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# Oil & Gas

## Extraordinary production cuts to end in July

### Current production cuts for 9.7 million bbl/day only extended another month

— OPEC+ countries only agreed to extend the extraordinary production cuts for 9.7 million bbl/day until the end of July. This comes despite efforts by Saudi Arabia to maintain deep production cuts to the end of the year. Agreement came as poor compliance companies like Iraq and Nigeria agreed to compensate for excess production during May and June by making additional cuts in July, August and September. Production quotas will begin to rise again after July, with production cuts falling to 7.7 million bbl/day until December before falling to 5.8 million bbl/day until April 2021E.

### Supply-side catalysts from production cuts likely over & focus on V-shaped recovery

— Brent prices moved above USD42 for the first time since March after the extension to cuts was announced, but any sustained move above USD40 will likely be supported more by the outlook for a V-shaped recovery vs any additional production cuts. The sharp improvement in the US jobs market has reinforced the outlook for a V-shaped recovery and better explains the move in Brent oil prices.

### Focus on PV Gas as top pick to fully-capture recovery in oil prices

— Earnings recovery for PV Gas (GAS) are the most directly related to higher Brent oil prices when compared to PV Technical Services (PVS) and PV Drilling & Well Services (PVD). With expectations for a V-shaped recovery already becoming the biggest driver of oil prices, the next hurdle for Brent prices will be the move to USD48 or breakeven level for the most efficient producers of shale gas in the US. GAS remains our top pick to fully-capture the recovery in Brent prices to above the USD55 breakeven level, while the exposure to weak upstream day rates makes PVS and PVD less attractive.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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