



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.

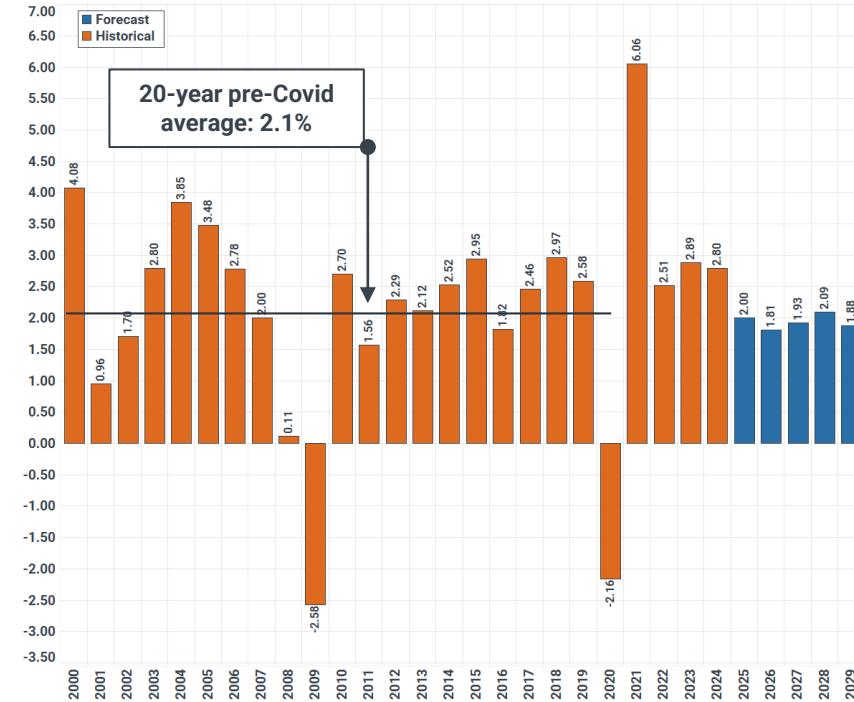
- ❖ **Fed has chosen to stimulate despite persistent inflation issues.**

- 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 (%)



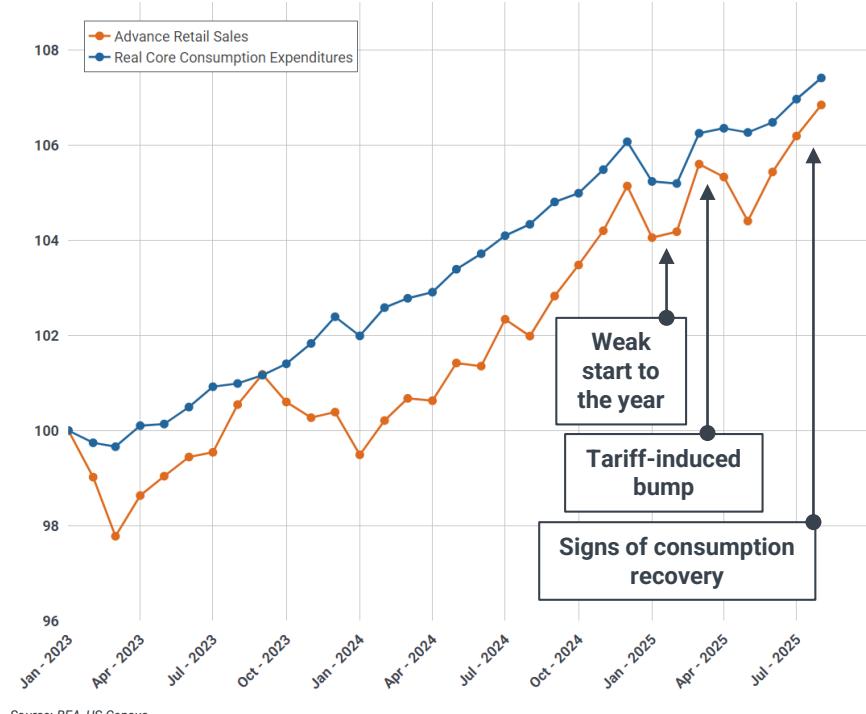
Source: BEA, Kpler, various international organizations

United States: Household Consumption

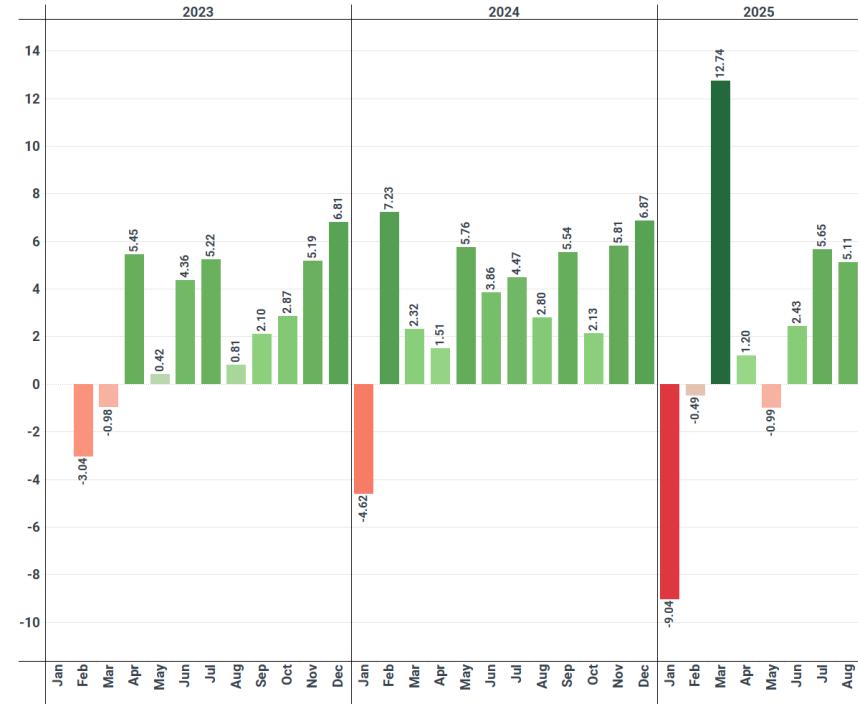
After a weak H1, household demand growth has shown clear signs of recovery in recent months

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



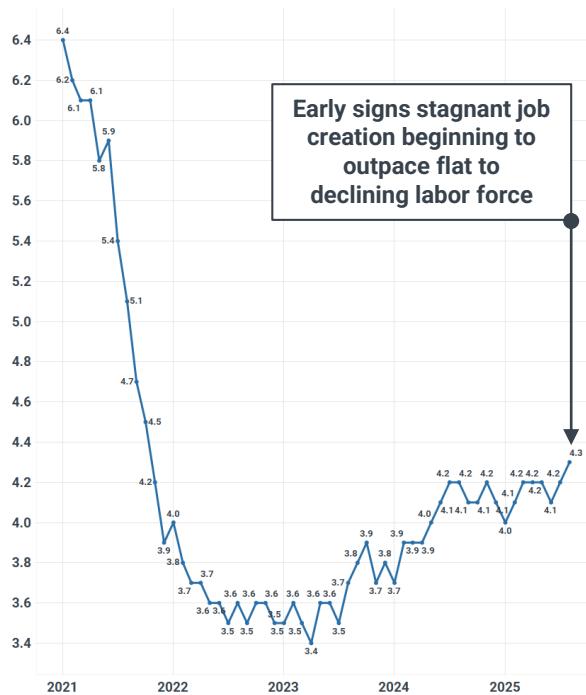
Monthly US Real Core Consumer Expenditure Growth (%), M/M Annualized Terms



United States: Labor Market

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

Monthly US Headline Unemployment Rate (%)



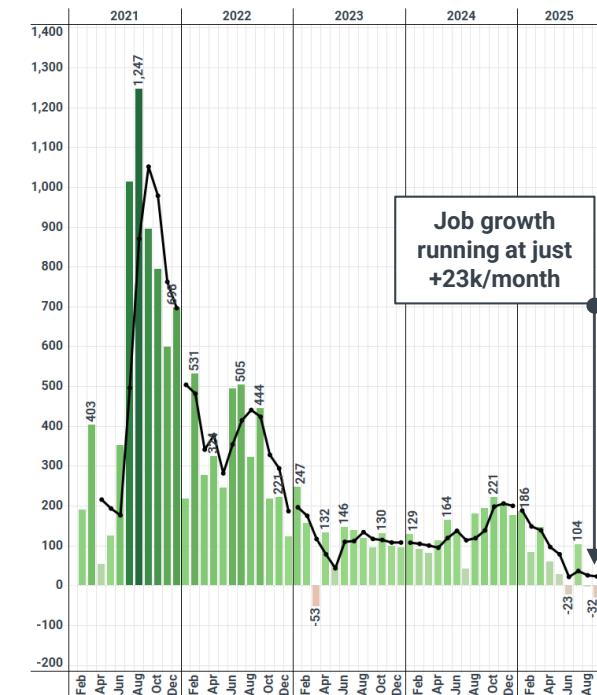
Source: BLS

January – August Labor Force Delta (in thousands)



Source: BLS

Monthly ADP-Based Private Nonfarm Payrolls (in thousands)

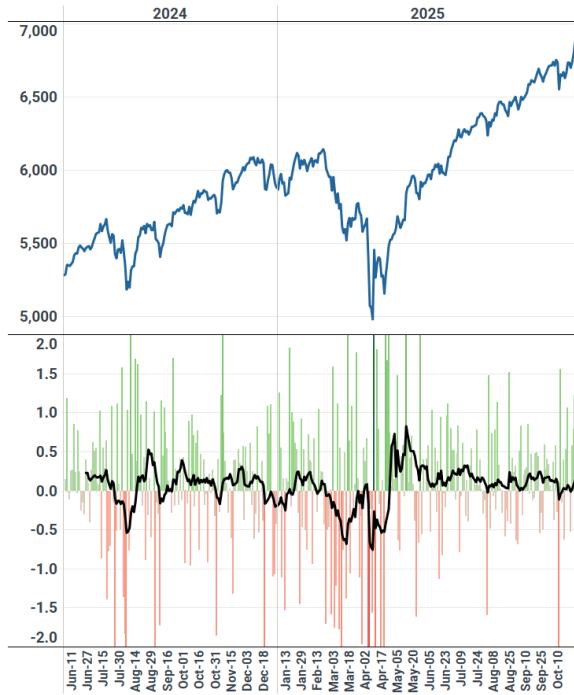


Source: ADP

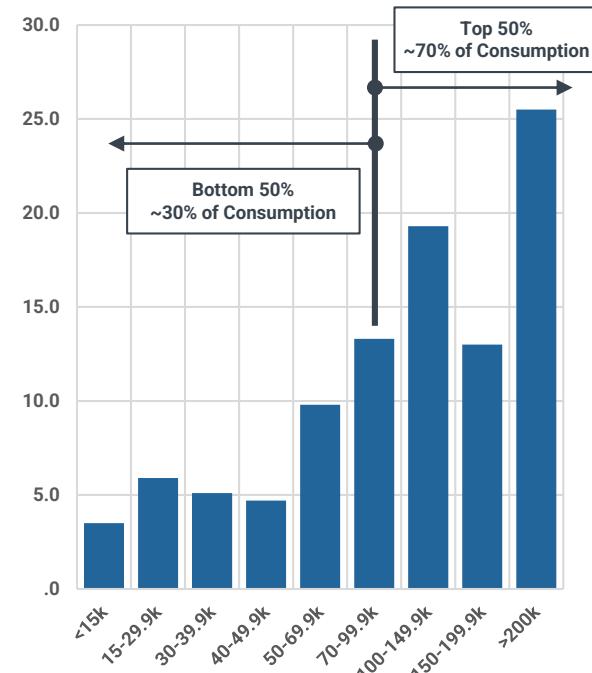
United States: Risk Assets & Household Consumption

Equity market surge providing a tailwind to US consumption growth

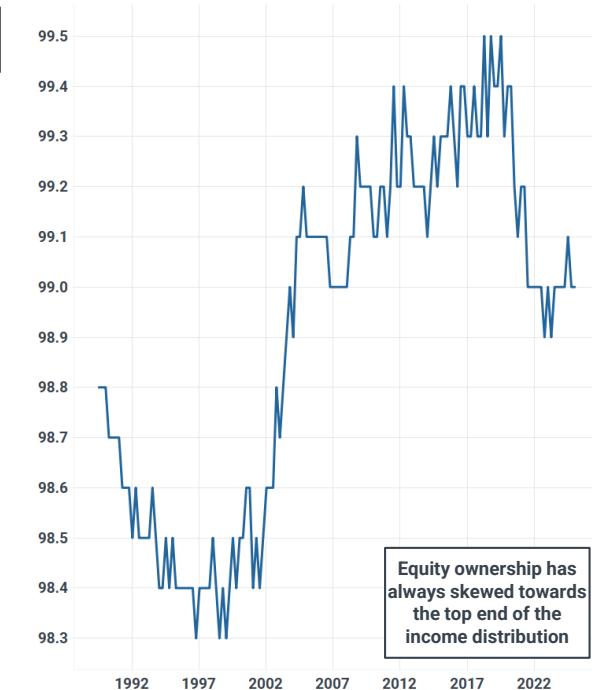
Daily S&P 500 Index (top) and D/D % Delta (bottom, with 15-day ma)



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



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

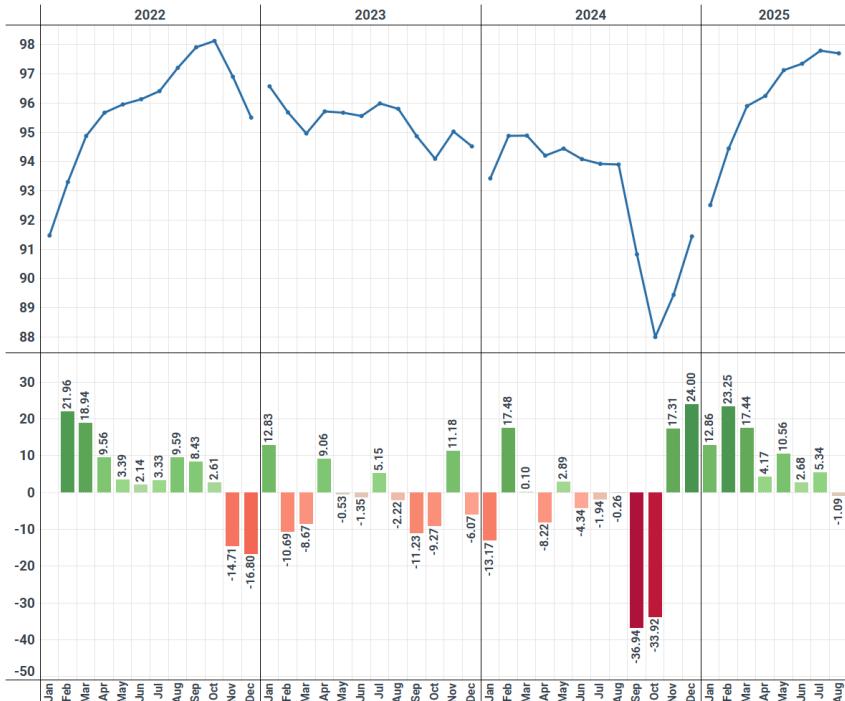


United States: Investment -> Durable Goods/Equipment

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

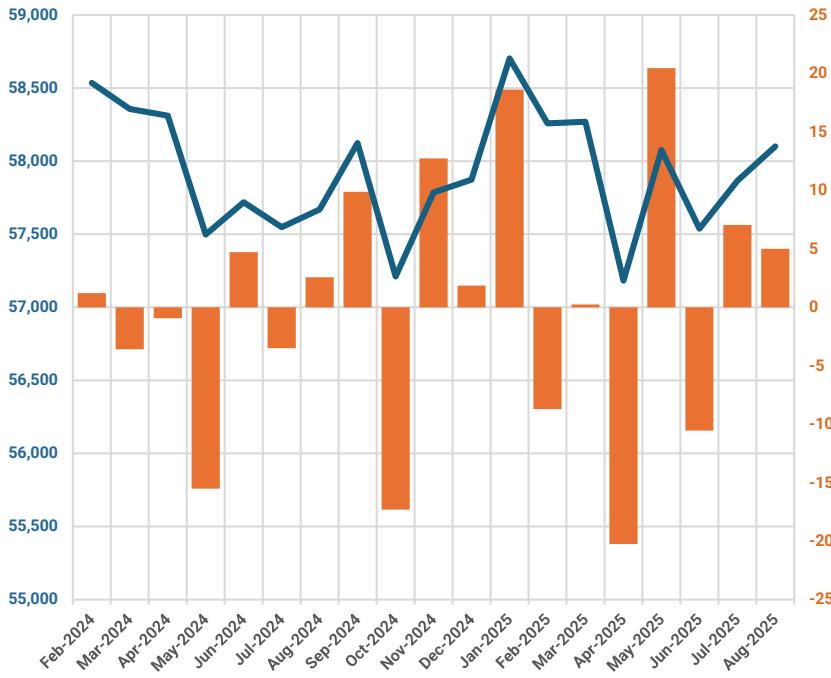
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Monthly Business Equipment Industrial Production Index (top) and M/M % Delta (bottom)



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

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



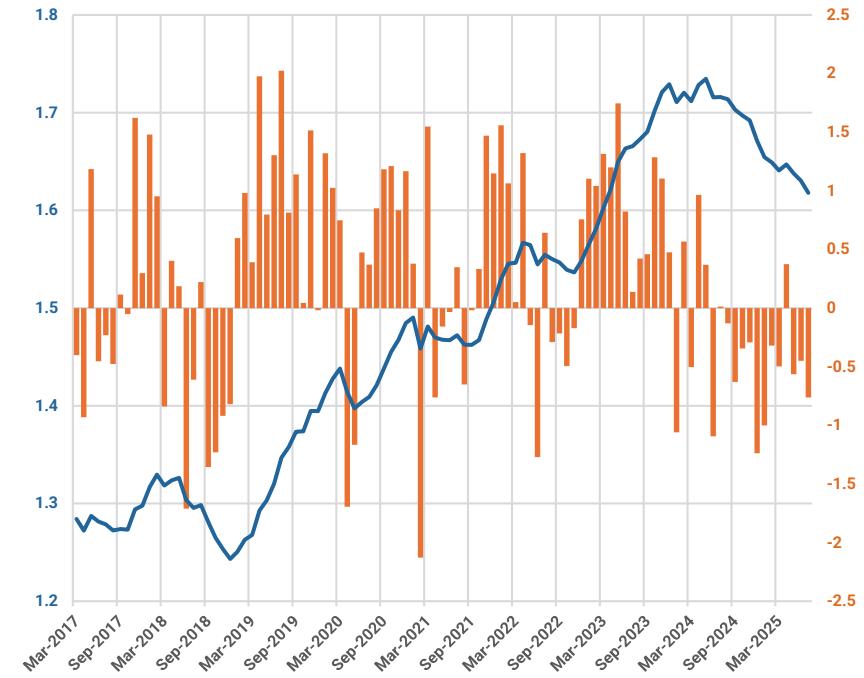
Source: BEA; m/m % delta figures have been annualized

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



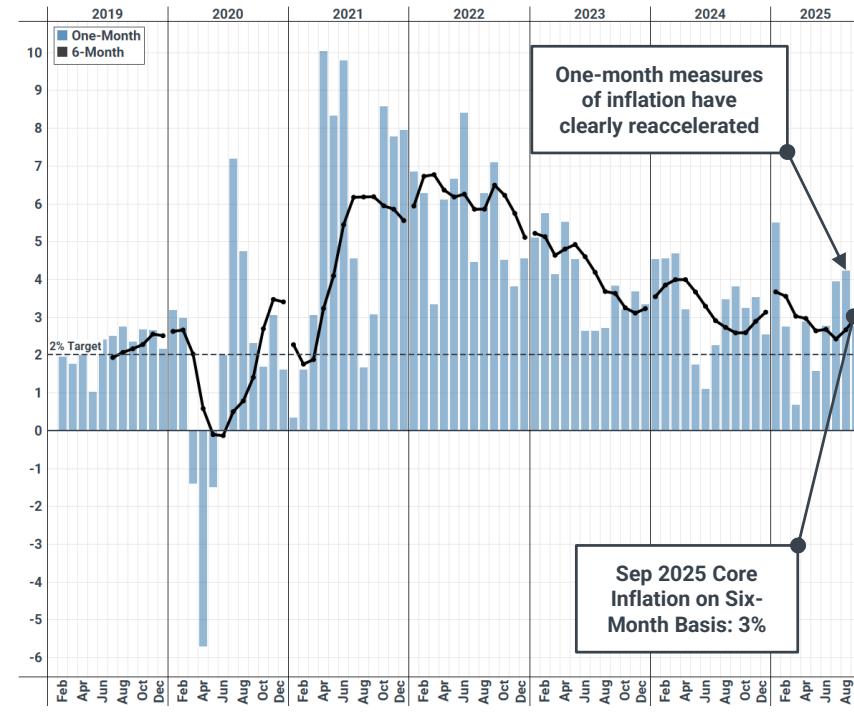
Source: BEA

United States: Inflation and Monetary Policy

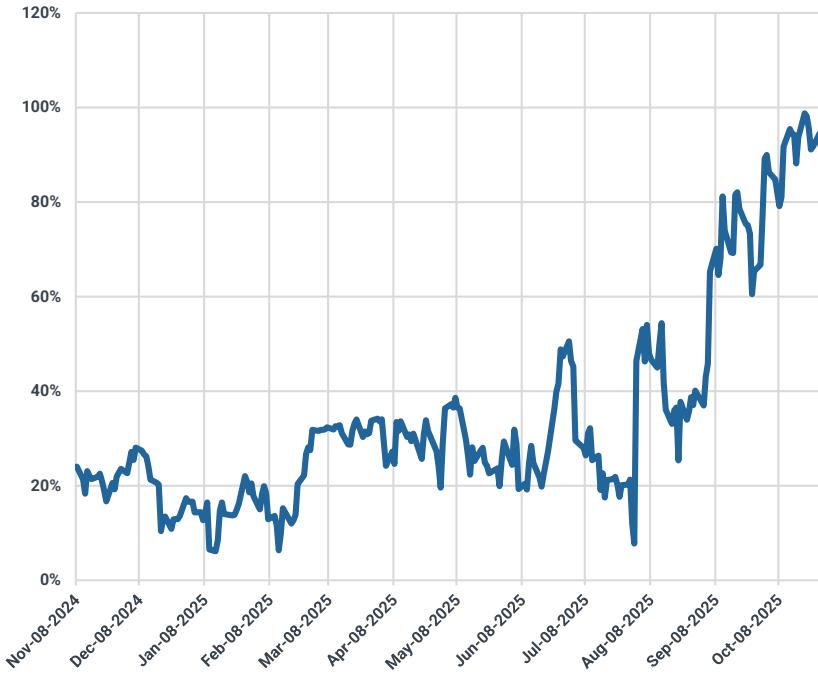
Powell shifts to a slightly more hawkish stance at the October FOMC meeting

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



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

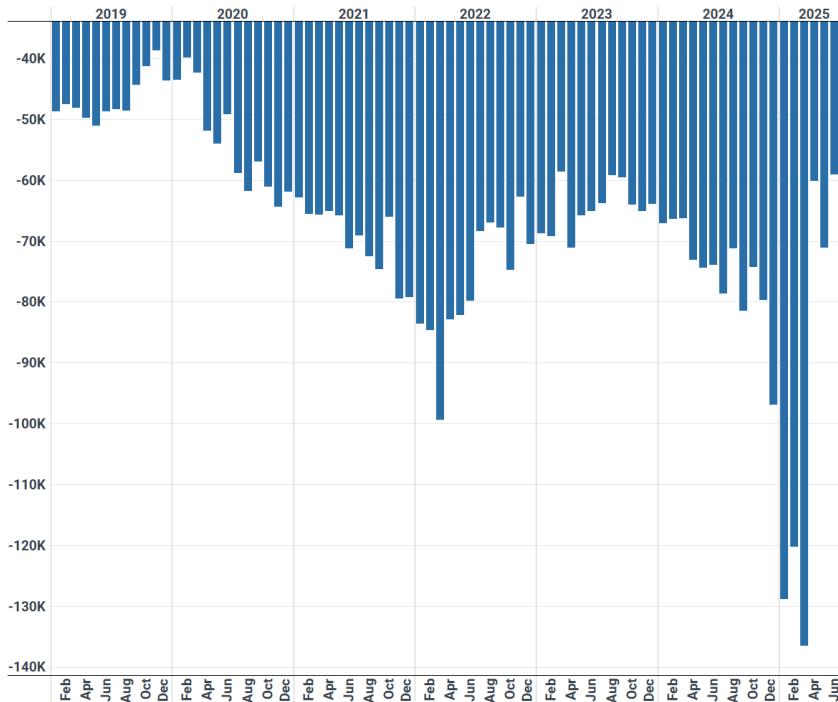


United States: Tariffs and Trade

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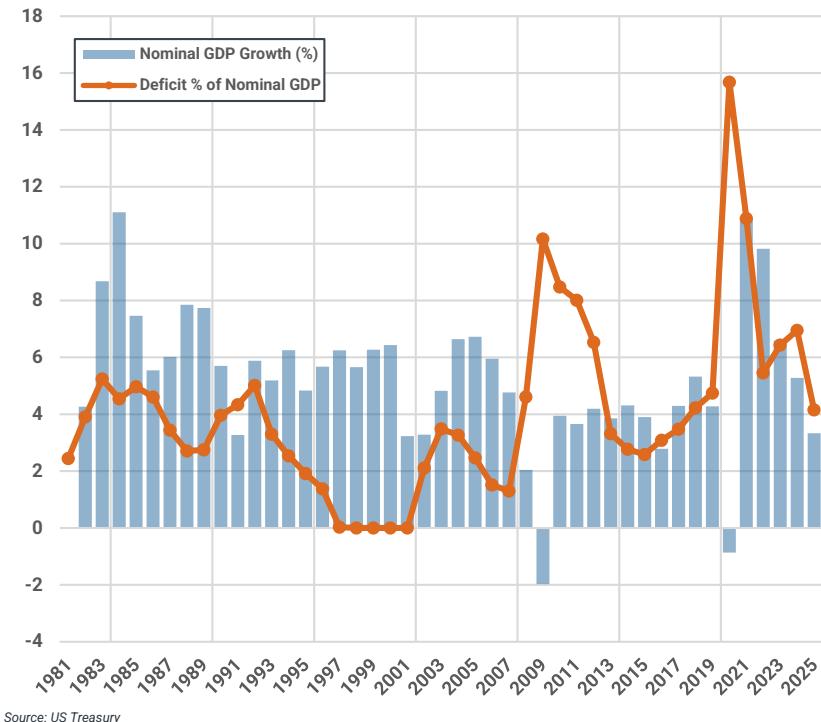
Tariffs are providing additional income to US govt, but are doing little to rebalance global trade

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

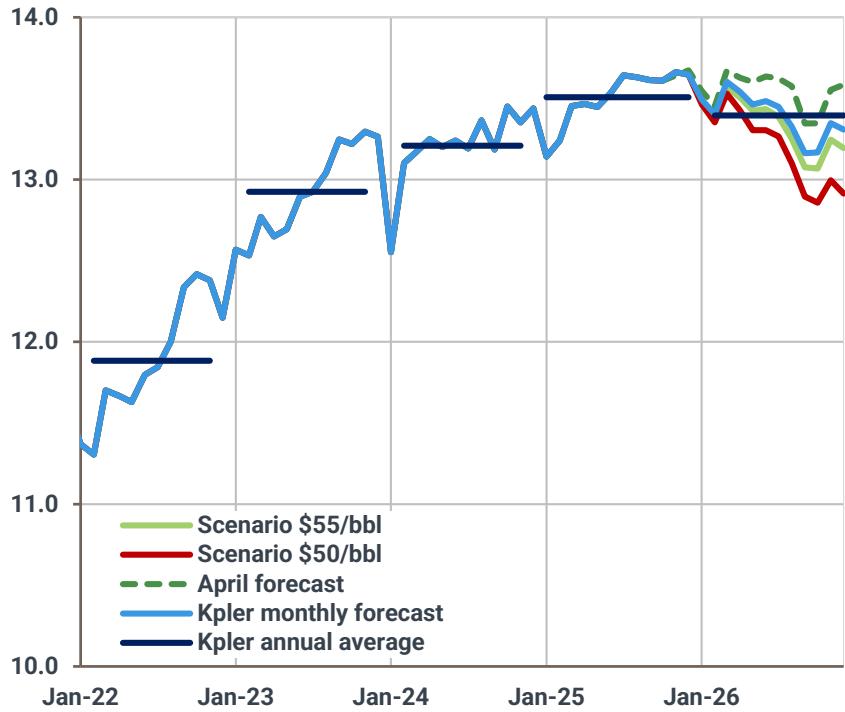


The US shale peak has arrived

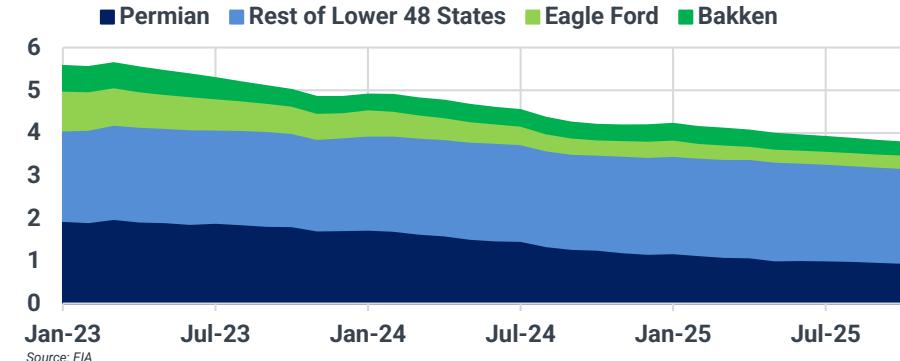
Drilled but uncompleted wells are declining, while efficiency gains are driving growth

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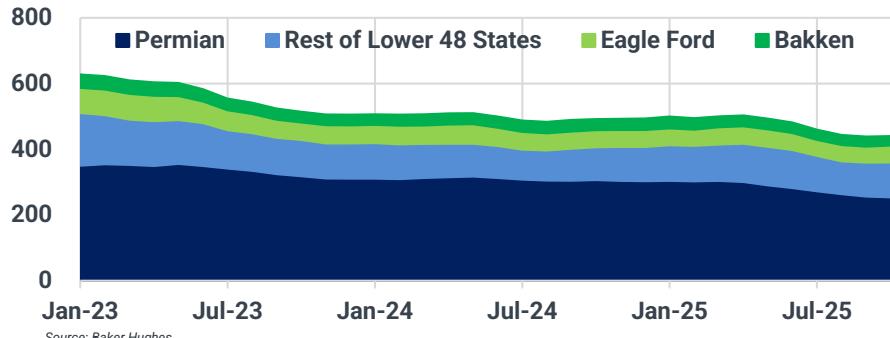
US crude and condensate supply price scenarios, Mbd



Drilled but uncompleted wells by basin, thousand wells



Active rig count by basin, rigs

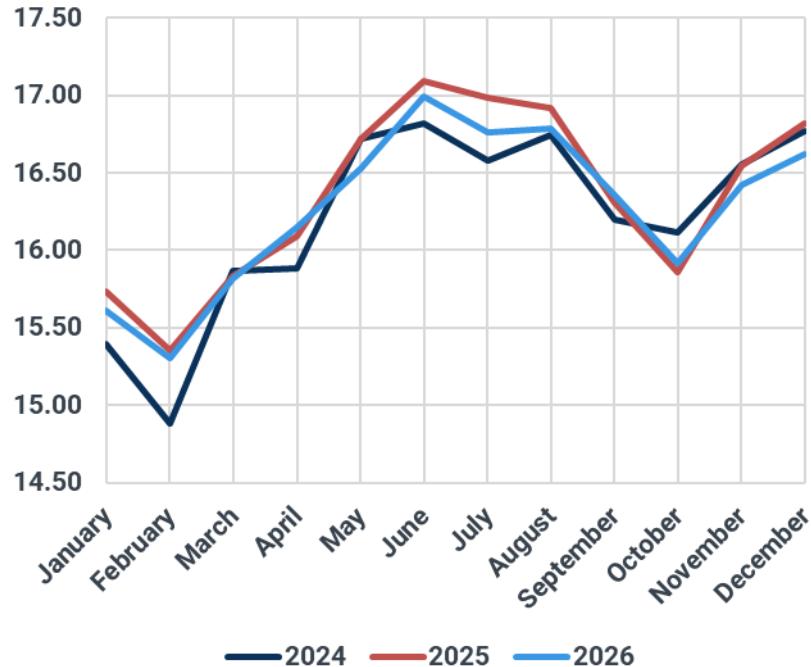


Refinery runs and inventories

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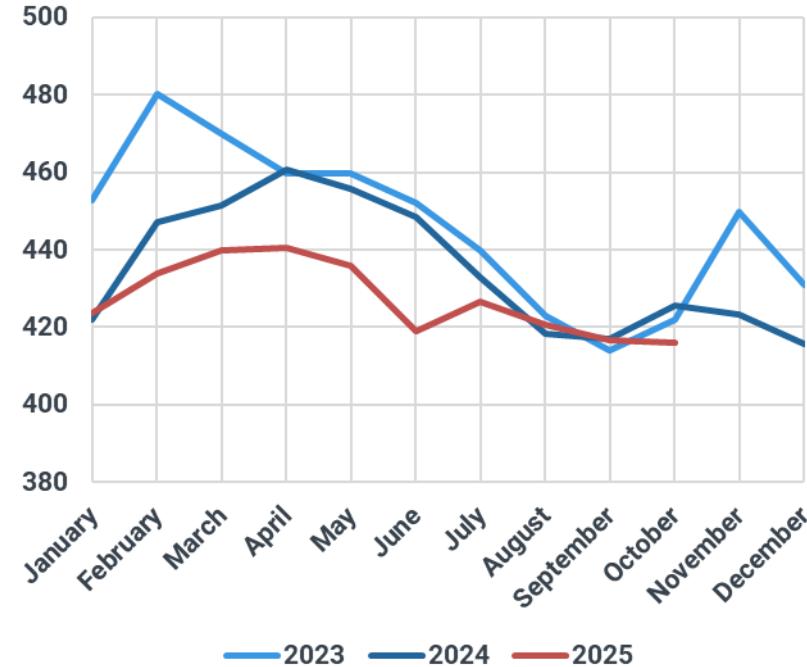
Refining activity to maintain a similar pace next year, inventories should climb

Crude inputs, Mbd



Source: Kpler / EIA

US commercial inventories, Mbbls



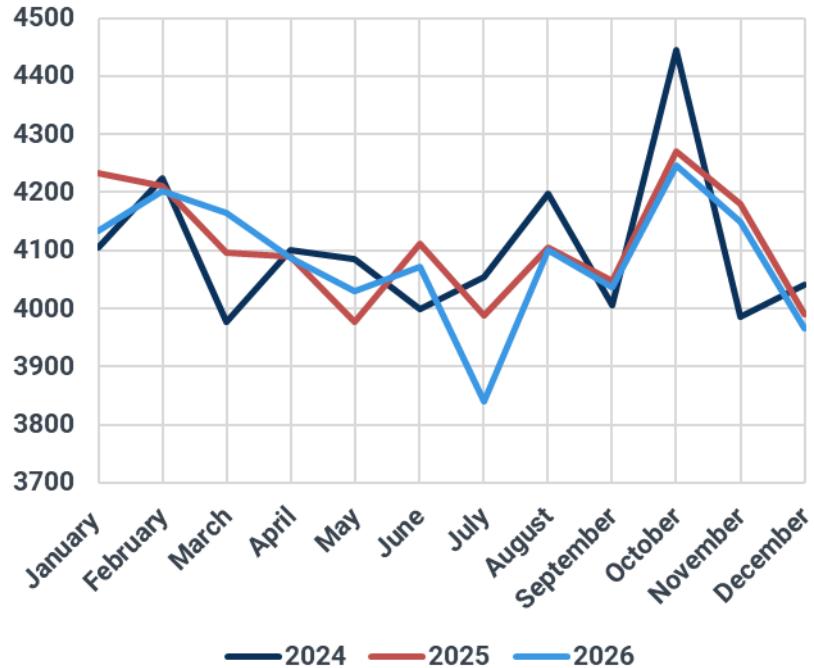
Source: Kpler / EIA

Product demand treading water

Gasoline and diesel both see demand bobbing along next year

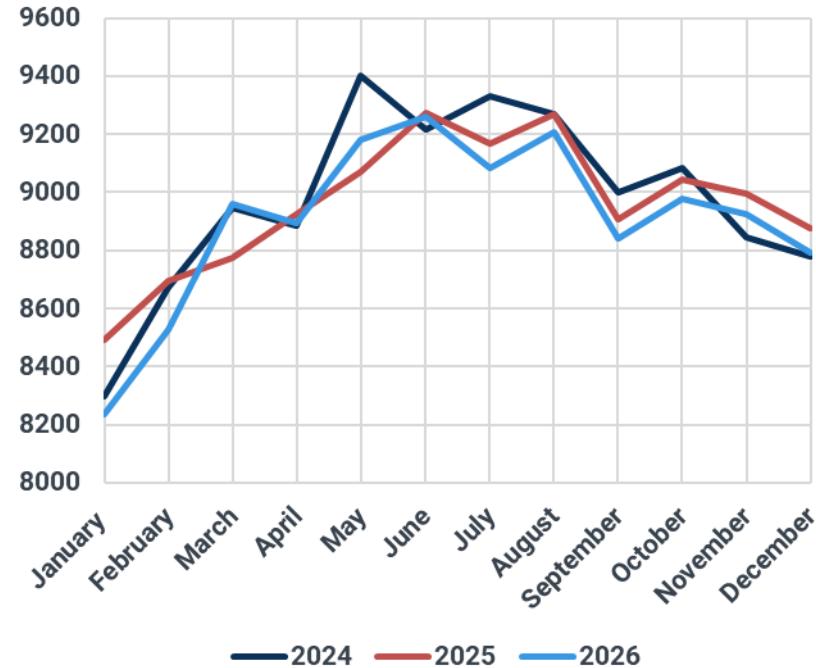
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US diesel supplied, kbd



Source: Kpler

US gasoline supplied, kbd



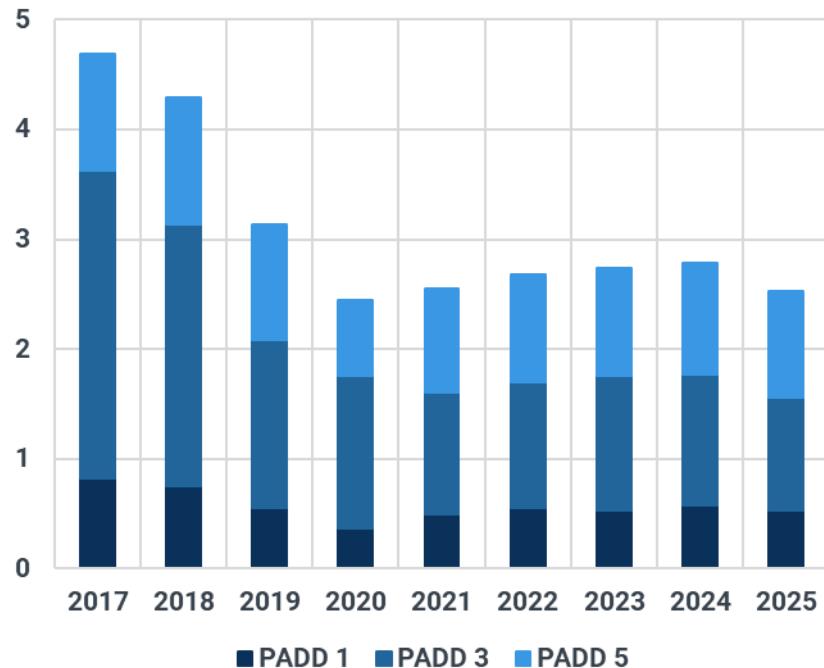
Source: Kpler

Crude imports remain constrained by quality

Coastal PADDs face different challenges

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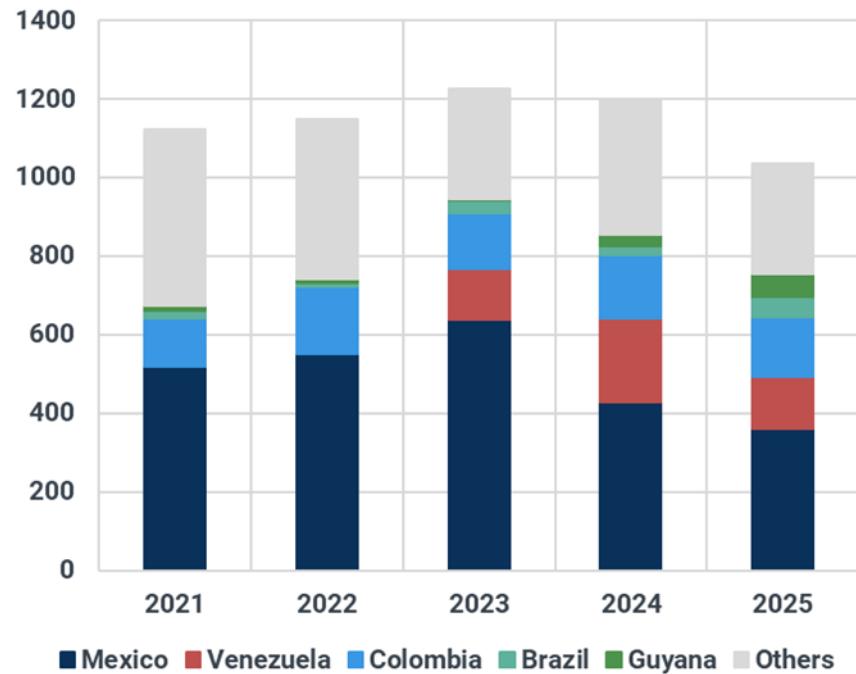
US crude imports by destination PADD, Mbd



Source: Kpler

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US Gulf Coast crude imports by source, kbd



Source: Kpler

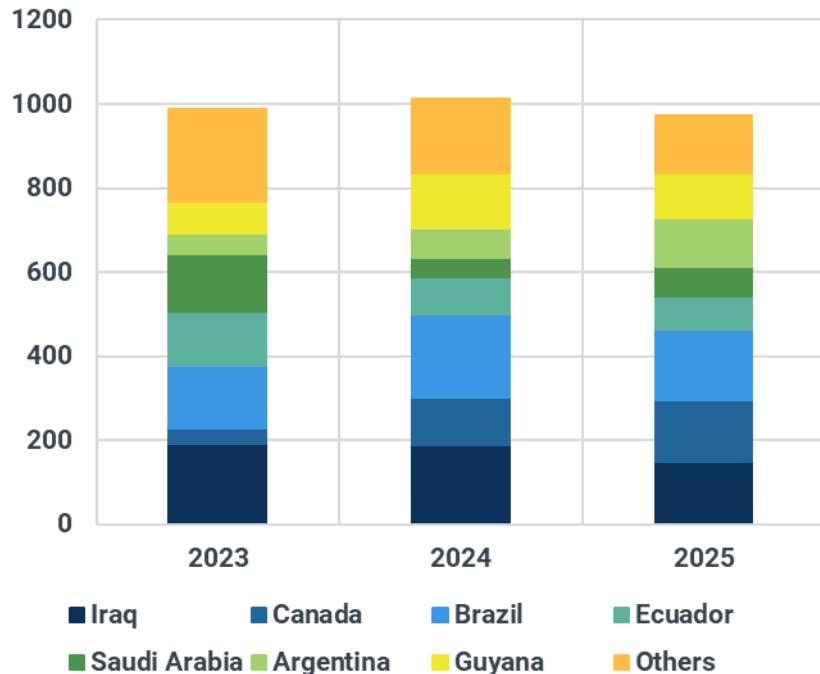
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East and West Coast imports fairly steady...but downside ahead

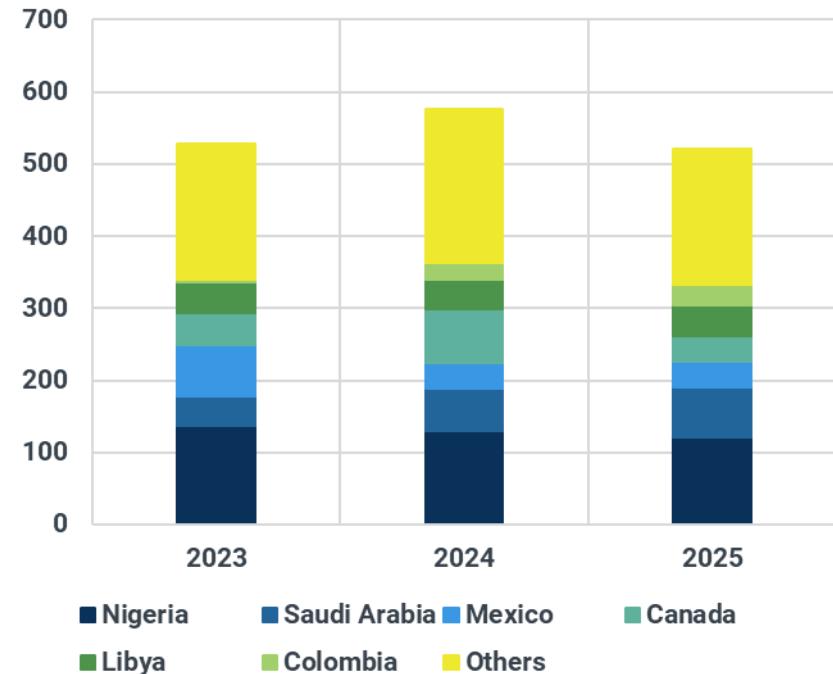
Sourcing sour barrels remains the key challenge

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PADD 5 crude imports by source, kbd



PADD 1 crude imports by source, kbd



Source: Kpler

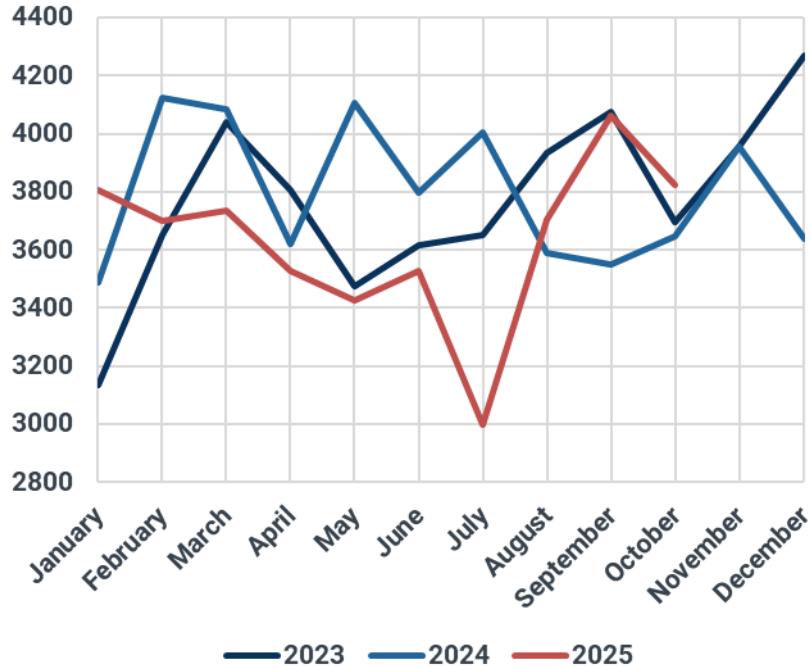
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US crude exports

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

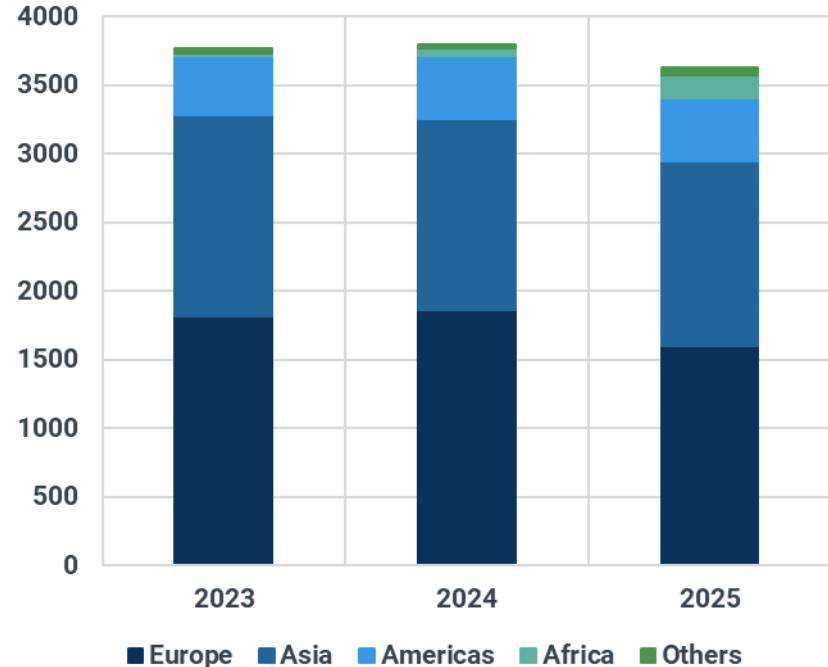
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US crude exports, kbd



Source: Kpler

US crude exports by destination, kbd



Source: Kpler

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Thanks! Questions?

