



From the Fed to the Barrel

Mapping the US macroeconomy and oil market

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Macroeconomic Review



United States: Economic Outlook

We revise up US growth as stagflation risks give way to “run it hot” economic policy

❖ Stagflation risks are giving way to a “run it hot” economic policy in 2025.

- a) Real GDP growth stronger than expected despite tariff headwinds and labor force restrictions. We forecast growth finishing at 2% this year.
- b) Next year a difficult call. Admin will pull policy levers to stimulate, but growth drag from tariffs + immigration restrictions are poised to play a bigger role.

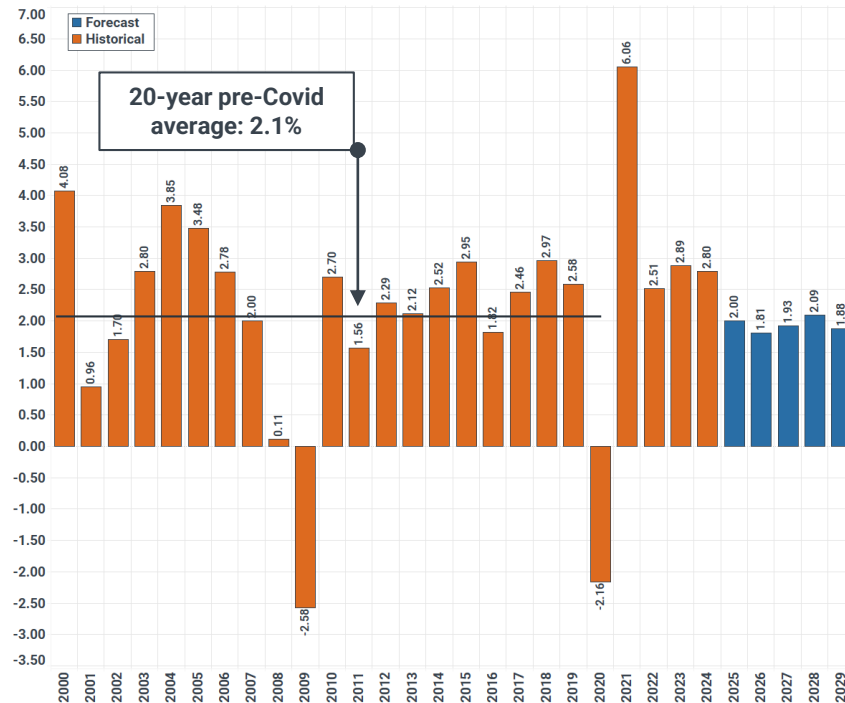
❖ Fed has chosen to stimulate despite persistent inflation issues.

- a) Dual mandate clearly under strain. Labor market is stagnant, but stable. Lack of data making it hard to set policy.
- b) Powell signaling a bit more hawkishness than expected at Oct meeting, but cuts likely to continue in December.

❖ Downside risk driven by a fragile labor market.

- a) “Stagnant yet stable” narrative for the labor market as decelerating job growth offset by lack of labor supply expansion.
- b) A pickup in layoffs could undo the stronger than expected US economy narrative.

Yearly US Headline Real GDP Growth with Forecast (%)

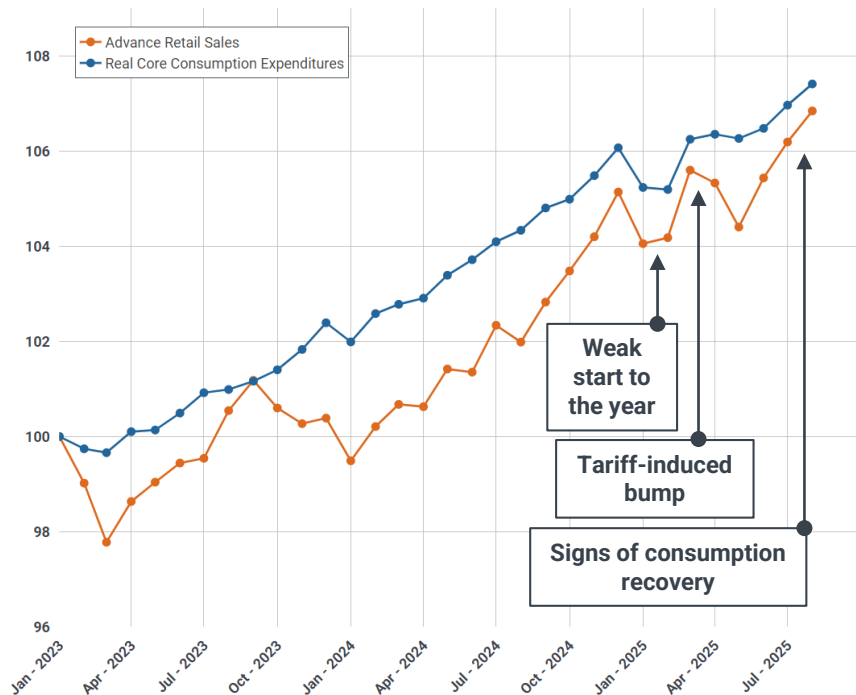


Source: BEA, Kpler, various international organizations

United States: Household Consumption

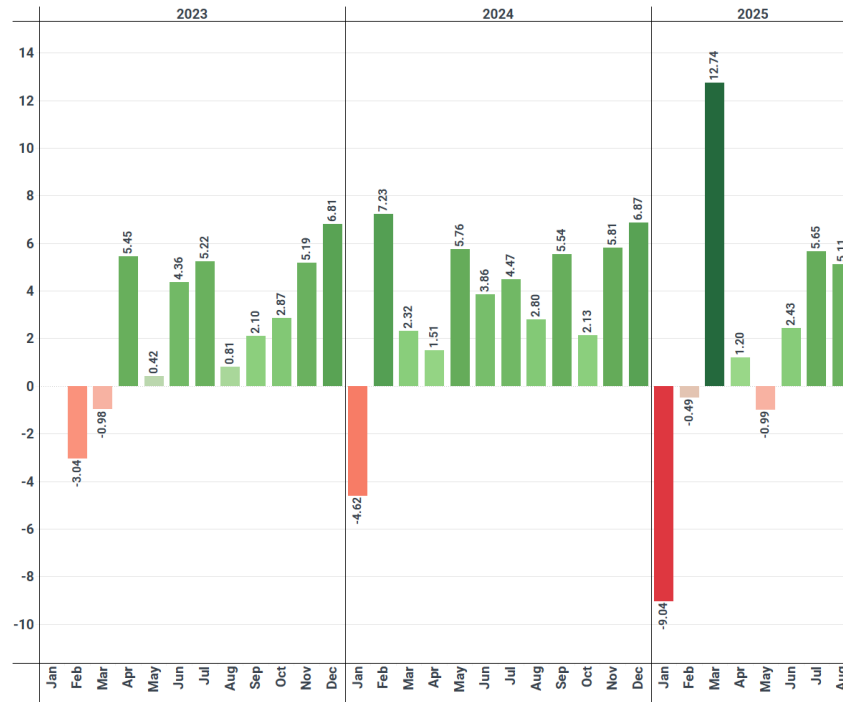
After a weak H1, household demand growth has shown clear signs of recovery in recent months

Monthly US Real Core Consumer Expenditures and Nominal Advance Retail Sales (Index Jan 2023 = 100)



Source: BEA, US Census

Monthly US Real Core Consumer Expenditure Growth (% M/M Annualized Terms)



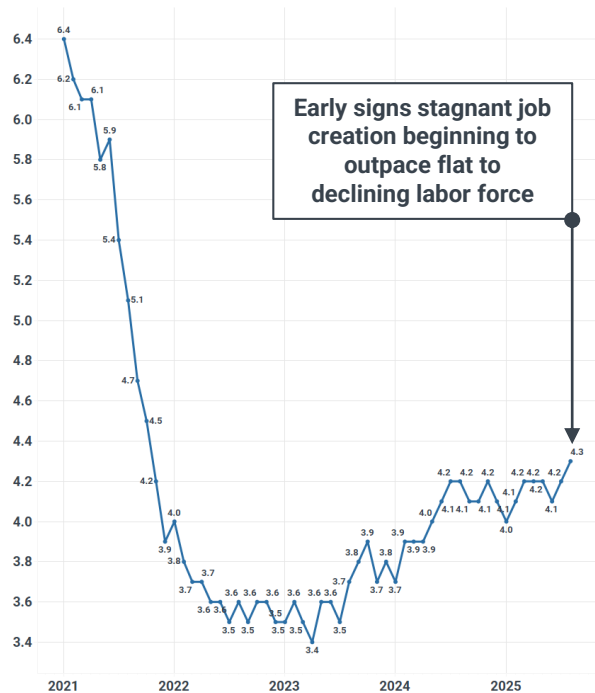
Source: BEA; figures have been annualized

United States: Labor Market

Labor market stagnant yet stable – limited job creation but no pickup in layoff activity

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Monthly US Headline Unemployment Rate (%)



Source: BLS

January – August Labor Force Delta (in thousands)



Source: BLS

Monthly ADP-Based Private Nonfarm Payrolls (in thousands)

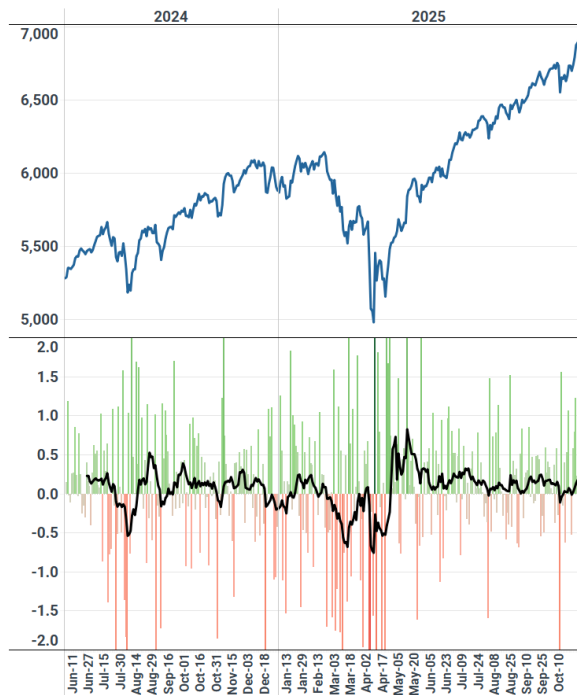


Source: ADP

United States: Risk Assets & Household Consumption

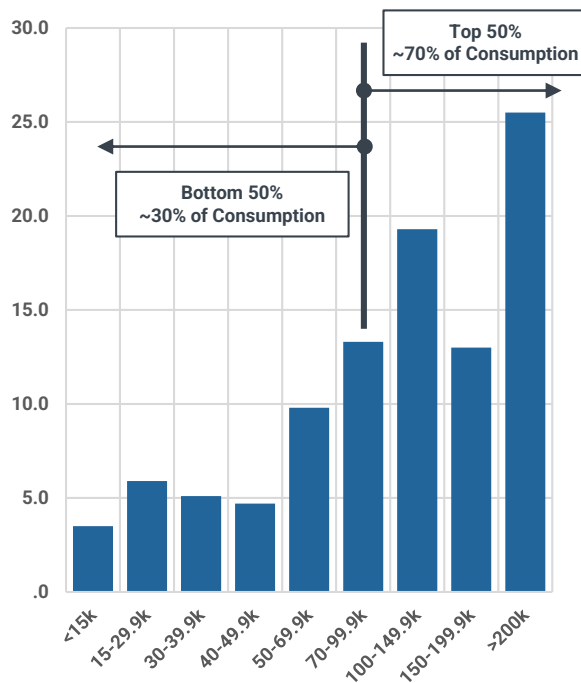
Equity market surge providing a tailwind to US consumption growth

Daily S&P 500 Index (top) and D/D % Delta (bottom, with 15-day ma)



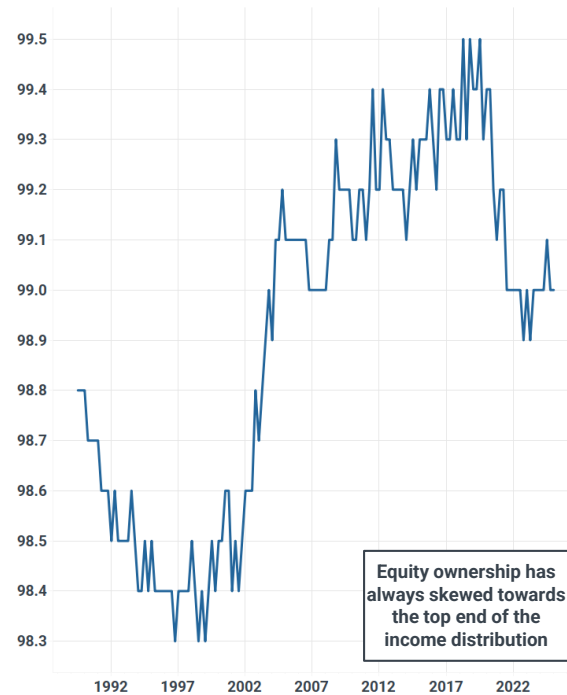
Source: FMP

Percent of Total Consumption by Income Cohort (% , 2023 survey)



Source: BEA

Top 50% Share of USA Equity + Mutual Fund Wealth (%)



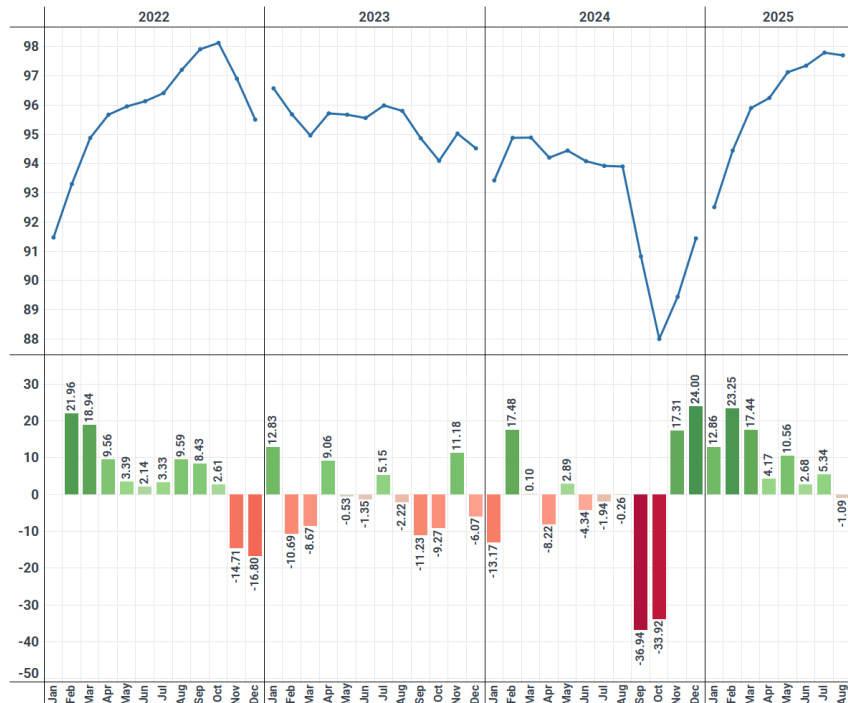
Source: Fed

United States: Investment -> Durable Goods/Equipment

Equipment related investment has managed to hold up into Q3, but growth likely to decelerate in Q4

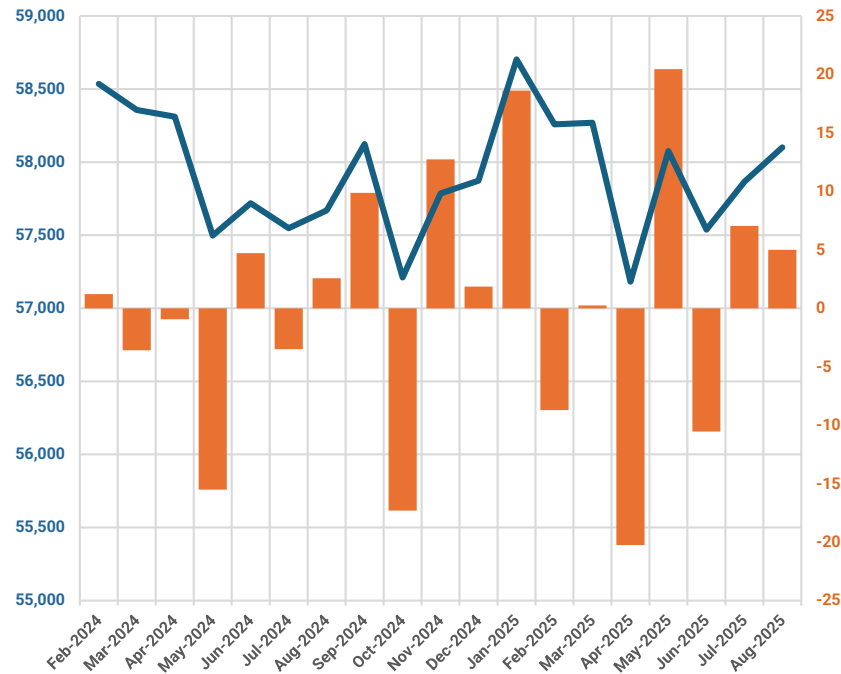
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Monthly Business Equipment Industrial Production Index (top) and M/M % Delta (bottom)



Source: BEA; m/m % delta figures have been annualized

Monthly US Real Durable Goods Orders (USD tn, left) and M/M % Delta (right)



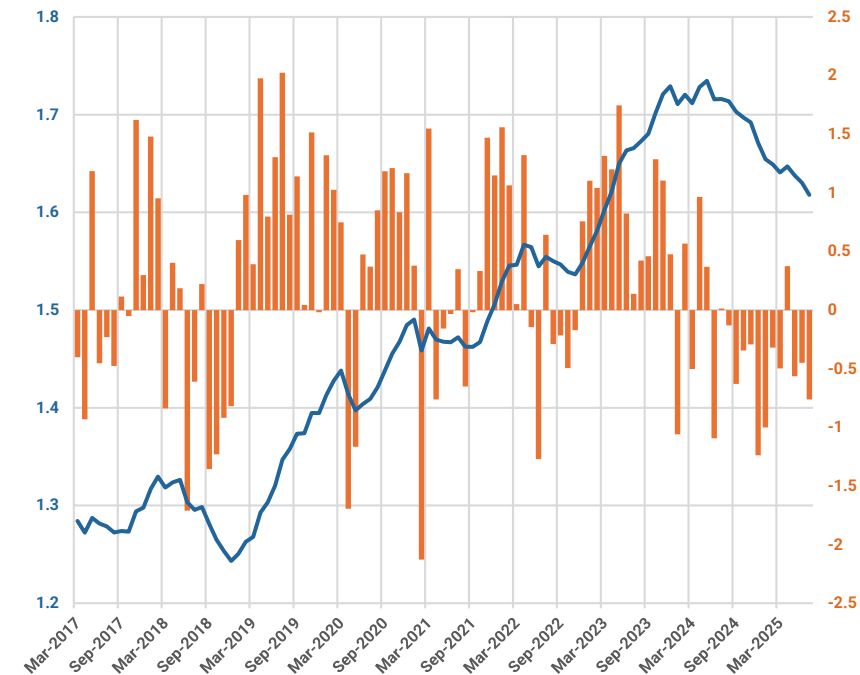
Source: BEA; m/m % delta figures have been annualized

United States: Investment -> Structures

The property market remains in recession

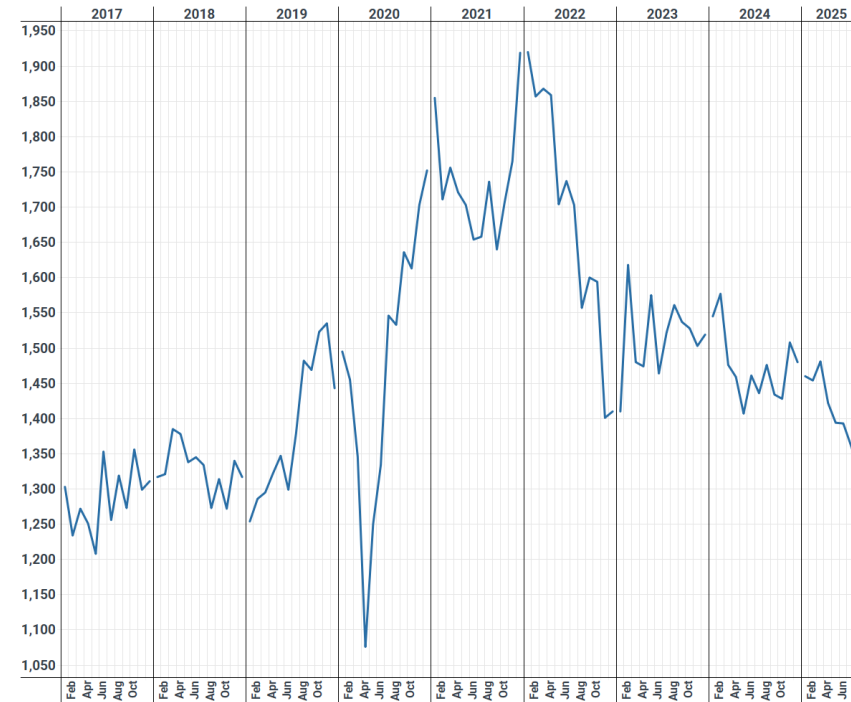
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Monthly Inflation-Adjusted Construction Spending (USD tn, left) and M/M % Delta (right)



Source: BLS, US Census

Monthly US New Housing Permit Issuance



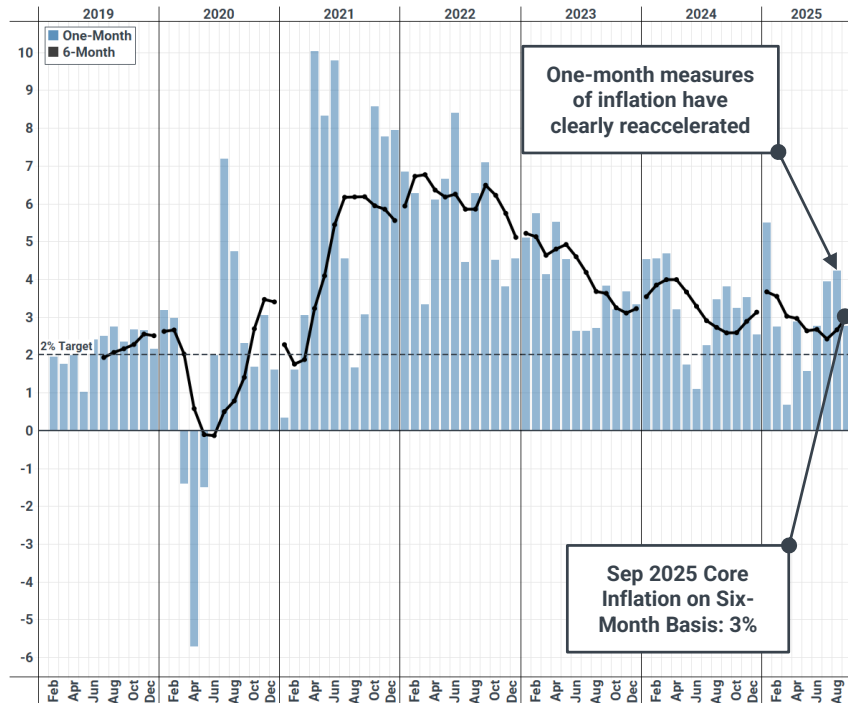
Source: BEA

United States: Inflation and Monetary Policy

Powell shifts to a slightly more hawkish stance at the October FOMC meeting

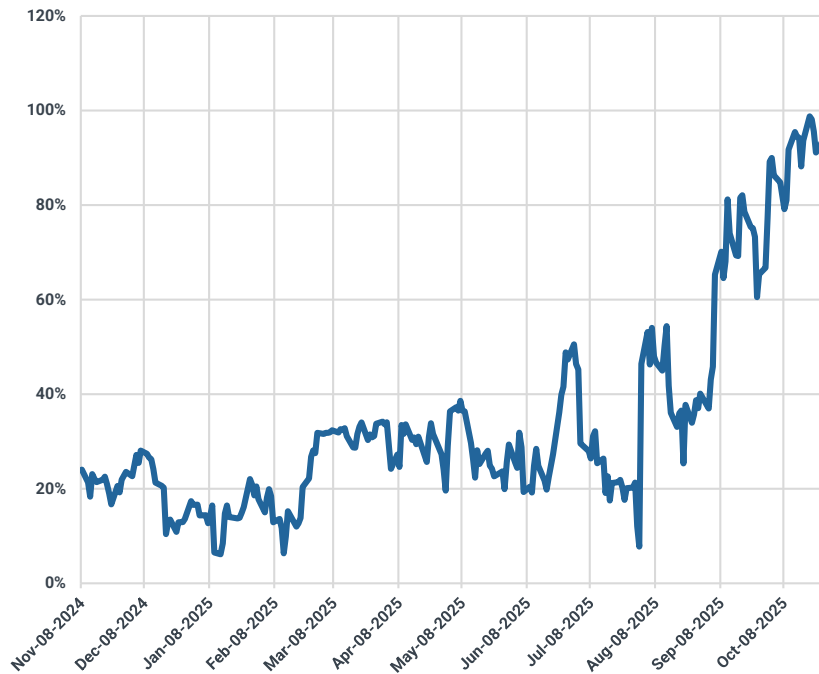
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One- and Three-Month US CPI-Based Measure of Core Inflation (% Annualized)



Source: BLS

Probability Fed Funds Rate Cut to 3.5 – 3.75% at December Meeting (% assumes a 25bp cut in December)



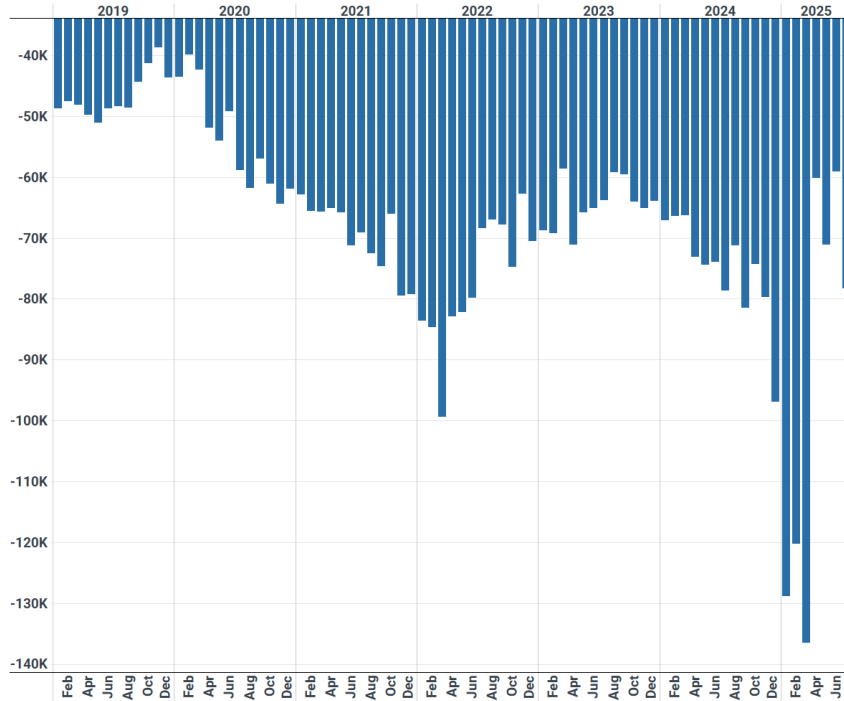
Source: CME

United States: Tariffs and Trade

Tariffs are providing additional income to US govt, but are doing little to rebalance global trade

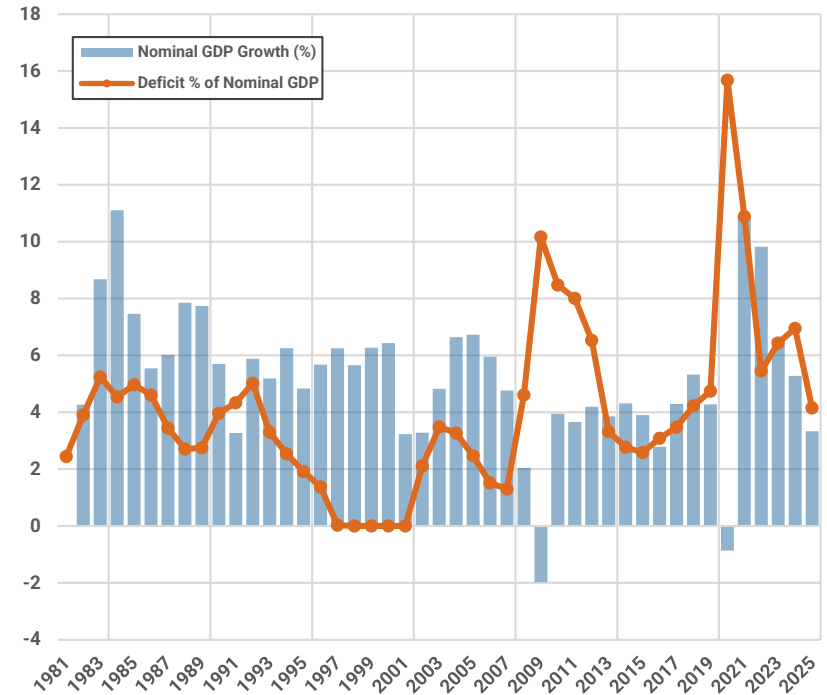
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Monthly US Trade Balance (USD mn)



Source: US Census

US Nominal GDP Growth (%) and US Govt Deficit as a % of Nominal GDP (%)



Source: US Treasury



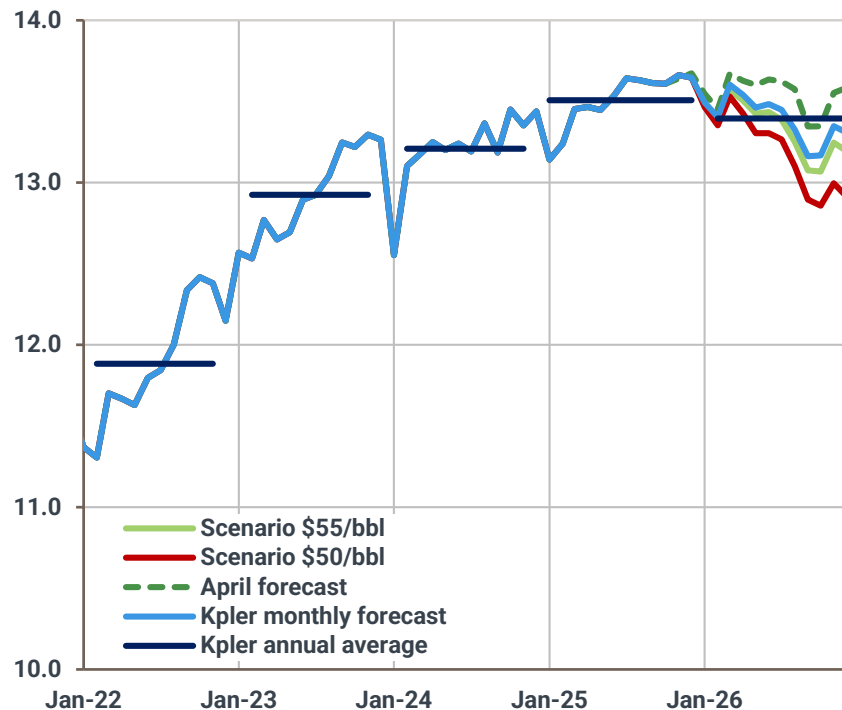
Crude and Clean Products Supply and Demand



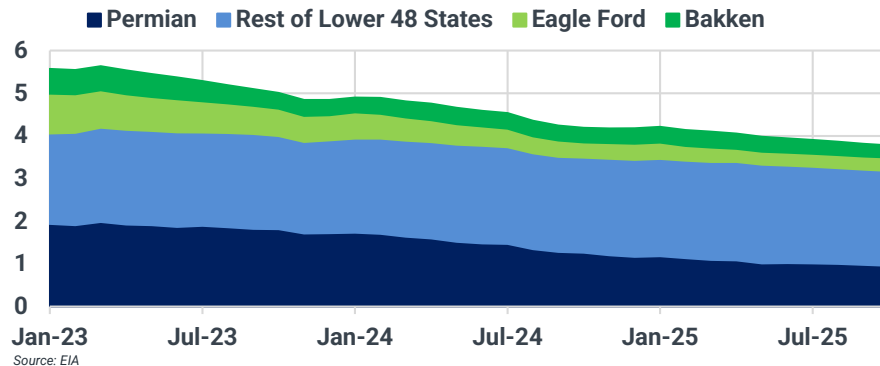
The US shale peak has arrived

Drilled but uncompleted wells are declining, while efficiency gains are driving growth

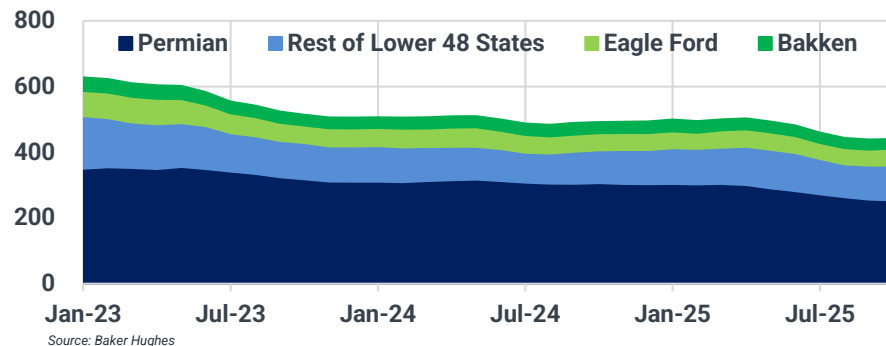
US crude and condensate supply price scenarios, Mbd



Drilled but uncompleted wells by basin, thousand wells



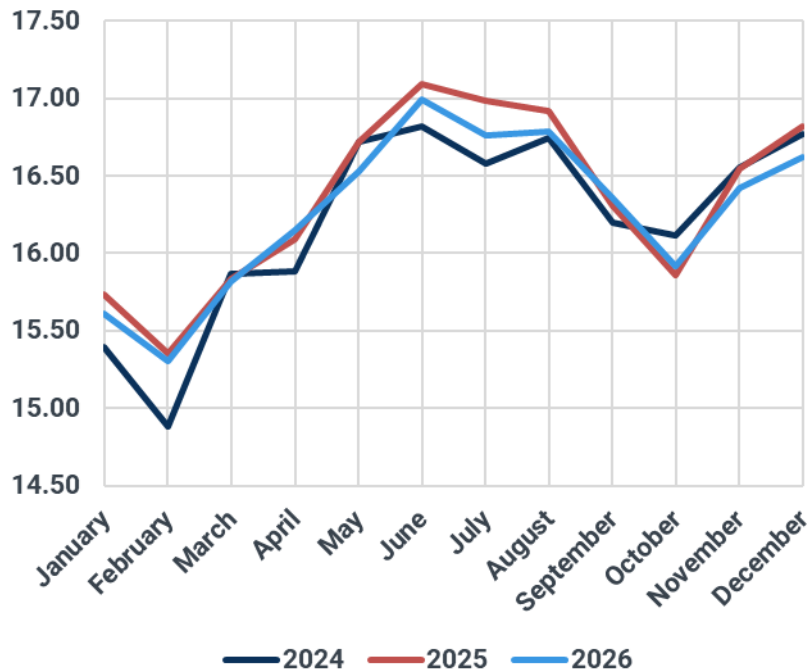
Active rig count by basin, rigs



Refinery runs and inventories

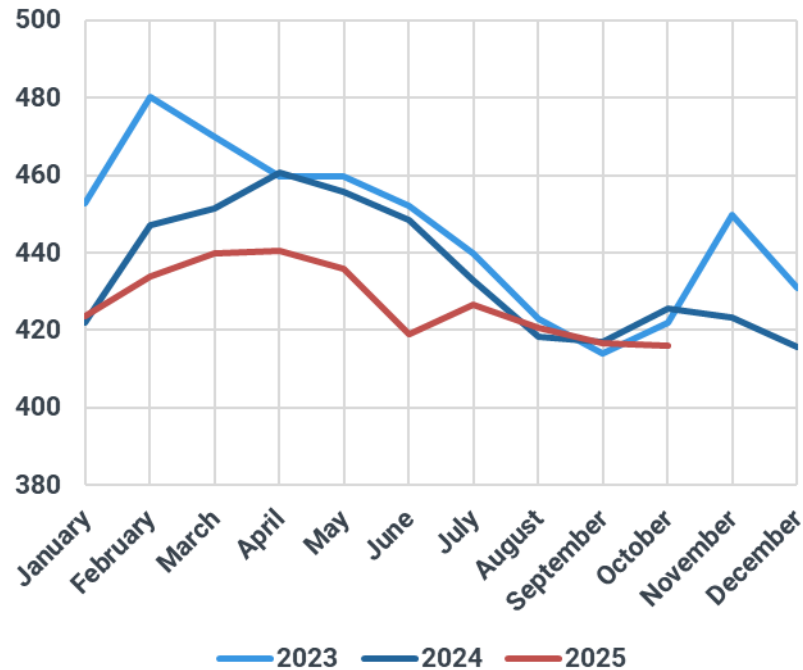
Refining activity to maintain a similar pace next year, inventories should climb

Crude inputs, Mbd



Source: Kpler / EIA

US commercial inventories, Mbbls



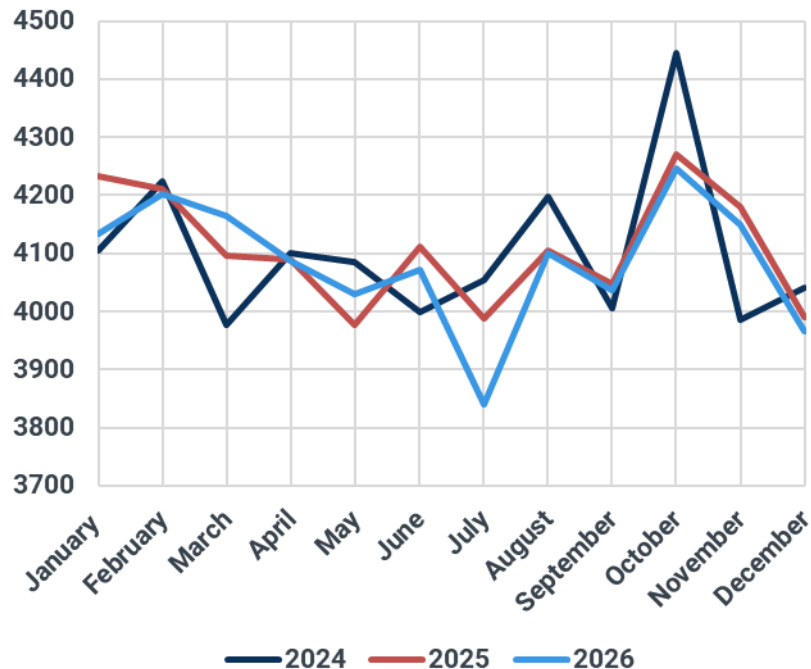
Source: Kpler / EIA

Product demand treading water

Gasoline and diesel both see demand bobbing along next year

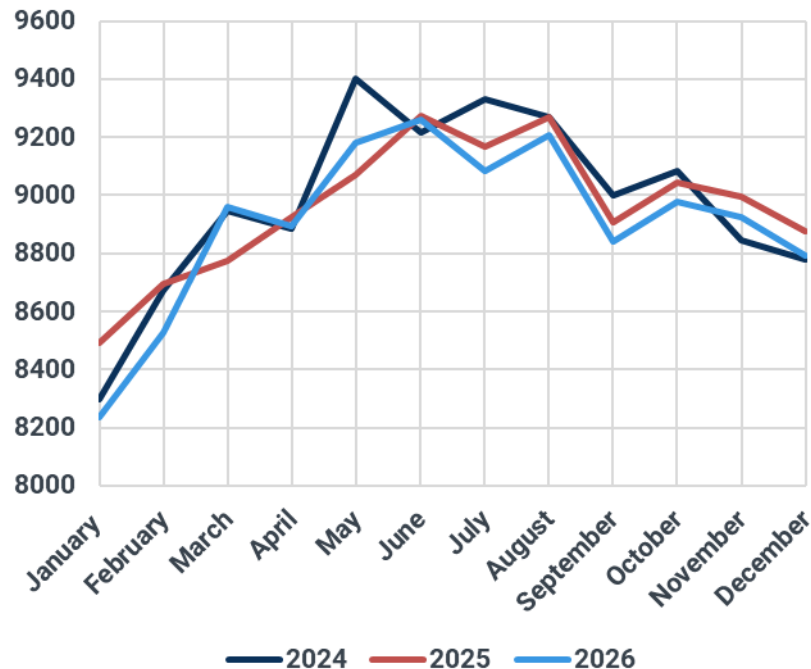
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US diesel supplied, kbd



Source: Kpler

US gasoline supplied, kbd



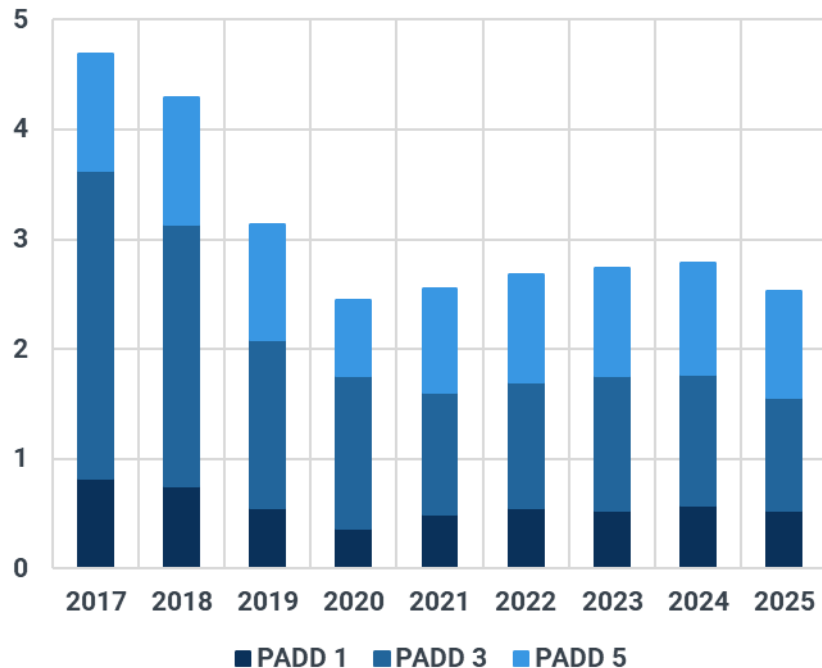
Source: Kpler

Crude imports remain constrained by quality

Coastal PADDs face different challenges

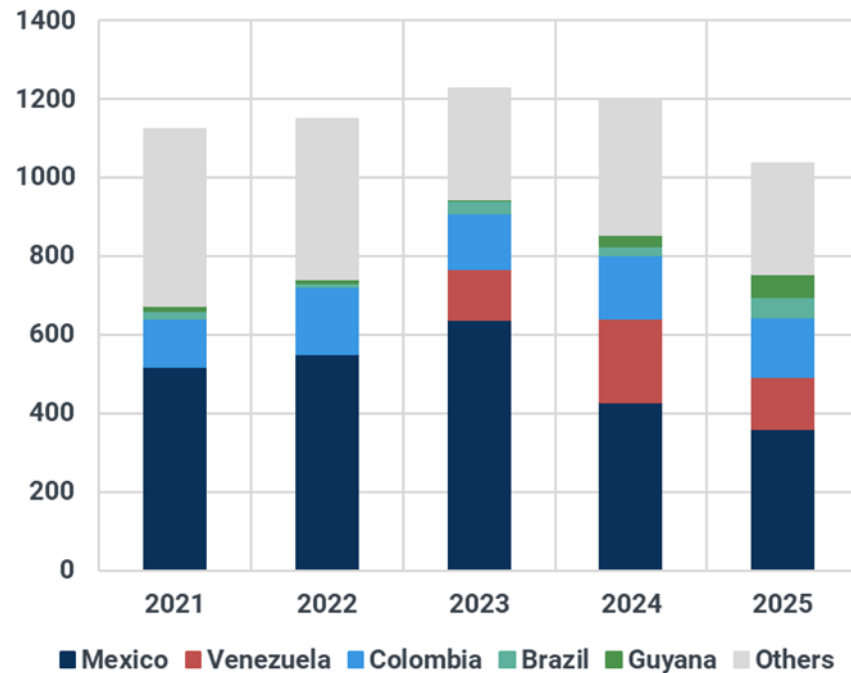
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US crude imports by destination PADD, Mbd



Source: Kpler

US Gulf Coast crude imports by source, kbd



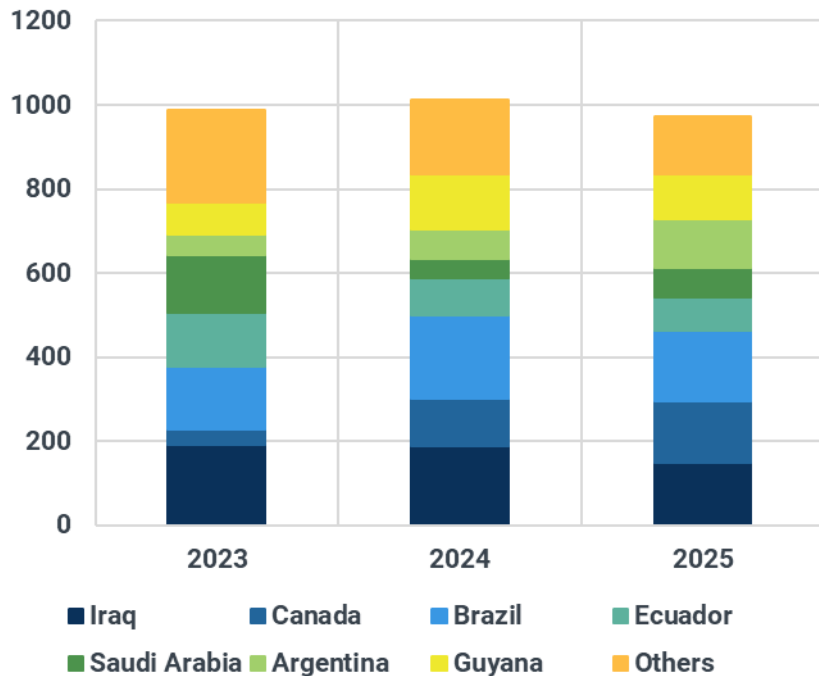
Source: Kpler

East and West Coast imports fairly steady...but downside ahead

Sourcing sour barrels remains the key challenge

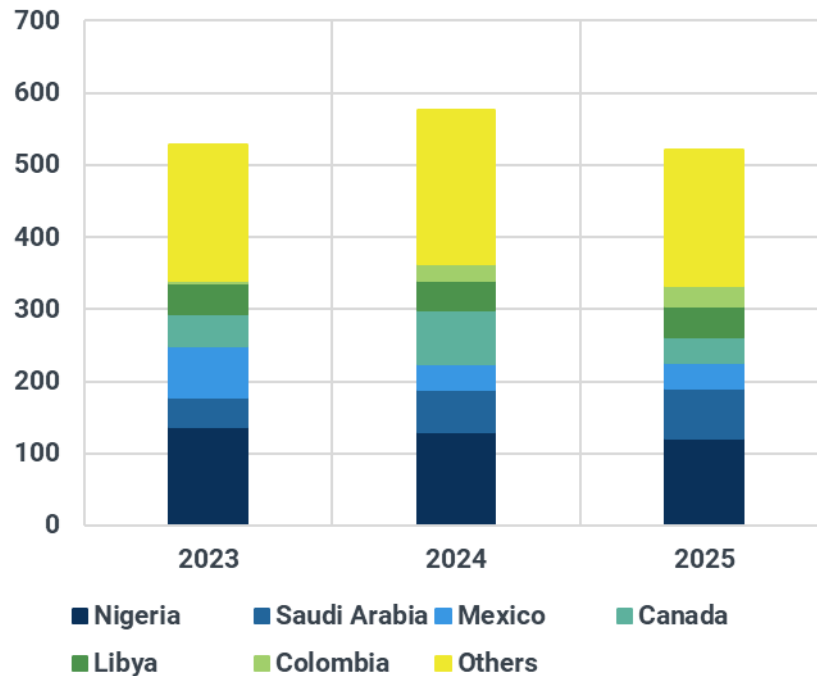
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PADD 5 crude imports by source, kbd



Source: Kpler

PADD 1 crude imports by source, kbd

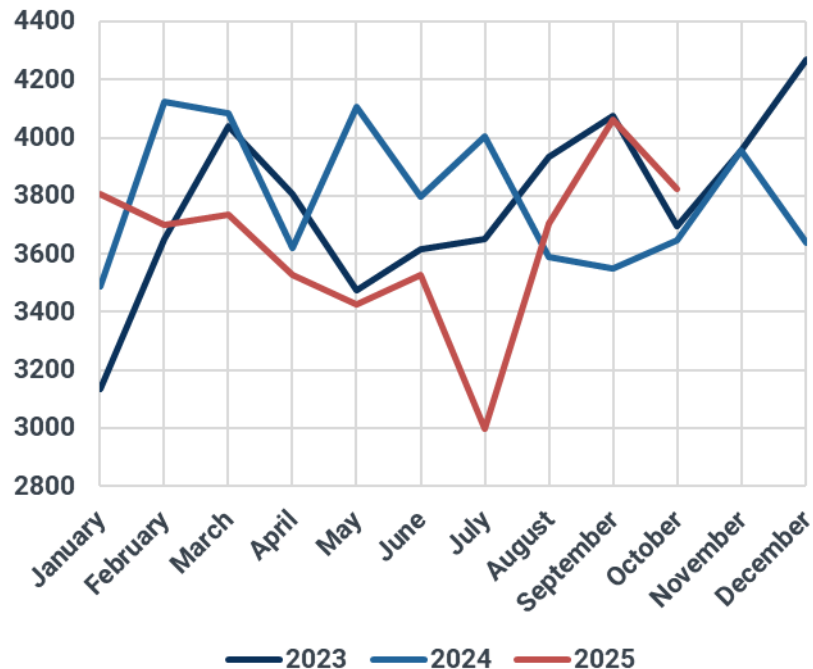


Source: Kpler

US crude exports

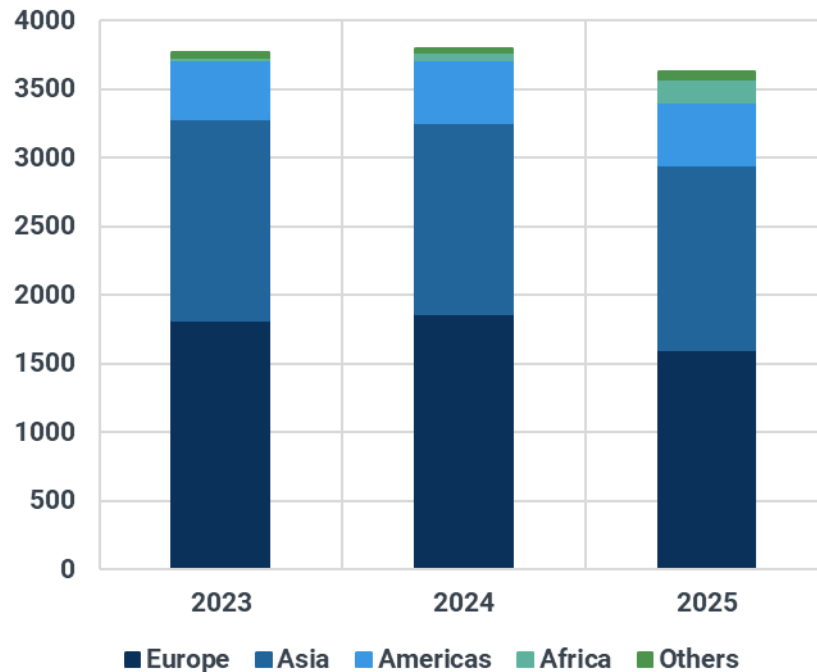
May have already peaked on an annual basis unless Brent-WTI widens big time

US crude exports, kbd



Source: Kpler

US crude exports by destination, kbd



Source: Kpler

kpler

Thanks! Questions?

