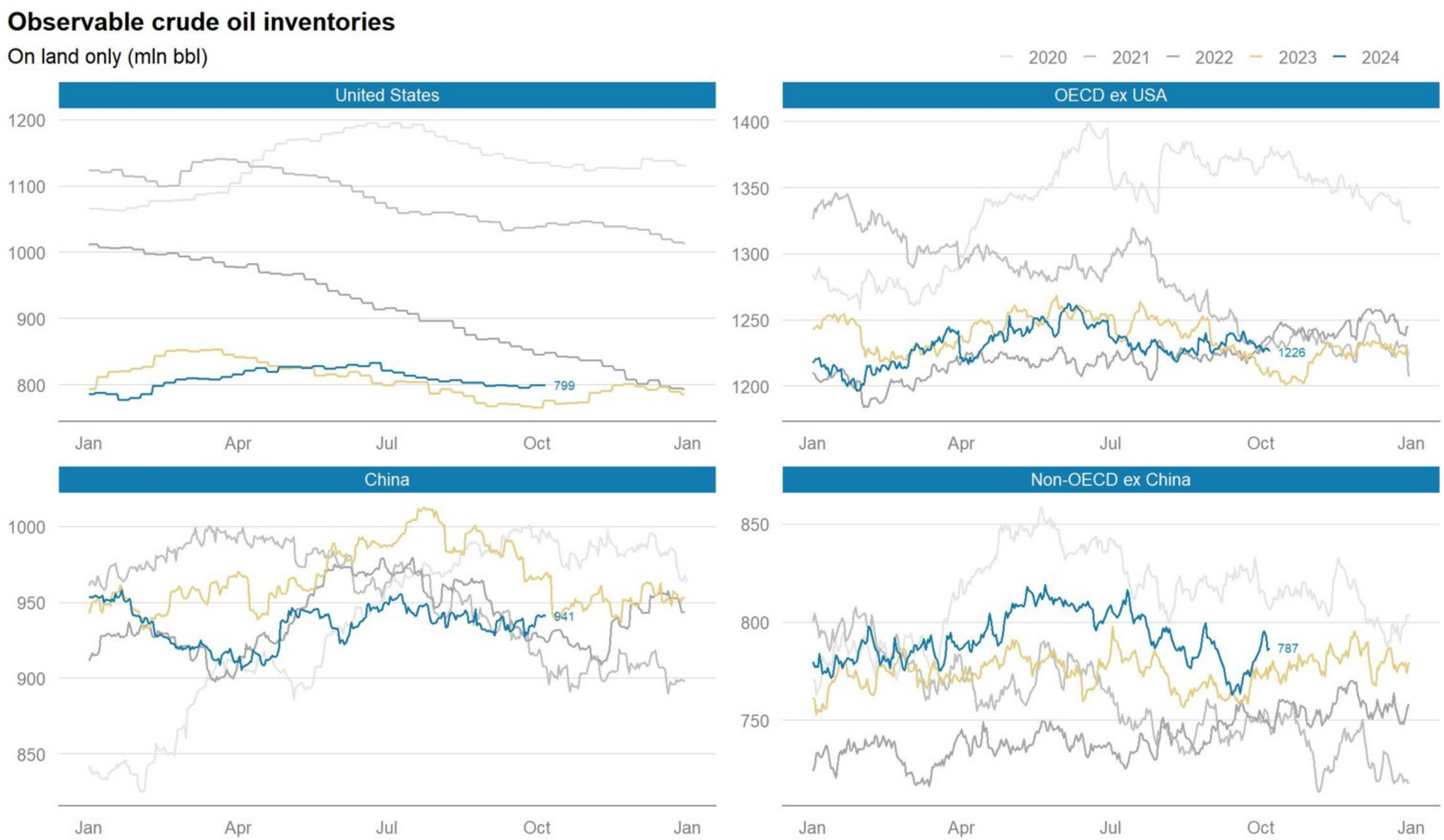
Exhibit 30:



Source: IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Kpler, Morgan Stanley Research analysis

Inventories by region

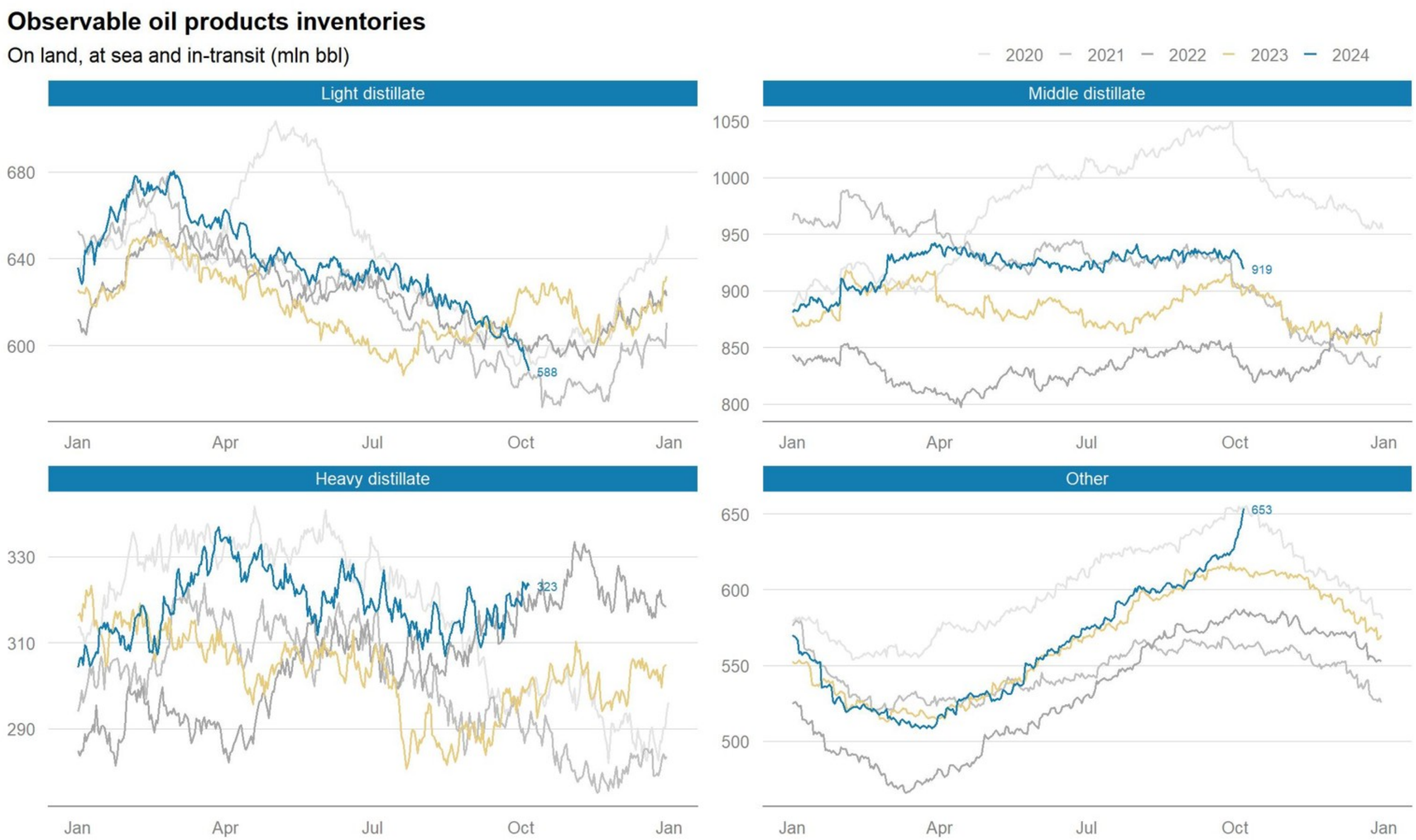
Exhibit 31:



Note: Also includes condensate, NGL and other refinery feedstock; inventories include SPR
Source: IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Kpler, Morgan Stanley Research analysis

Oil product inventories by type

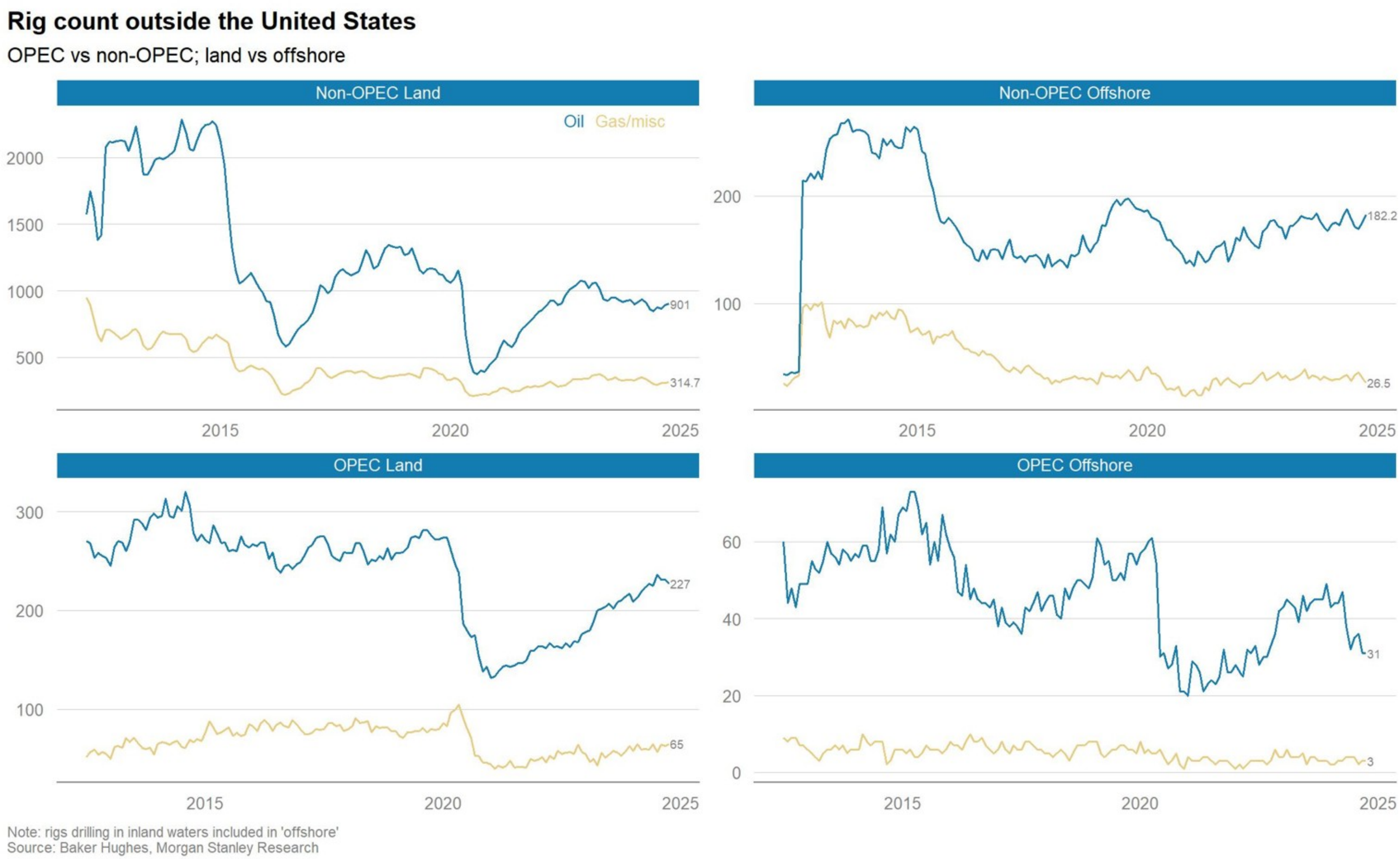
Exhibit 32:



Source: IEA, EIA/DOE, PJK, IE, PAJ, Platts, Kpler, Morgan Stanley Research analysis

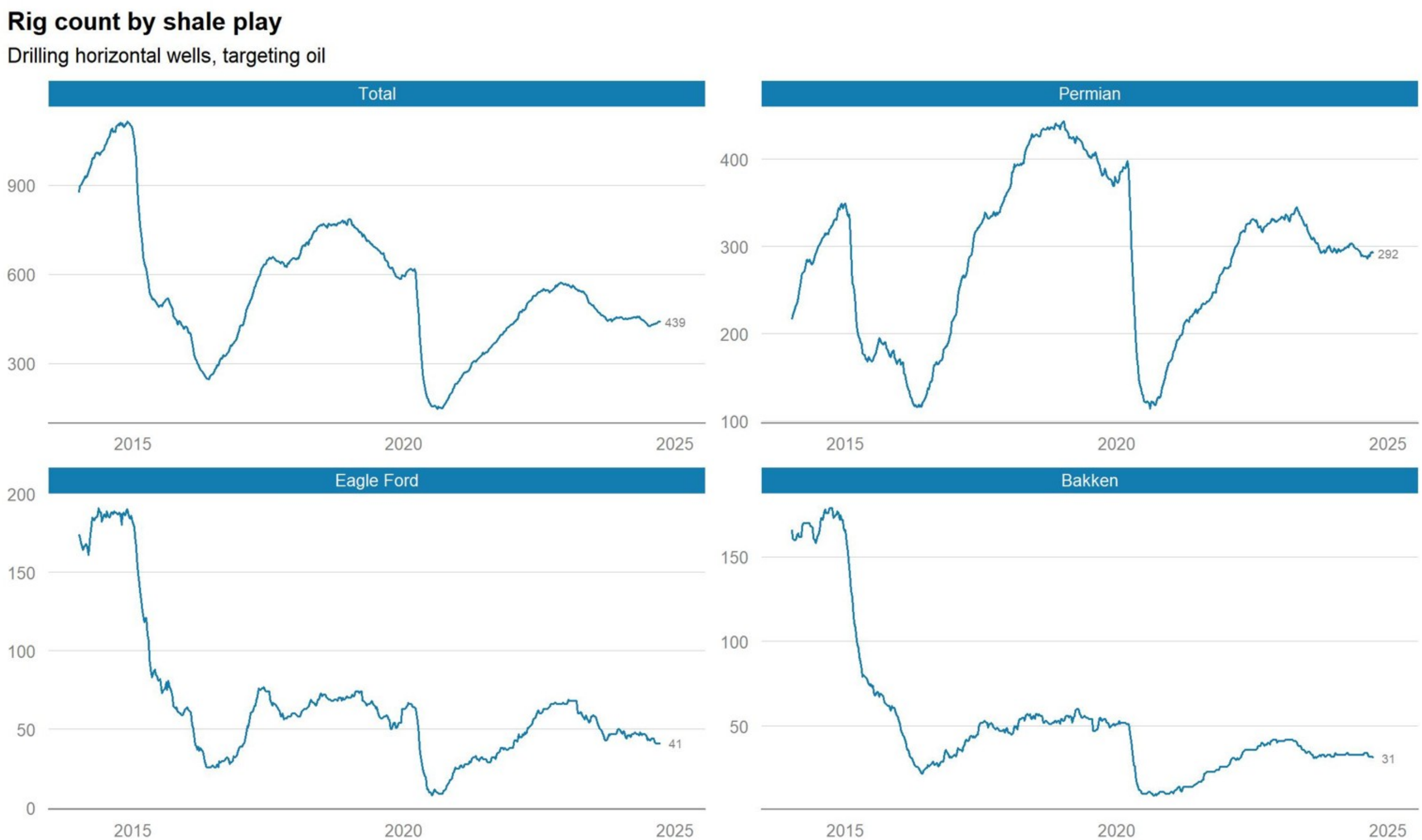
International rig count

Exhibit 33:



US rig count

Exhibit 34:



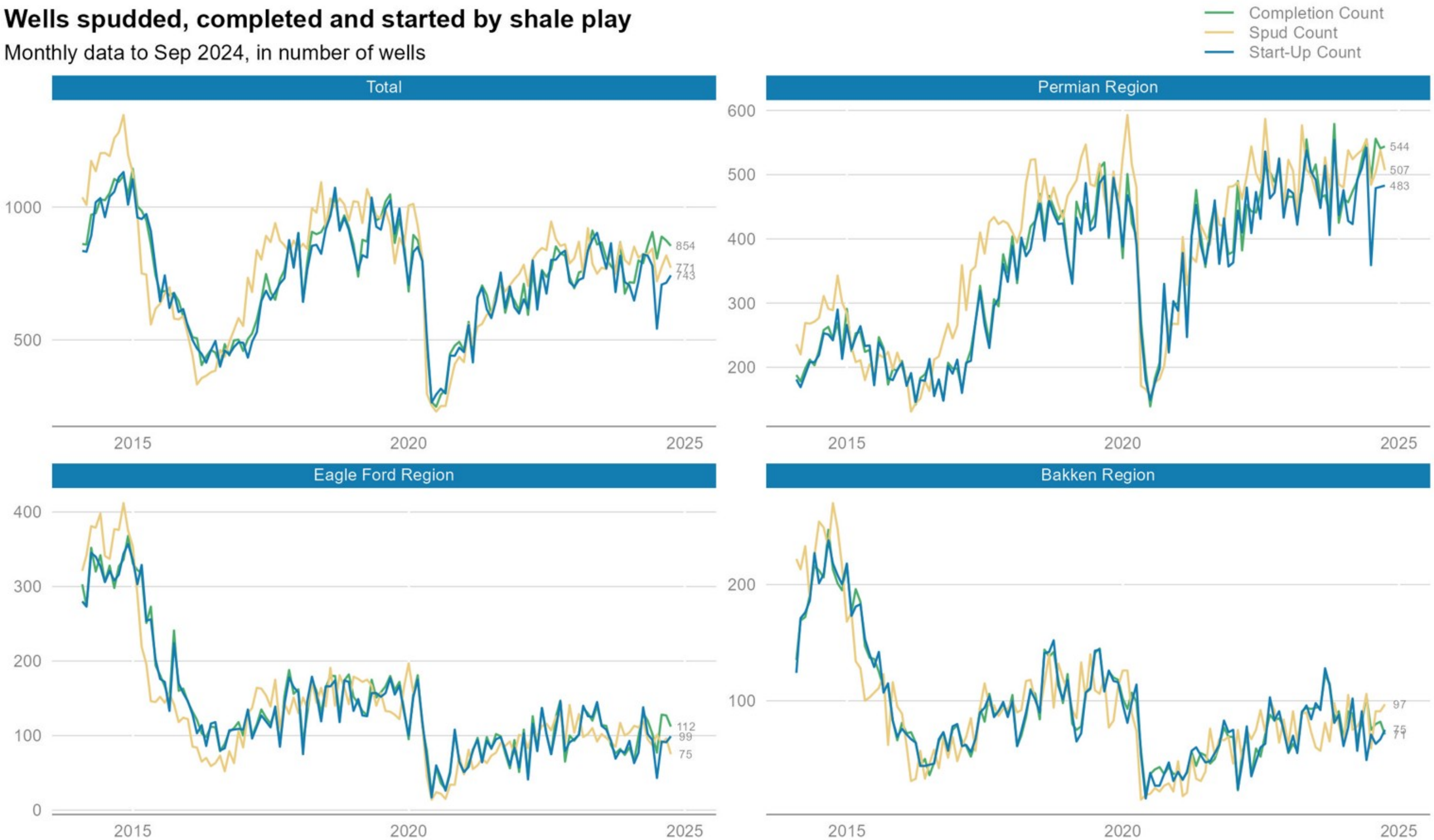
Source: Baker Hughes, Enervus, Morgan Stanley Research

US Shale – Wells spudded, completed and started

Exhibit 35:

Wells spudded, completed and started by shale play

Monthly data to Sep 2024, in number of wells



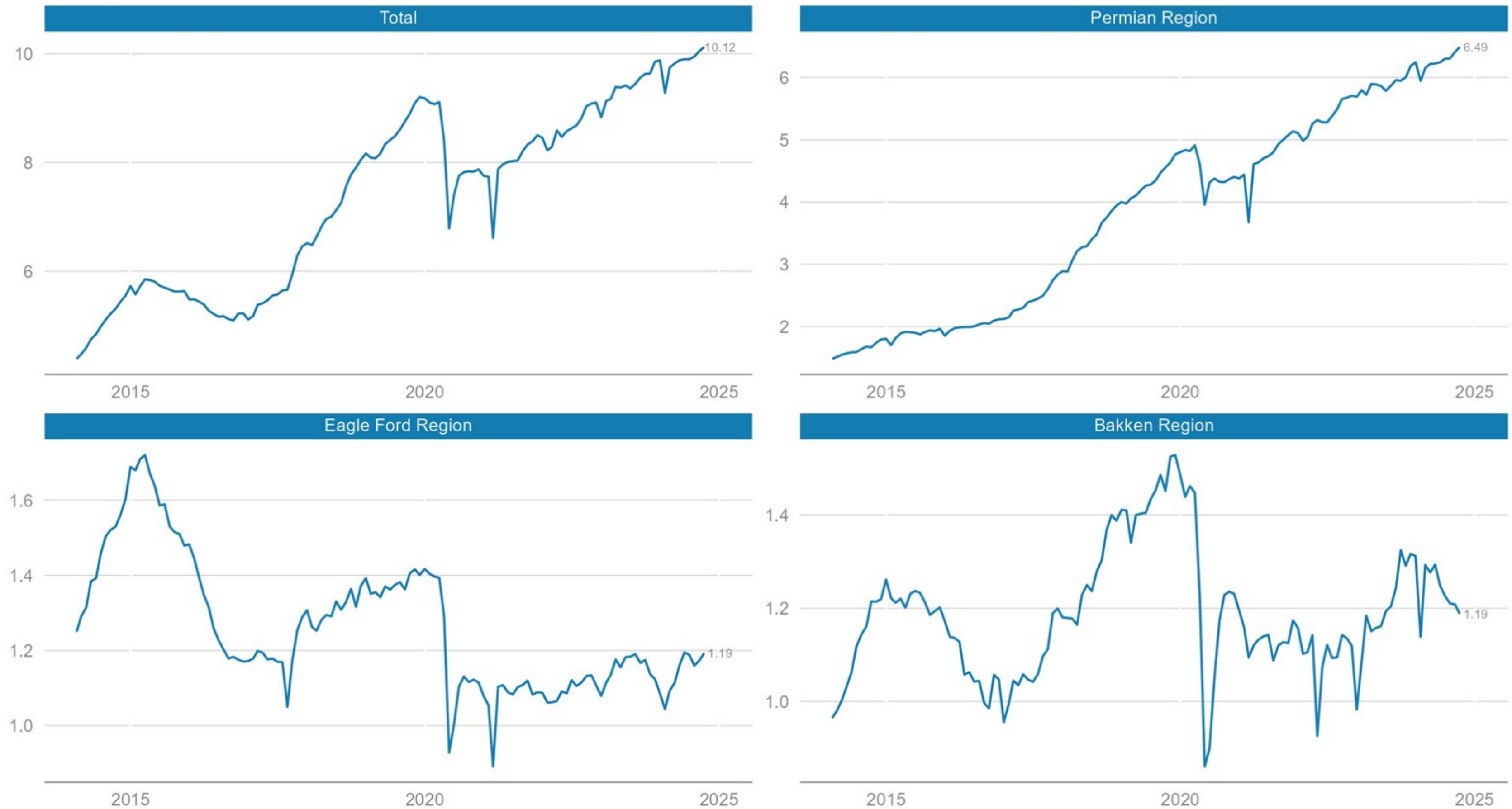
Note: Total is sum of Permian, Eagle Ford, Bakken, Niobrara, Haynessville, Utica, Anadarko and Marcellus regions
Source: Rystad Energy, Morgan Stanley Research

US Shale – Production

Exhibit 36:

Oil production by shale play

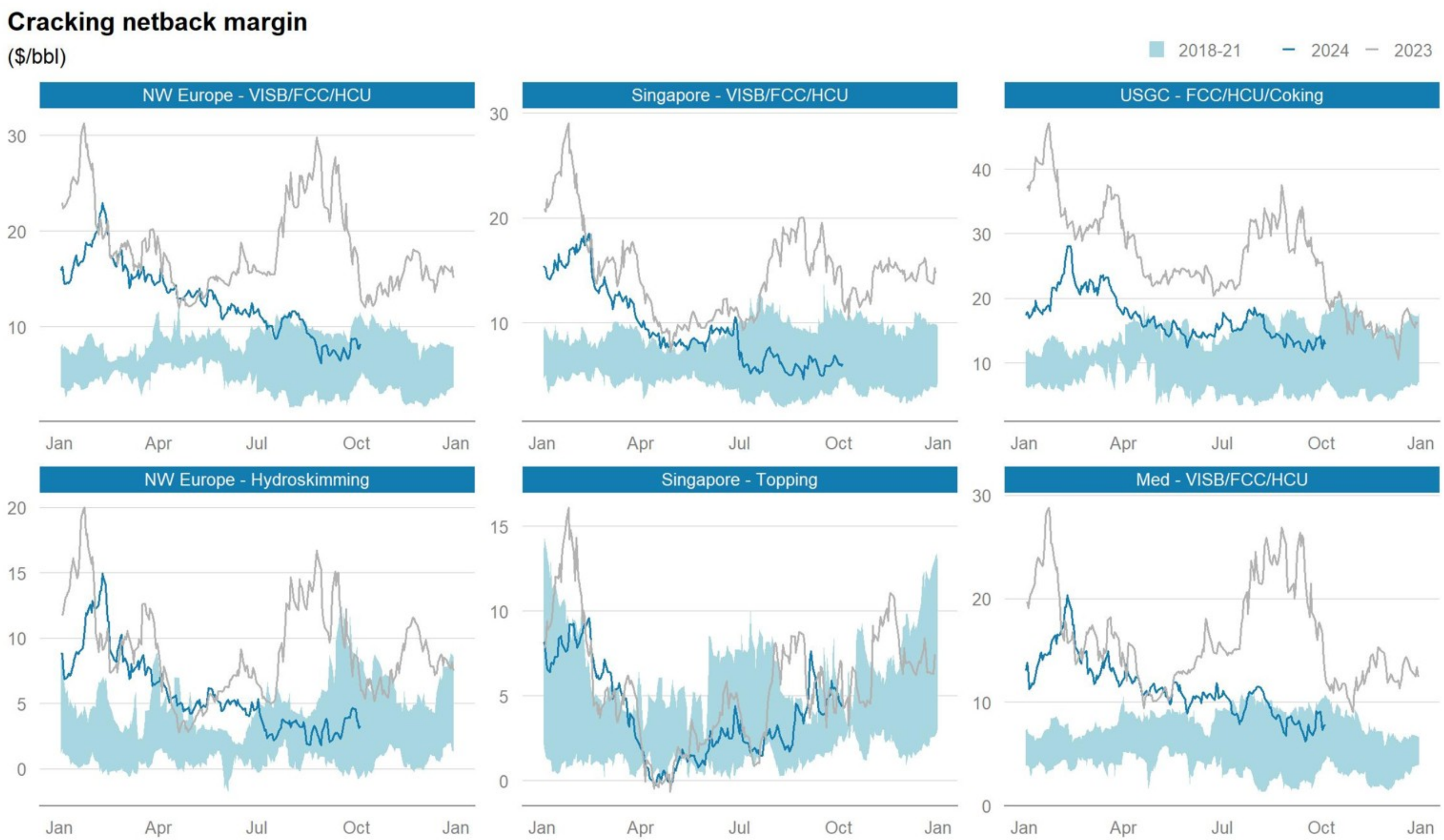
Data to Sep 2024, in mb/d



Note: Total is sum of Permian, Eagle Ford, Bakken, Niobrara, Haynessville, Utica, Anadarko and Marcellus regions
Source: Rystad Energy, Morgan Stanley Research

Refining margins

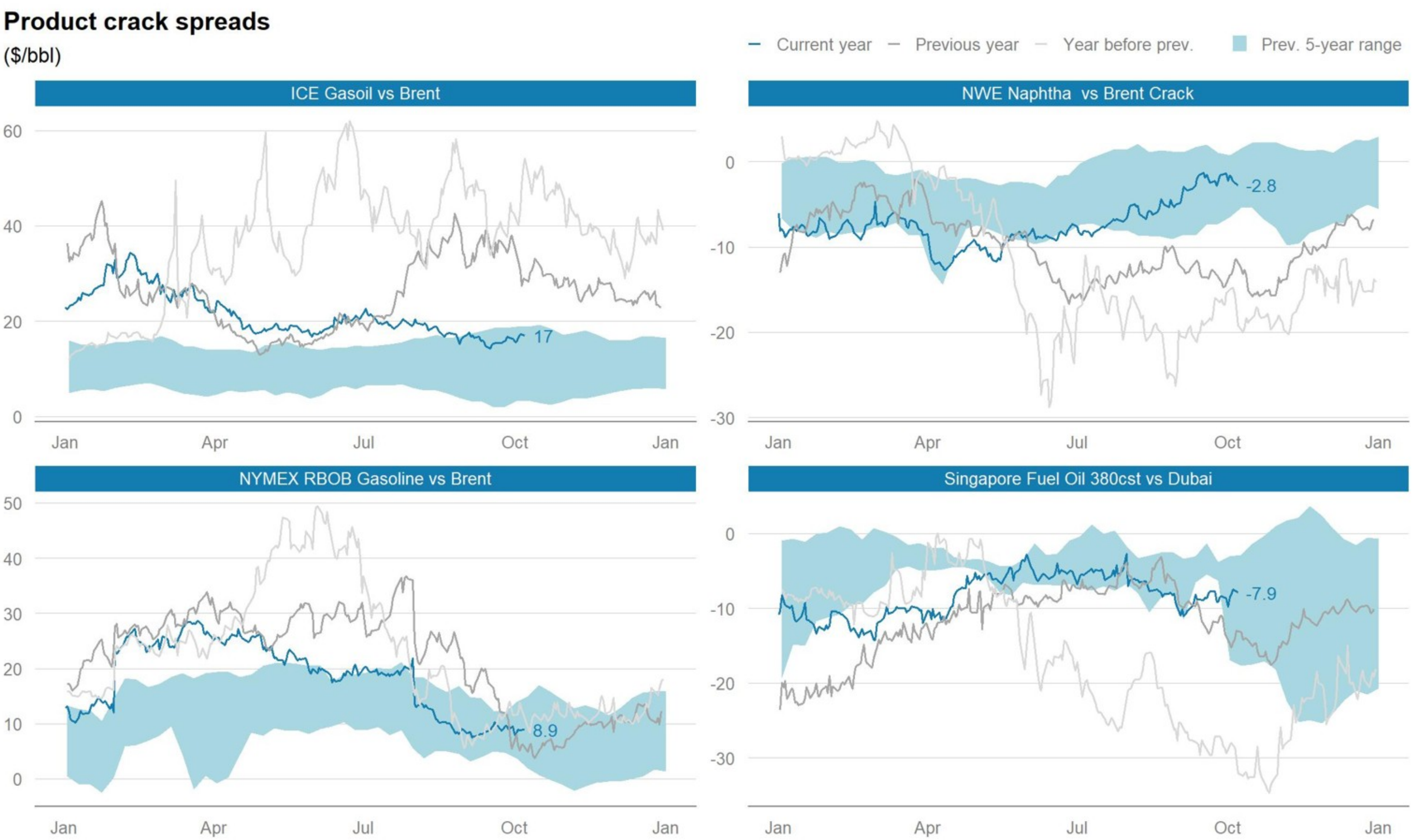
Exhibit 37:



Note: chart shows average margin that can be realised from the 5 most profitable crudes at any time in each particular location/configuration combination
Source: S&P Global Platts, Morgan Stanley Research

Product crack spreads

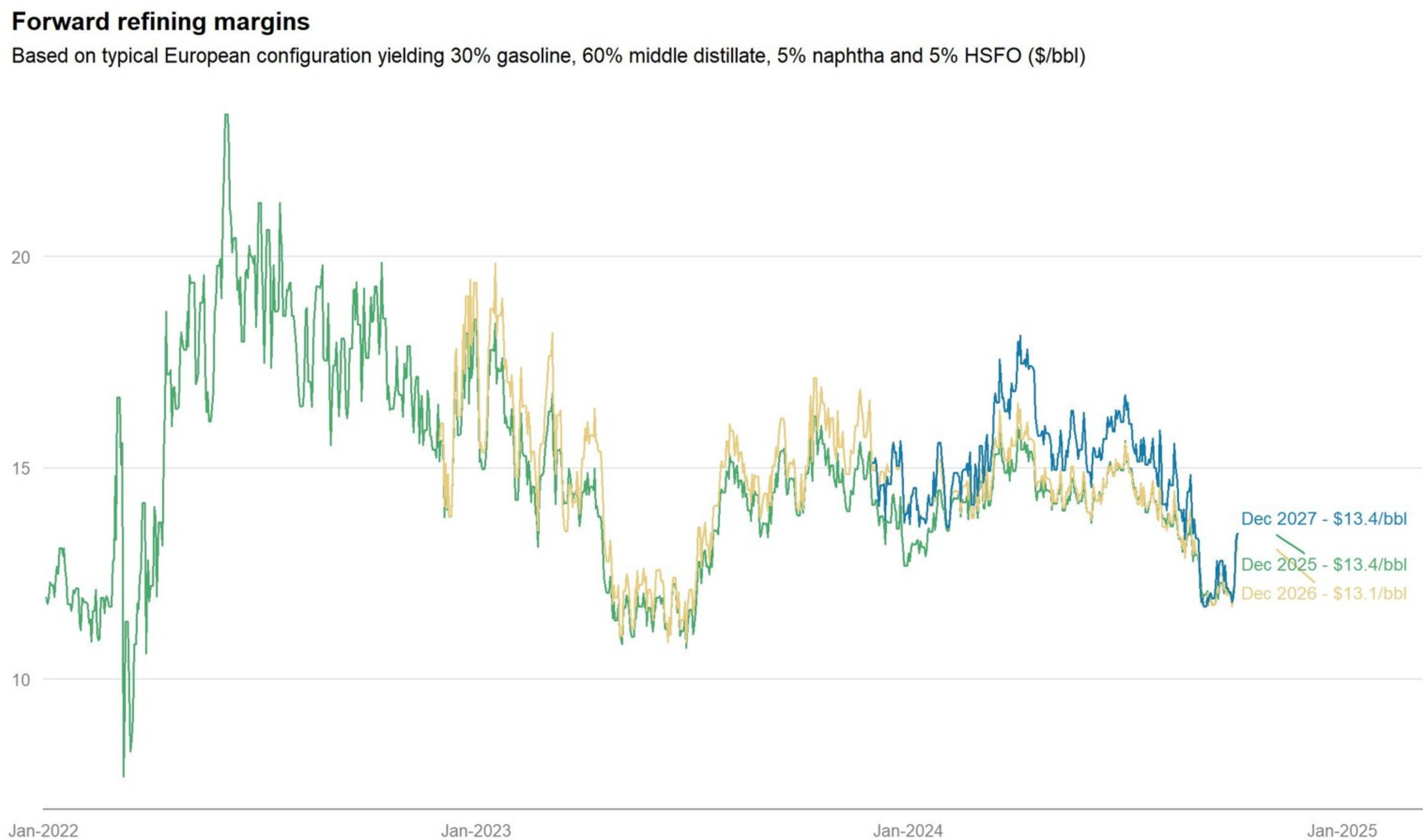
Exhibit 38:



Source: Platts, Bloomberg, Morgan Stanley Research

Forward refining margins

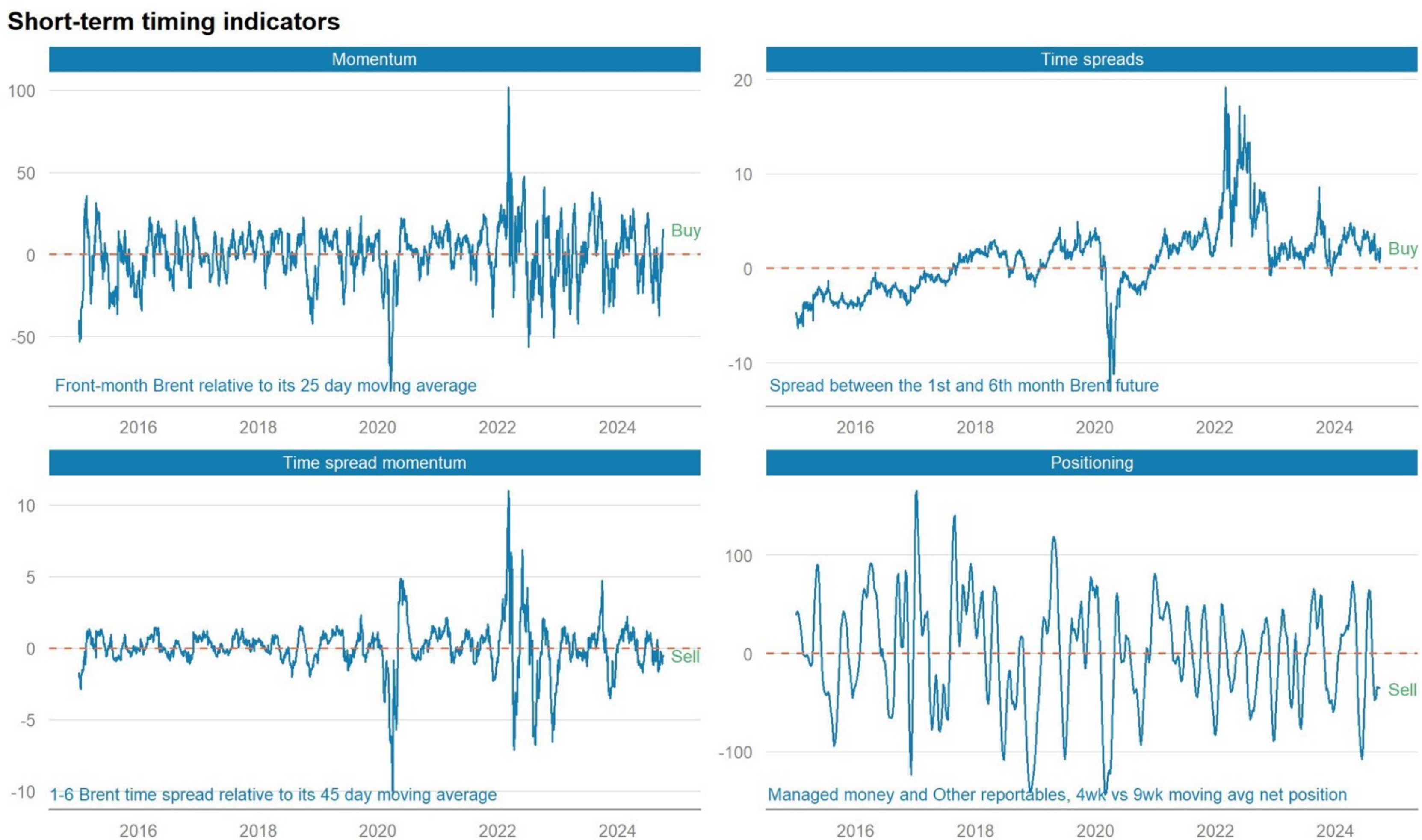
Exhibit 39:



Source: Bloomberg, Morgan Stanley Research

Short-term timing indicators

Exhibit 40:



Source: Bloomberg, Morgan Stanley Research

Performance of short-term timing indicators

Exhibit 41:

Return from strategies based on short-term timing indicators

Source: Bloomberg, Morgan Stanley Research

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
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Equal-weight/Hold	1724	46%	358	46%	21%	792	47%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	588	16%	81	11%	14%	238	14%
Total	3,740		771			1687	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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