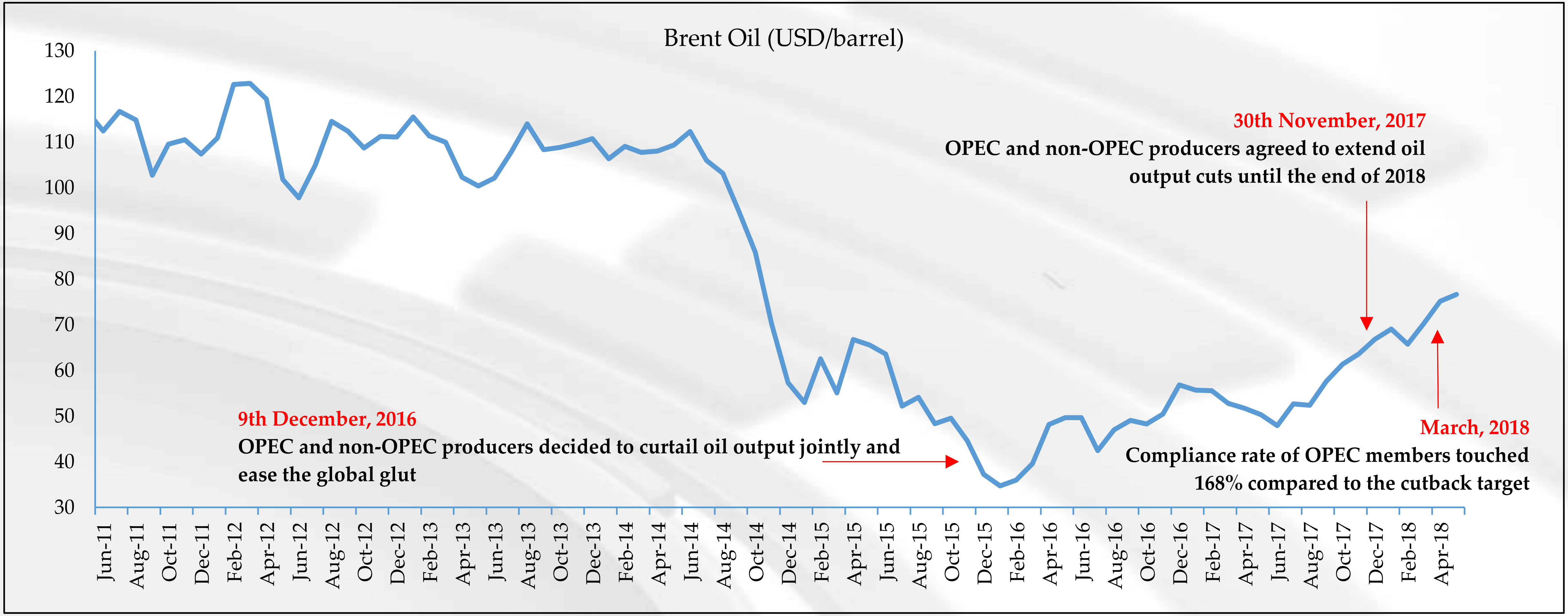
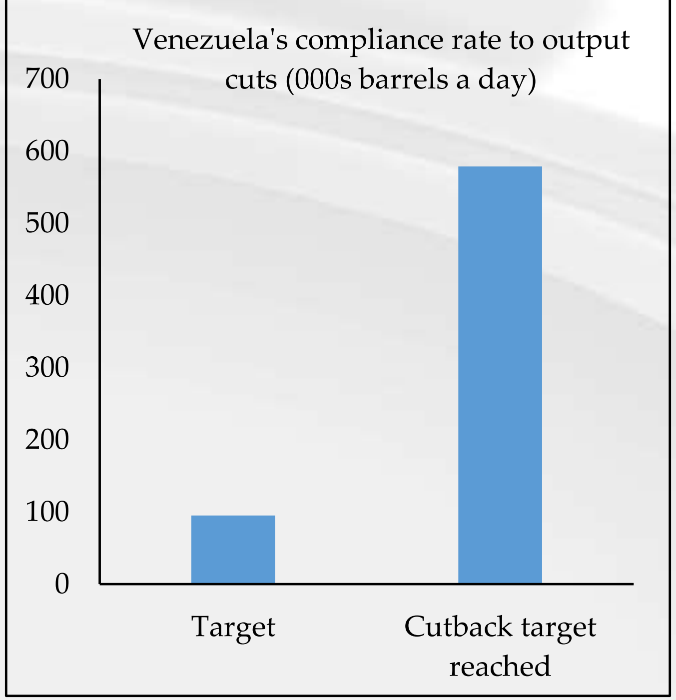
How OPEC and non-OPEC members have been influential…

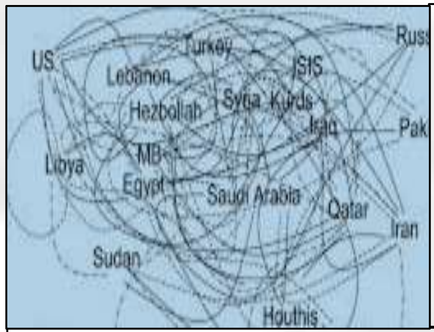


Source: Reuters and HDFC Bank

The additional factors…

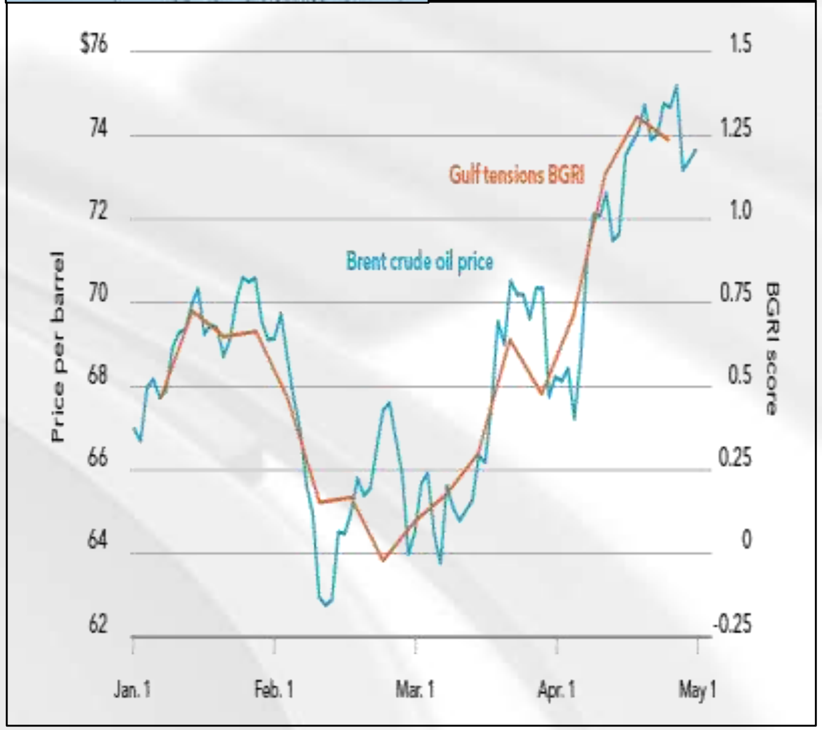


Source: CEIC, Reuters and HDFC Bank



Geopolitical tensions

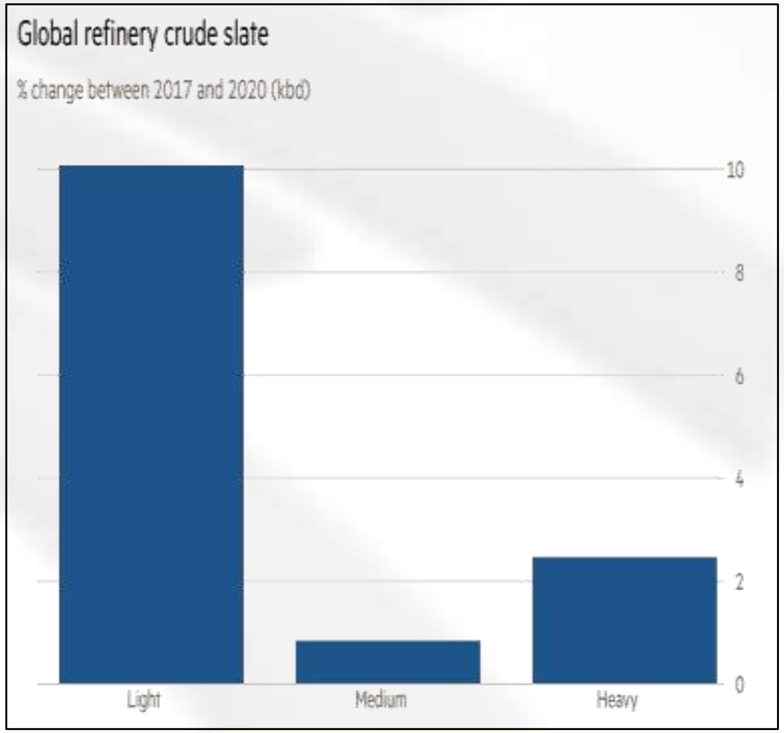
→ **US sanctions on Iran**
→ Saudi-Iran proxy war
→ Iran-Yemen Conflict
→ Syrian civil war
→ North Korea-US



Source: BlackRock and Reuters. BGRI is Geopolitical Risk Indicator

The 'refining' problem of Shale

The issue is that US shale is lighter and the refiners, who turn crude into usable products, have invested in plants capable of processing far heavier oils



HDFC BANK
We understand your world

How bad can it get?

Unlikely that the current oil rally will sustain. Oil prices are likely to moderate and consolidate around $70/bbl.

Saudi Arabia likely to bridge the gap that could arise because of sanctions on Iran

Saudi state-owned press agency said the state would work "to mitigate the effects of any supply shortages"

US signalled that it was not in favour of an increase in oil prices

Trump administration is likely to engage with various parties that would be willing to increase their oil supplies in order to offset Iran

China, the biggest importer of oil from Iran (600,000 bpd in 2018) might be reluctant to impose these sanctions.

France, Germany and UK have already stated to not side with the US on the Iranian issue.

Over-compliance could normalize over the coming months (related to OPEC output cuts)

Venezuela's presidential election on May 20th - some normalcy likely. Oil output could take time to recover, downside from the current levels could be limited.

US refining system could be expanded with new investments.

We believe new investments (focused on refineries to handle light version of crude) could provide some boost to the shale sector next onwards.