



Saudi Oil Minister's Options Limited 6/12/23

On June 5th, I wrote that the Saudi Oil Minister might have overplayed his hand. He loves to punish the non-physical shorts, but the pain this time might be his.

He referred to the one million barrel per day Saudi cut as the Saudi Lollipop. Lollipop is defined as a hard candy on a stick or **sucker**. He has not been able to gather support from any other producer (particularly the Russians), and he was left exposed all by himself. It was our view that this, more than the cut, would keep the paper market short and the forecasts of \$90-100 a barrel would prove to be widely exaggerated.

Brent is well below \$75, and the minister's options are limited. For quite some time, Saudi exports were stable at 7.3-7.5 MMB/D. The million b/d cut would now bring their production to 9 MMB/D. That would suggest an export of under 6 MMB/D, leaving them little room to cut further.

The Saudis could restore the 1 million B/D cut (it was for one month with options), but that would only weaken the market further and reward the shorts. Therefore, the Saudis are more likely to keep the cut for an extra month. This gives him time to try to work things out with Russia, Kuwait, Iraq, and the UAE.

While he is the brother of MBS, there are no guarantees in life.