



HOW MANY PEOPLE KNOW THIS? (AND WHY IT MATTERS)

We've raised a question in our research about the IEA's reported figure for petroleum stocks in the OECD countries, notably for the North America region during May. At issue is the forfeited volume of production from Canada from wildfires (which totaled 45 million barrels for April and May) and the IEA number for Canadian inventories suggesting the country's oil inventories were down only 7 million barrels during the same two months. Well, is not known by most that the IEA assumed a "near-zero" change in Canadian oil inventories in May because the National Energy Board (NEB) data for that month was not updated at the time of the IEA's monthly publication. Why does all this matter? Well, the data for the inventory change in the OECD (in total) is critical in the calculation for global apparent demand, as shown to the right. To recall, the "math" as currently shown suggests oil demand was much weaker than expected in the 2Q 2016 period and that non-OECD oil demand is calculated to have contracted for the first time since 1Q 2009 (which we simply don't believe). That the reported figure for the OECD total inventory level may be over-stated because the Canadian component of North America isn't correctly reflecting a probable (and large) draw seems more than just a wee bit important. What this means is that we think it likely we'll see a large downward revision in the OECD inventory figure when the next monthly IEA report is released in mid-August. If inventories are being over-stated (and demand is healthier than suggested) it fits into the general theme for 2016 of the oil balance transitioning into a deficit that results in inventories being pulled down sharply, and oil prices being pushed up sharply, by the end of 2016.

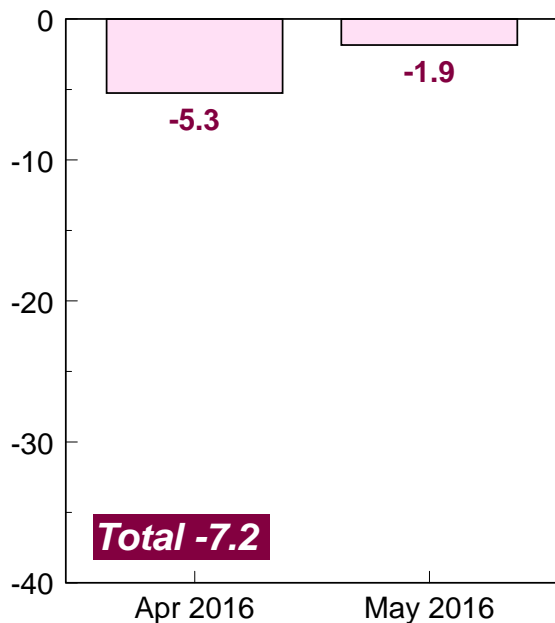
Apparent Demand "Math" for 2Q '16

Million barrels per day

World supply	95.81
Commercial stock change	0.16
Emergency stock change	-0.03
Global Apparent Demand	95.68
Y/Y growth based on our analysis	0.40
Y/Y growth of our initial forecast	1.50
Just-revised consensus est. for 2Q16	95.56
Consensus vs. our figure	-0.12

Monthly Change in Canadian Oil Stocks

As reported by IEA, Crude & liquids, MM bbl



Monthly Change in Canadian Oil Output

Crude and all liquids, Million barrels

