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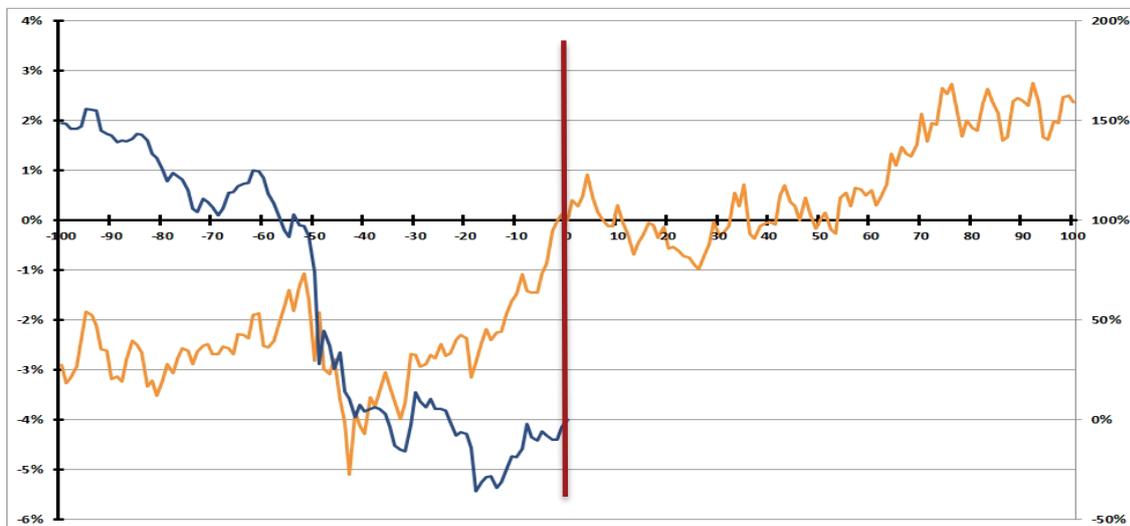


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Are crude oil prices surprisingly positive in summer?

For the bulls in the crude oil market there was not much reason to be happy in 2020. Not only in the wake of the Corona crisis did prices come under heavy pressure. There was even a "singularity" in the US oil grade WTI at the end of April, when prices fell below the USD 0 mark on one day. But now there are signs of a chance of recovery.

And this chance of recovery for oil prices is based on several factors. Let's start with the seasonal profile. On average (calculated since 1990), oil prices have been heading upwards since March. Among other things, this is due to the build-up of stocks after the winter months and the driving season that begins at Easter. This year, the corona crisis interfered. The sharp drop in demand, especially from the transport sector, filled the inventories so quickly that production cutbacks became necessary to stop the accelerated price decline. These are now in place, so that we now have a second supporting factor that could mean that oil prices can now begin their seasonal strength period after all.



Seasonal average profile of crude oil (Brent, in USD) before and after May 15 and current year

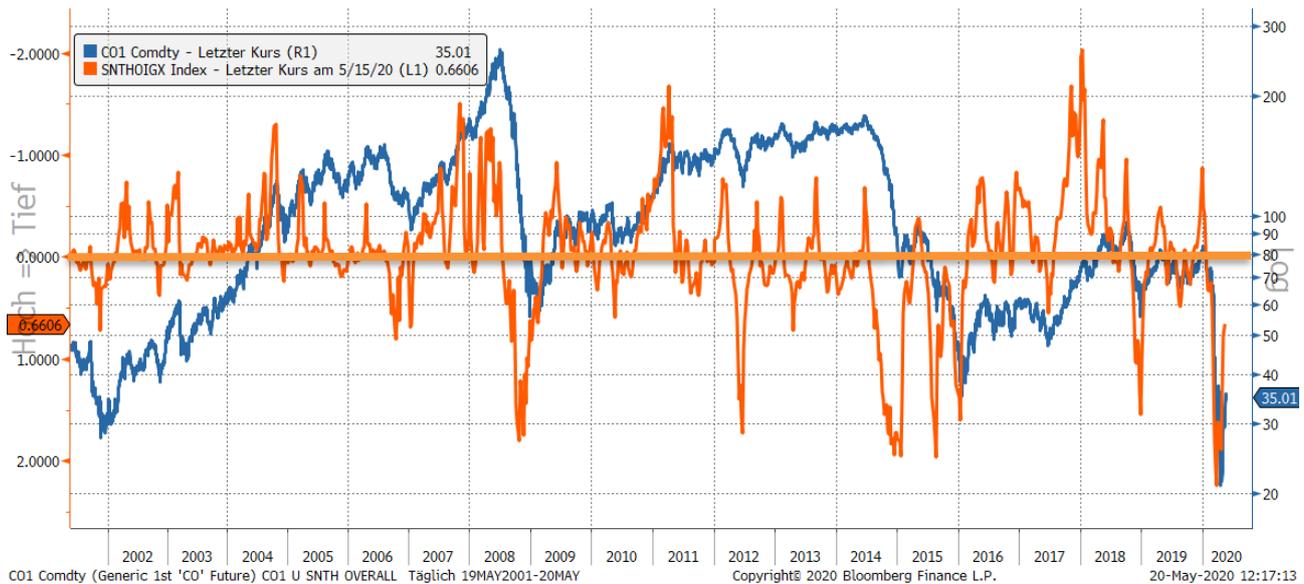
This is because, in addition to the production cuts decided by OPEC+, which are apparently being adhered to by the majority, the supply of oil is also noticeably reduced in the USA. Since mid-March, the number of active wells has fallen from around 700 to currently only 258! This means that the previous low from 2016 of around 310 active wells is now clearly undercut.

The oversupply of oil, globally but also in the USA, is thus likely to decline noticeably. If the crisis measures are eased further now that the first corona wave has been successfully contained in many industrialized countries, this will also affect oil demand. In Europe, efforts are even being made to make a certain amount of travel possible again. Flight



schedules are being gradually increased again and individual travel and commuter flows are also increasing slowly but steadily.

The third reason for price opportunities for crude oil lies in the fact that the market technology remains clearly oversold. This is exemplified by the sentix Risk Radar. Although the overall index, which takes into account not only market technical factors but also sentiment and investor positioning, has recovered from its extremes, it is still trading above zero (inverted representation in the following chart) and thus indicates further opportunities.



sentix Risk Radar Overall Index for Crude Oil and Brent Crude Oil Price (ad infinite contract, in USD)

And, finally, we measure a stable, positive basic confidence of investors in the strategic bias. This usually leads to an increase in investor positions. The more slowly a high investor positioning is achieved, the better. The longer a price upturn can last.

And currently the inclination of investors to invest in oil is only limited. In Brent we measure relatively low long positions. Here the rising basic confidence has so far had little effect on investor positioning. This is different in the WTI contract. Here, investors are more heavily invested. However, the capers in April have led to many investment concepts abandoning the short-dated futures contracts. Instead, the strategies are now structured in such a way that investors tend to invest in contracts that mature later. These strategy changes are tantamount to a capitulation of investors in a certain sense. And in sentiment analysis, capitulations stand for the end of a movement.

The signs are therefore not bad that the seasonally positive path for oil could - with a time lag - continue. If the travel season really did gain momentum after all, it is even possible that oil prices, which have made such negative headlines in recent weeks, could surprise positively in the corona summer.

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