

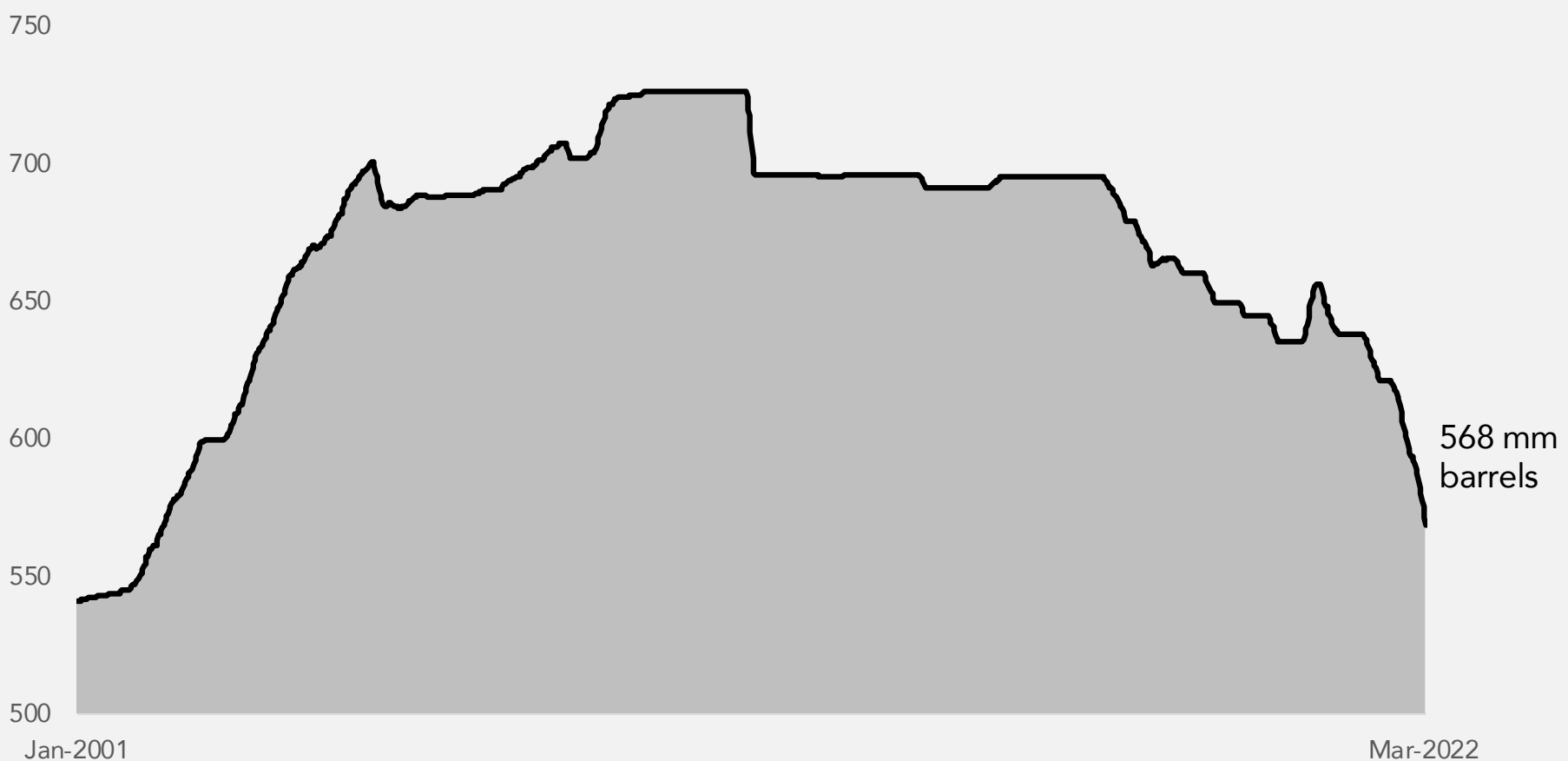
Chart of the Day

Last week, President Biden announced the release of up to 180 million barrels of oil from the US Strategic Petroleum Reserve (SPR). The release, which would take place over 6 months, represents the largest ever planned SPR drawdown. In addition, the International Energy Agency agreed to a second coordinated oil release, though the size has not yet been announced.

While SPR drawdowns may alleviate some near-term pricing pressure, global oil supply remains tight. MUFG's Head of Emerging Market Research – EMEA, Ehsan Khoman, notes that the Russia induced risk premium in oil prices is likely to remain embedded in markets for months. With global inventories at record lows and additional supply expected to take months to come online (and be politically driven), Khoman expects demand destruction to be the only immediate market balancing mechanism. As a result, Khoman has increased his oil price forecasts and expects Brent to reach \$144 by the end of Q3 before falling back to \$103 by year end.

President Biden announced the largest ever planned SPR drawdown, 180 million barrels over 6 months

SPR total inventory, millions of barrels



Source: (1) Bloomberg. Data as of April 4, 2022.

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