

OPEC (+): Agreement extension with new distribution on individual quotas

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- OPEC and its allies adjusted their collective oil output cut from 1.2 Mbbl/d to 1.7 Mbbl/d (rising the quota by 500 Kbbbl/d) adapting the target to most recent production levels where some countries such as Saudi Arabia have surpassed their original quota. In this sense, the cut does not imply an effective additional withdrawal to global supply. It suggests a more equilibrated adherence discipline for the over- and under- compliance records achieved by pact-members and it will redistribute individual targets. Its implementation will be as of January 1st
- Different from previous efforts for output control, focus this time is framed under a shorter-term window and with stronger demands for individual pact-adherence, with Saudi Arabia holding the most dominant role. In this sense, Saudi Arabia will add 400 Kbbbl/d in voluntary cuts, resulting in a collective 2.1 Mbbl/d global supply reduction. Going forward, current policy will be reviewed on March 6th 2020 and on June 10th 2020
- Supply and demand balances are still the main motivation to support the cuts discipline, as other competitor's output surge (*i.e.* U.S.) and mild consumption –under a global economic outlook still rather uncertain for the following quarters– continue to present budget challenges. In this context, and considering global inventory levels, production cuts discipline are needed to avoid an oversupplied market which would be expressed in pressures to prices
- Additionally, Saudi Aramco's recent IPO has been a key factor to preserve a stable price guide. Consistent with the latter, Saudi Arabia is piling the sharpest production cuts. In our view, the strongest effect of this adjustment is to provide physical support to market balances and impose a floor for global benchmark prices
- We reiterate our expectation for Brent closing 2019 near 65 US\$/bbl, and levels averaging 60 US\$/bbl for 2020. However, regarding the latter, we acknowledge slight upward risks should the perception of global economic conditions improves for next year and OPEC+ holds a shorter-term approach to support global balances

OPEC+ Output¹

Mbbl/d

Country	September 2019 Supply	Average Compliance	New Target
Algeria	1.02	106%	1.01
Angola	1.38	274%	1.48
Congo	0.34	-150%	0.31
Equatorial Guinea	0.11	425%	0.12
Gabon	0.19	-450%	0.18
Iraq	4.77	-59%	4.46
Kuwait	2.65	154%	2.67
Nigeria	1.78	155%	1.75
Saudi Arabia	9.02	255%	10.14
U.A.E.	3.07	97%	3.01
Total OPEC 10	24.33	148%	25.14
Iran ²	2.19		
Libya ²	1.11		
Venezuela ²	0.65		
Total OPEC	28.28		
Azerbaijan	0.76	165%	0.77
Kazakhstan	1.84	55%	1.84
Mexico	1.91	225%	1.96
Oman	0.98	68%	0.96
Russia	11.58	83%	10.32
Others	1.29	-235%	1.17
Total Non-OPEC	18.36	86%	17.02

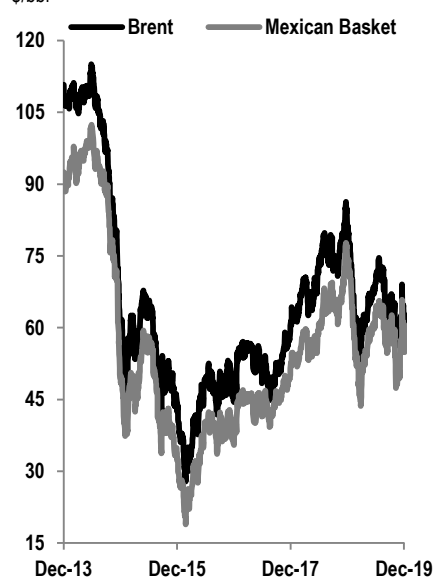
Source: IEA as of October 2019

¹ OPEC figures are crude oil only, Non-OPEC figures are total oil supply (including NGLs)

² Iran, Libya, Venezuela exempt from cuts

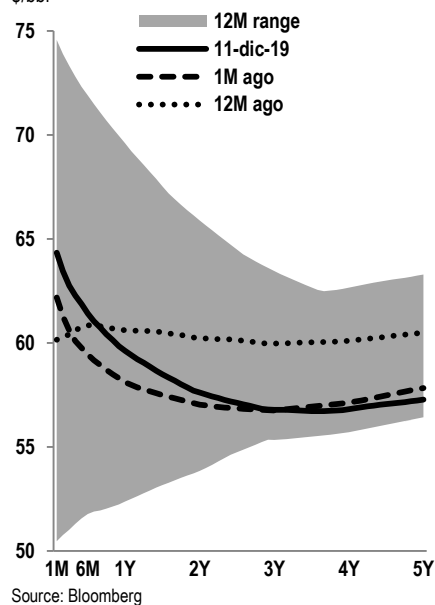
Brent and Mexican Mix Performance

\$/bbl



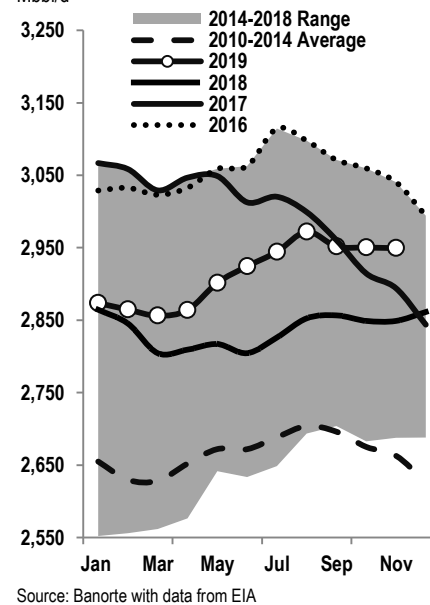
Brent futures curve

\$/bbl



OECD Commercial Inventory

Mbbl/d



Banorte's recent research notes on this subject

- (1) *“OPEC+ 9-month agreement extension”*, published on July 3rd, 2019 <[pdf](#)>
- (2) *“OPEC+ agrees a 1.2 Mbbl/d output cut”*, published on December 7th, 2018 <[pdf](#)>
- (3) *“OPEC+ will raise its output 1Mbbl/d”*, published on June 25th, 2018 <[pdf](#)>
- (4) *“OPEC & non-OPEC agreement to end in Dec’18”*, published on December 1st, 2017 <[pdf](#)>
- (5) *“OPEC & non-OPEC pact: 9 more months”*, published on May 26th, 2017, <[pdf](#)>
- (6) *“Oil Watch: A coordinated effort between OPEC and other producers”*, published on December 13th, 2016, <[pdf](#)>
- (7) *“OPEC: We have a deal, but let’s see who really sticks to it ”*, published on December 1st, 2016, <[pdf](#)>
- (8) *“OPEC at Algeria: Historical agreement with lingering doubts about implementation”*, published on September 29th, 2016, <[pdf](#)>

Recent trade ideas

Trade idea	P/L	Initial date	End date
Long positions in Mbonos Nov'47	L	25-Oct-19	20-Nov-19
Long positions in Mbonos Nov'36 & Nov'42	P	16-Aug-19	24-Sep-19
Long positions in the short-end of Mbonos curve	P	19-Jul-19	2-Aug-19
Long positions in Mbonos Nov'42	L	5-Jul-19	12-Jul-19
Long positions in Mbonos Nov'36 & Nov'38	P	10-Jun-19	14-Jun-19
Long positions in Mbonos Jun'22 & Dec'23	P	9-Jan-19	12-Feb-19
Long floating-rate Bondes D	P	31-Oct-18	3-Jan-19
Long CPI-linkded Udibono Jun'22	L	7-Aug-18	31-Oct-18
Long floating-rate Bondes D	P	30-Apr-18	3-Aug-18
Long 20- to 30-year Mbonos	P	25-Jun-18	9-Jul-18
Short Mbonos	P	11-Jun-18	25-Jun-18
Long CPI-linkded Udibono Jun'19	P	7-May-18	14-May-18
Long 7- to 10-year Mbonos	L	26-Mar-18	23-Apr-18
Long CPI-linkded Udibono Jun'19	P	20-Mar-18	26-Mar-18
Long 5- to 10-year Mbonos	P	5-Mar-18	20-Mar-18
Long floating-rate Bondes D	P	15-Jan-18	12-Mar-18
Long 10-year UMS Nov'28 (USD)	L	15-Jan-18	2-Feb-18

P = Profit, L = Loss

Track of directional fixed-income trade recommendations

Trade idea	Entry	Target	Stop-loss	Closed	P/L	Initial date	End date
Long Udibono Dec'20	3.05%	2.90%	3.15%	3.15%	L	9-Aug-17	6-Oct-17
5y 10y TIIE-IRS steepener	28bps	43bps	18bps	31bps	P ²	15-Feb-17	15-Mar-17
5y 10y TIIE-IRS steepener	35bps	50bps	25bps	47bps	P	5-Oct-16	19-Oct-16
Long Mbono Jun'21	5.60%	5.35%	5.80%	5.43%	P	13-Jul-16	16-Aug-16
Long Udibono Jun'19	1.95%	1.65%	2.10%	2.10%	L	13-Jul-16	16-Aug-16
Receive 1-year TIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% ¹	P	12-Nov-15	8-Feb-16
Long spread 10-year TIIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	30-Sep-15	23-Oct-15
Receive 9-month TIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	3-Sep-15	18-Sep-15
Spread TIIE 2/10 yrs (flattening)	230bps	200bps	250bps	200bps	P	26-Jun-15	29-Jul-15
Long Mbono Dec'24	6.12%	5.89%	6.27%	5.83%	P	13-Mar-15	19-Mar-15
Relative-value trade, long 10-year Mbono (Dec'24) / flattening of the curve					P	22-Dec-14	6-Feb-15
Pay 3-month TIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	29-Jan-15	29-Jan-15
Pay 9-month TIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	29-Jan-15	29-Jan-15
Pay 5-year TIIE-IRS (65x1)	5.25%	5.39%	5.14%	5.14%	L	4-Nov-14	14-Nov-14
Long Udibono Dec'17	0.66%	0.45%	0.82%	0.82%	L	4-Jul-14	26-Sep-14
Relative-value trade, long Mbonos 5-to-10-year					P	5-May-14	26-Sep-14
Receive 2-year TIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	11-Jul-14	10-Sep-14
Receive 1-year TIIE-IRS (13x1)	4.04%	3.85%	4.20%	3.85%	P	6-Feb-14	10-Apr-14
Long Udibono Jun'16	0.70%	0.45%	0.90%	0.90%	L	6-Jan-14	4-Feb-14
Long Mbono Jun'16	4.47%	3.90%	4.67%	4.06%	P	7-Jun-13	21-Nov-13
Receive 6-month TIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	10-Oct-13	25-Oct-13
Receive 1-year TIIE-IRS (13x1)	3.85%	3.55%	4.00%	3.85%	--	10-Oct-13	25-Oct-13
Long Udibono Dec'17	1.13%	0.95%	1.28%	1.35%	L	9-Aug-13	10-Sep-13
Receive 9-month TIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	21-Jun-13	12-Jul-13
Spread TIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	7-Jun-13	11-Jun-13
Receive 1-year TIIE-IRS (13x1)	4.22%	4.00%	4.30%	4.30%	L	19-Apr-13	31-May-13
Long Udibono Jun'22	1.40%	1.20%	1.55%	0.97%	P	15-Mar-13	3-May-13
Receive 1-year TIIE-IRS (13x1)	4.60%	4.45%	4.70%	4.45%	P	1-Feb-13	7-Mar-13
Long Mbono Nov'42	6.22%	5.97%	6.40%	5.89%	P	1-Feb-13	7-Mar-13
Long Udibono Dec'13	1.21%	0.80%	1.40%	1.40%	L	1-Feb-13	15-Apr-13
Receive 1-year TIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	11-Jan-13	24-Jan-13
Receive TIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	19-Oct-12	8-Mar-13
Spread TIIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	21-Sep-13	8-Mar-13
Long Udibono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	1-May-12	27-Nov-12
Long Udibono Dec'13	+1.06%	0.90%	+1.35%	0.90%	P	1-May-12	14-Dec-12

¹ Carry +roll-down gains of 17bps

² Closed below target and before the proposed horizon date due to changes in market conditions that have differed from our expectations.

Short-term tactical trades

Trade Idea	P/L*	Entry	Exit	Initial Date	End date
Long USD/MXN	P	19.30	19.50	11-Oct-19	20-Nov-19
Long USD/MXN	P	18.89	19.35	20-Mar-19	27-Mar-19
Long USD/MXN	P	18.99	19.28	15-Jan-19	11-Feb-19
Long USD/MXN	P	18.70	19.63	16-Oct-18	3-Jan-19
Short USD/MXN	P	20.00	18.85	2-Jul-18	24-Jul-18
Long USD/MXN	P	19.55	19.95	28-May-18	4-Jun-18
Long USD/MXN	P	18.70	19.40	23-Apr-18	14-May-18
Long USD/MXN	P	18.56	19.20	27-Nov-17	13-Dec-17
Long USD/MXN	L	19.20	18.91	6-Nov-17	17-Nov-17
Long USD/MXN	P	18.58	19.00	9-Oct-17	23-Oct-17
Short USD/MXN	L	17.80	18.24	4-Sep-17	25-Sep-17
Long USD/MXN	P	14.40	14.85	15-Dec-14	5-Jan-15
Long USD/MXN	P	13.62	14.11	21-Nov-14	3-Dec-14
Short EUR/MXN	P	17.20	17.03	27-Aug-14	4-Sep-14
Short USD/MXN	L	12.70	13.00	26-Jul-13	21-Aug-13

Source: Banorte

Track of the directional FX trade recommendations*

Trade Idea	Entry	Target	Stop-loss	Closed	P/L*	Initial Date	End date
Long USD/MXN	18.57	19.50	18.20	18.20	L	19-Jan-18	2-Apr-18
Long USD/MXN	14.98	15.50	14.60	15.43	P	20-Mar-15	20-Apr-15
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	5-Jan-15	15-Jan-15
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	10-Sep-14	26-Sep-14
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	6-May-14	13-Jun-14
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	31-Oct-13	8-Nov-13
Limit short USD/MXN	13.25	12.90	13.46	--	--	11-Oct-13	17-Oct-13
Short EUR/MXN	16.05	15.70	16.40	15.69	P	29-Apr-13	9-May-13
Long USD/MXN	12.60	12.90	12.40	12.40	L	11-Mar-13	13-Mar-13
Long USD/MXN	12.60	12.90	12.40	12.85	P	11-Jan-13	27-Feb-13
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	10-Dec-12	17-Dec-12
Short EUR/MXN	16.64	16.10	16.90	16.94	L	03-Oct-12	30-Oct-12

* Total return does not consider carry gain/losses

** Low strike (long call) at 13.00, high strike (short call) at 13.30 for a premium of 0.718% of notional amount

Certification of Analysts.

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