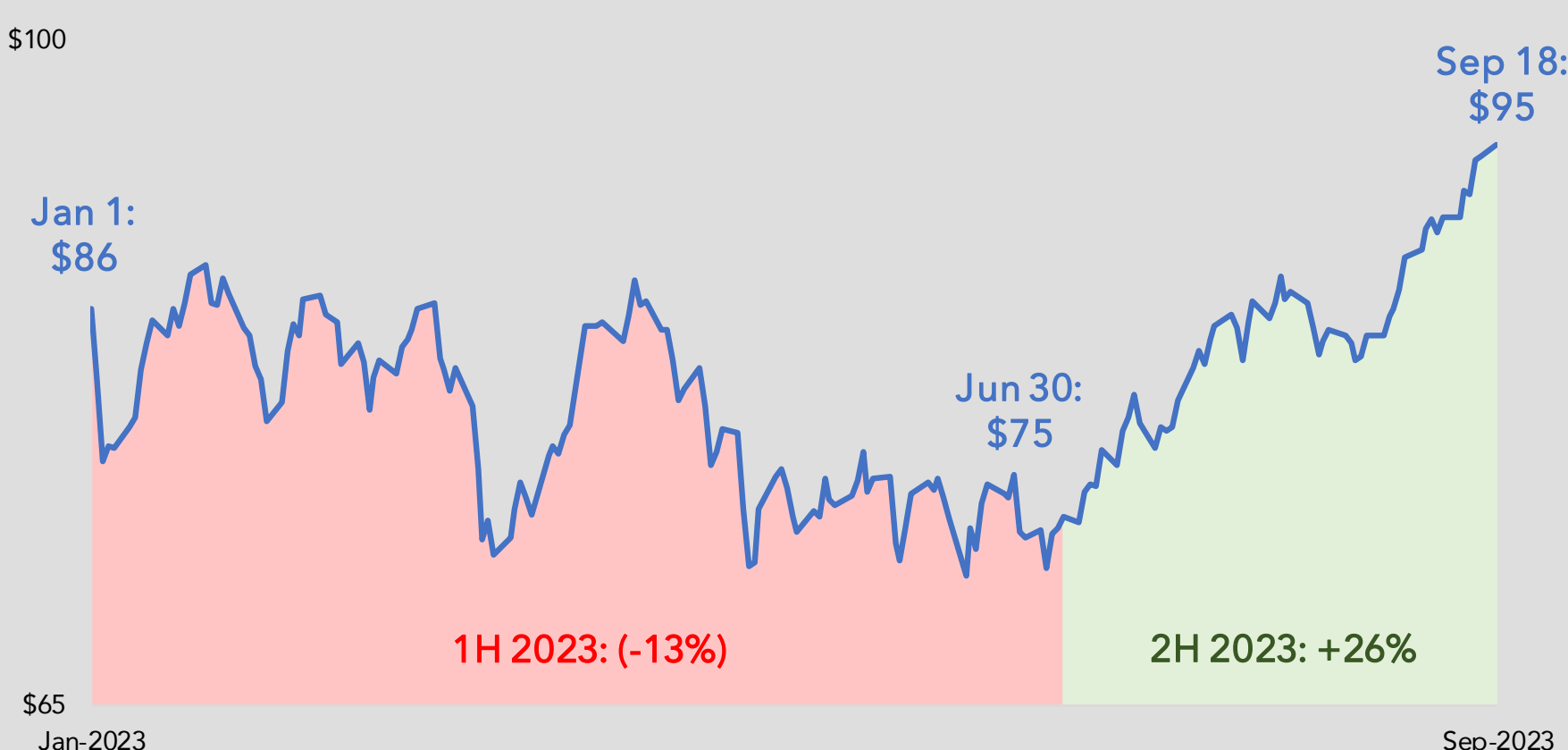


# Chart of the Day

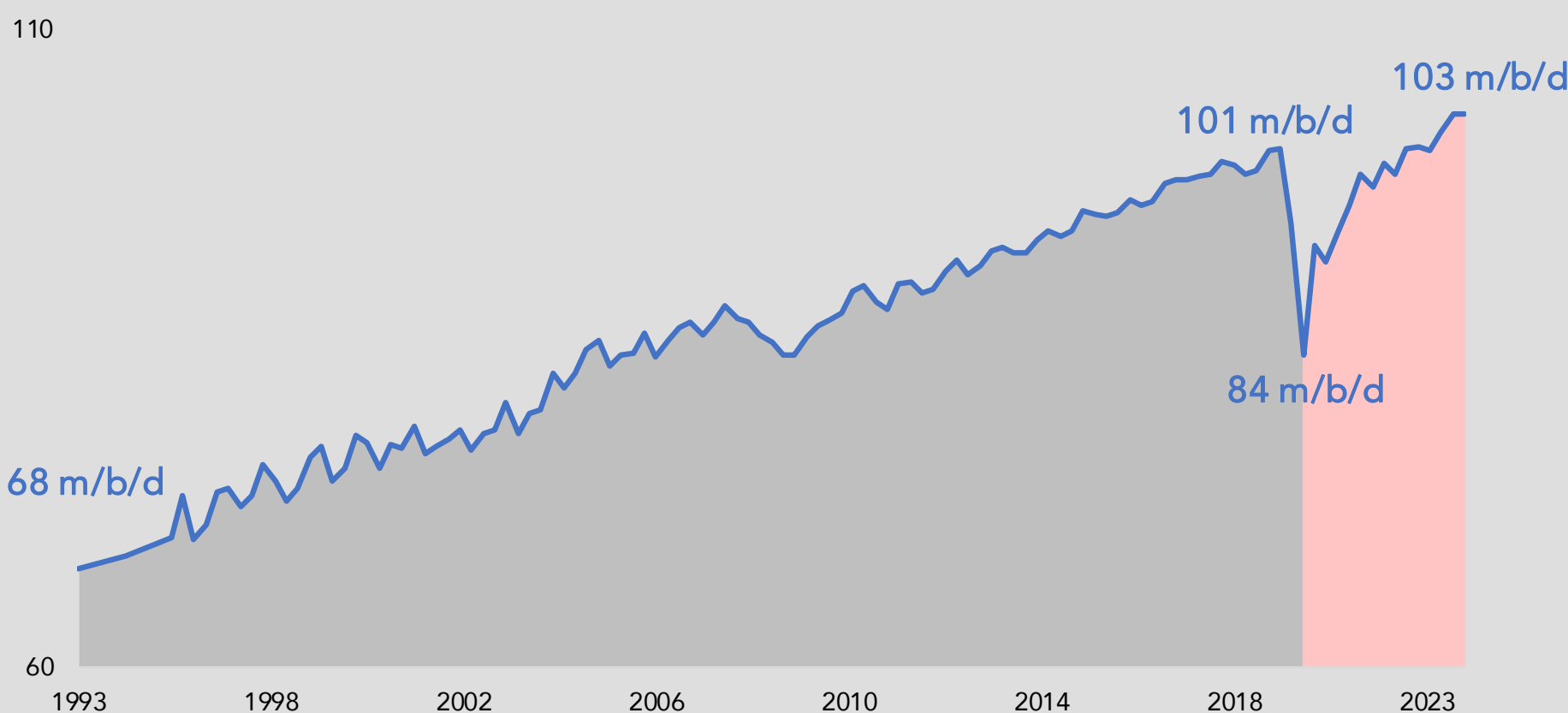
A resilient economy, record demand, and disciplined supply cuts through year-end by OPEC + Russia have driven oil prices to their highest level in 2023 - up more than 25% in Q3 and fast-approaching \$100 per barrel. Prices for oil-derivative products have also risen sharply, including gasoline and diesel (up 20% and 40%, respectively, in August), as well as jet fuel (up > 50% since May).

## Brent



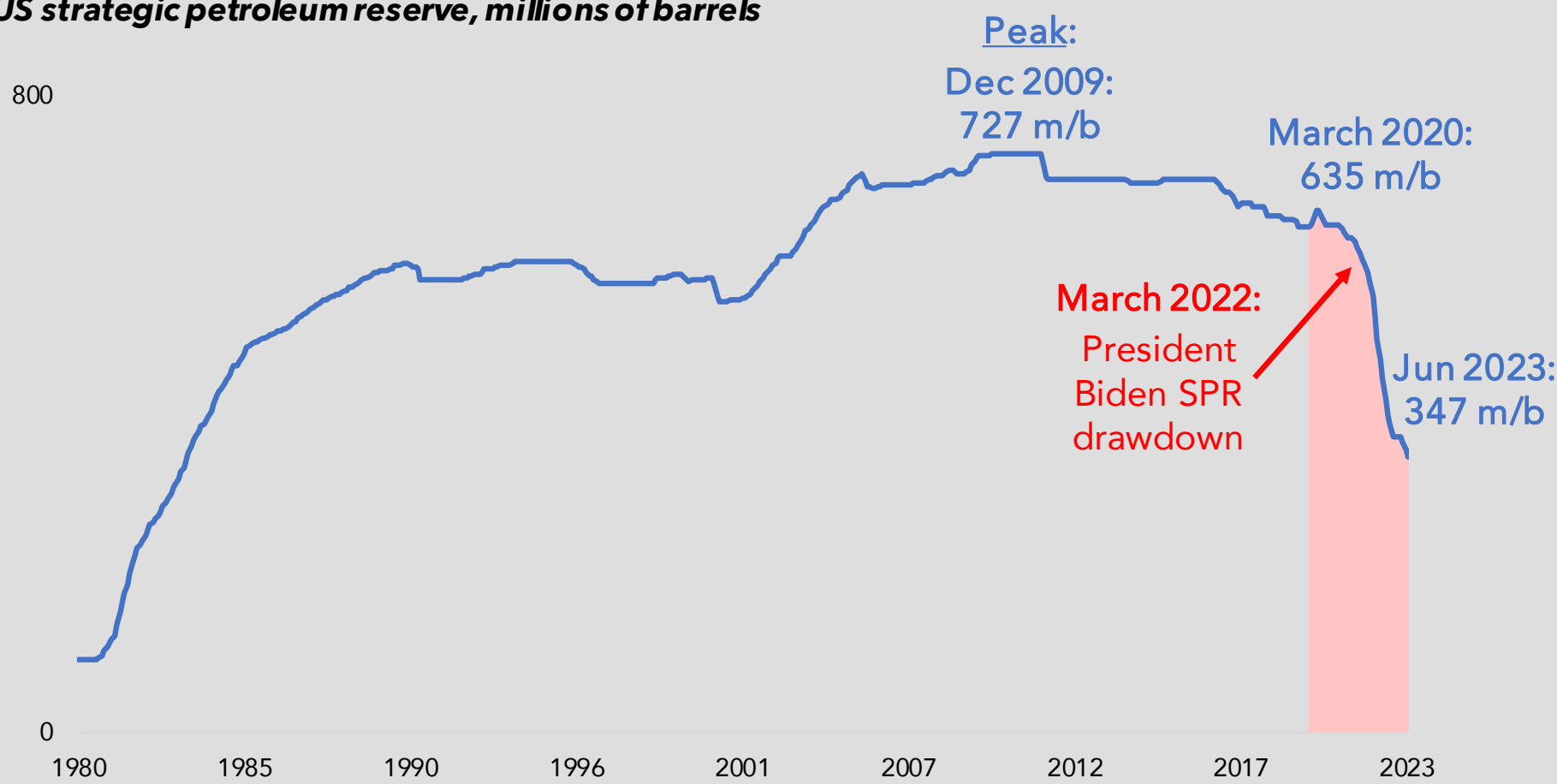
Following the hottest Northern Hemisphere summer on record, and a resilient (though decelerating) global economy, global oil demand stands at a record high of 103 m/b/d. As noted by MUFG's Ehsan Khoman, OPEC+ has enjoyed "inelastic" pricing power in 2023, that is, the ability to cut production and raise prices without adversely impacting demand. However, Ehsan notes that oil above \$100 may challenge OPEC's "medium term stability" mandate, potentially creating demand destruction with a weakening and/or tepid global consumer.

## Global oil demand, millions, barrels a day



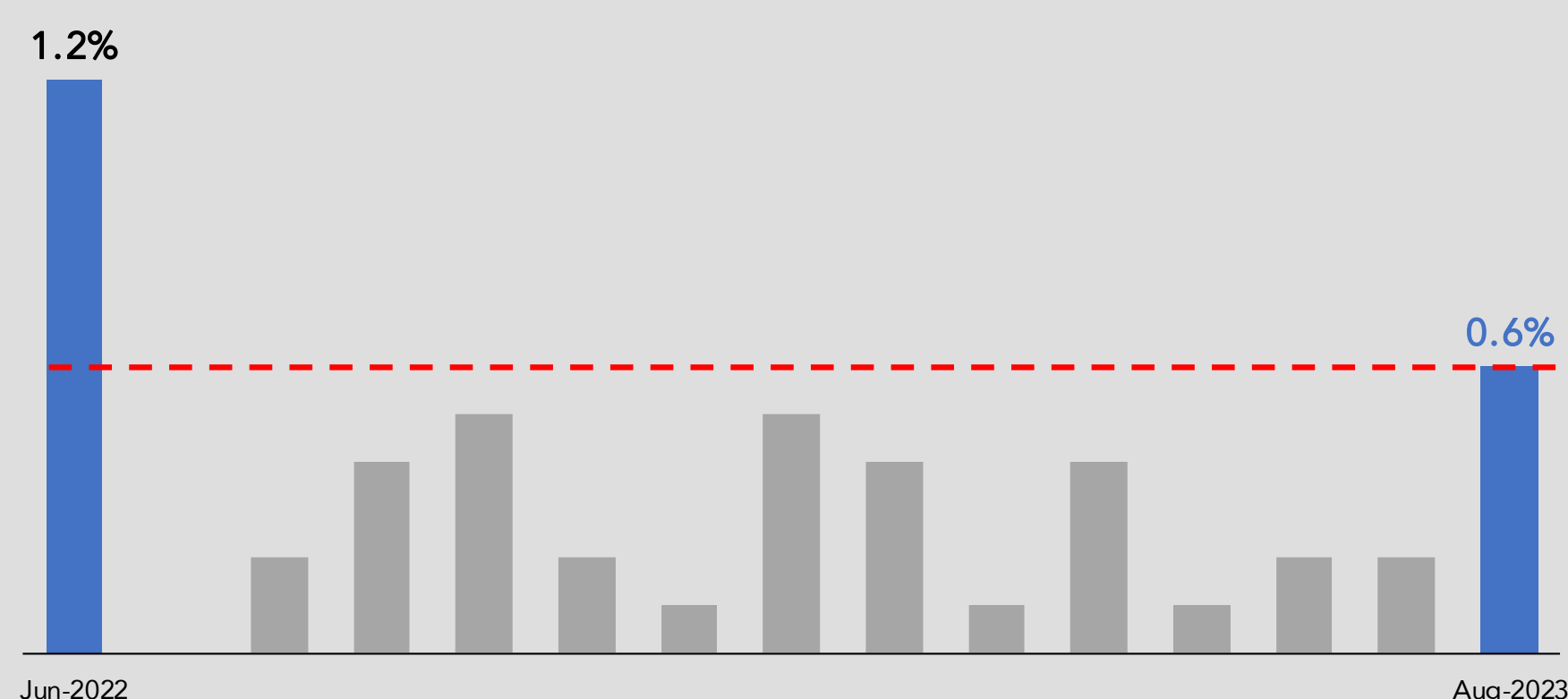
On the supply side, OPEC+ has maintained production discipline at a time when US private and public inventories remain low, and global refinery capacity is tight. Having drawn down the SPR to the lowest levels in 40 years, the Biden Administration has fewer tools to combat rising oil prices going into a Presidential election year. In the private sector, US shale has adopted a more cautious approach to production under pressure from investors to preserve capital and balance sheet strength.

## US strategic petroleum reserve, millions of barrels



US inflation rose at the fastest pace in 14 months in August, with higher gas prices contributing over 50% of the monthly increase. Higher oil prices complicate the inflation outlook and the Fed's policy trajectory in the months ahead.

## US headline CPI, m/m



Source: (1-4) Bloomberg. Data as of September 18, 2023. IEA. EIA. MUFG (Ehsan Khoman).

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"Macro stability isn't everything, but without it, you have nothing."