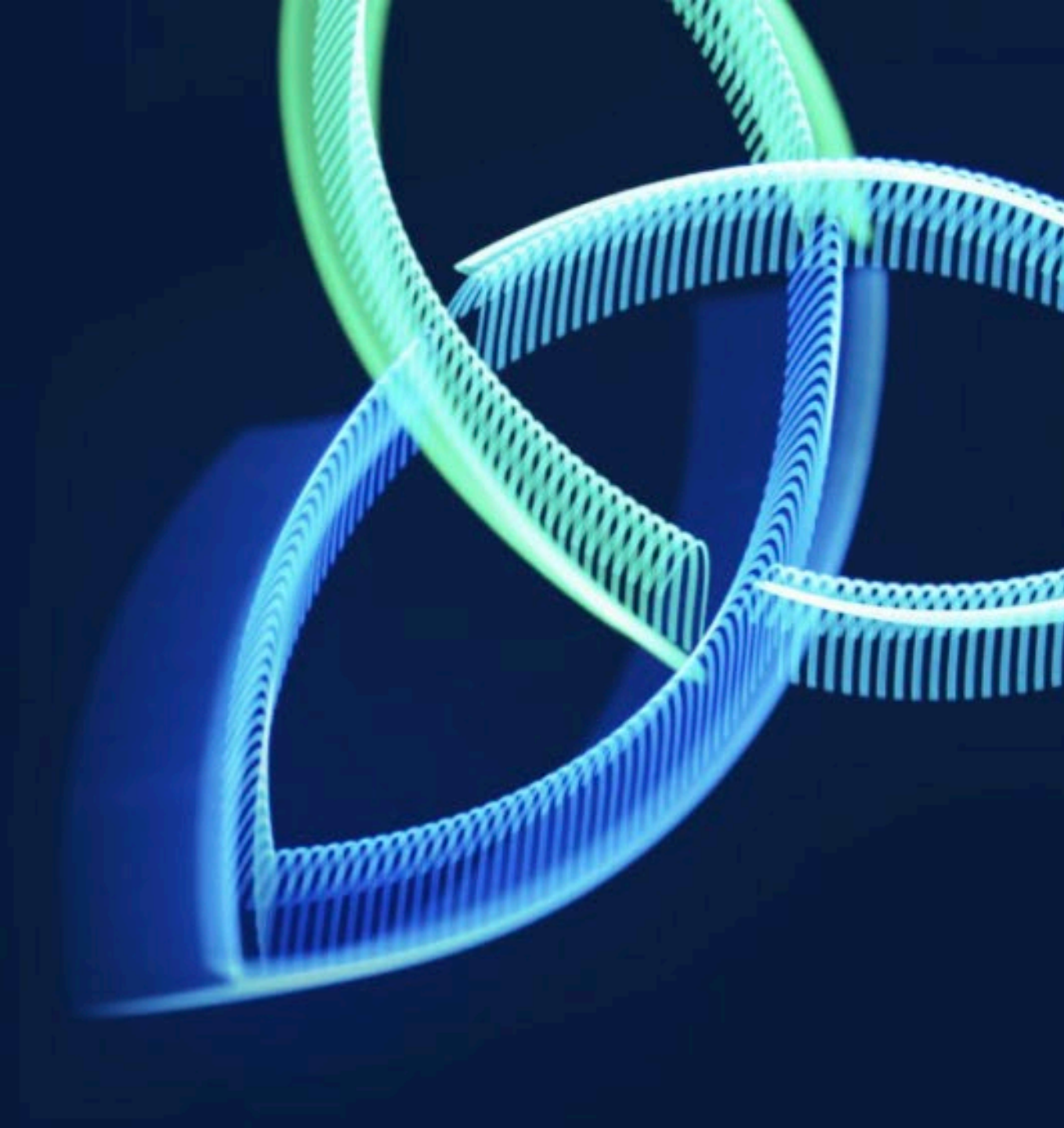


US base oil fundamentals' impact on Latin America

Meet the Market 2024

2 July 2024

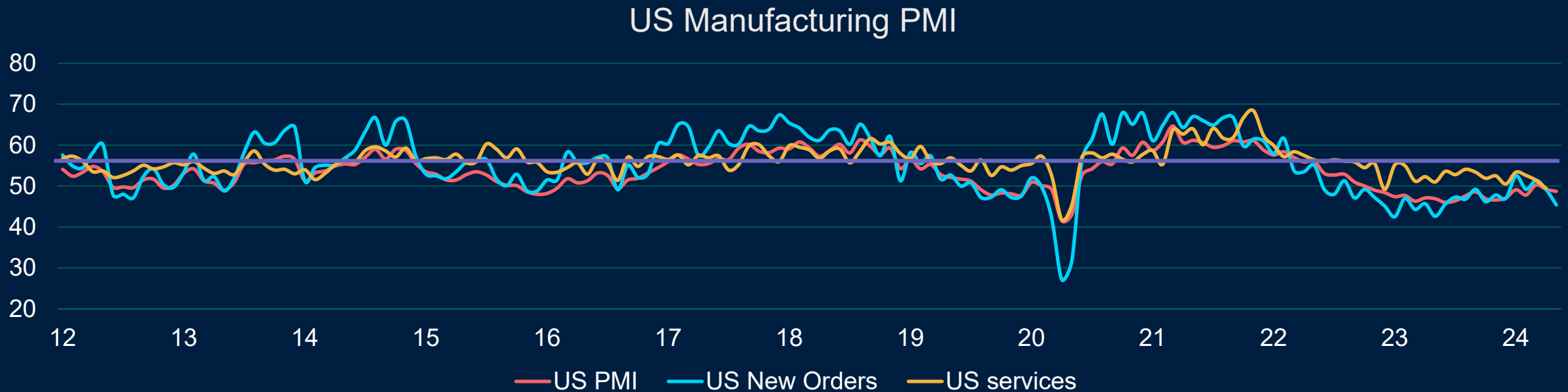


US base oil fundamentals' impact on Latin America



- 01 US economy
- 02 Global overview
- 03 US demand
- 04 US Exports: Where are they going?
- 05 US vs Asia Group II pricing
- 06 US base oil margins
- 07 Brazil imports and demand
- 08 Future demand trends
- 09 Conclusions

US manufacturing recession hampers demand



Commodities like base oils and lubricant additives have 4x exposure to manufacturing sector, which has been in contraction for nearly two years

Rolling recession in manufacturing & transportation industries continues in US, keeping demand low, creating ample export availability.

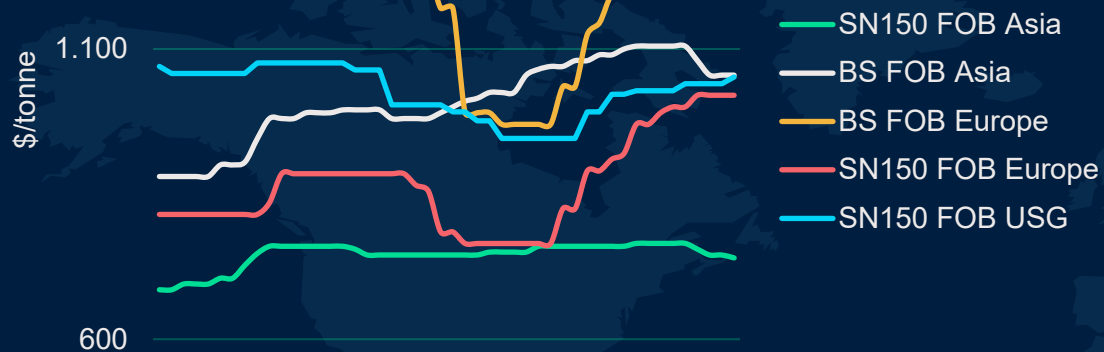
Overall health of US economy appears stronger as non-manufacturing sectors account for 7/8 of the total economy with consumers switching spending from goods to services, etc.

Note: An index of 50 or over indicates that the sector is expanding, while an index below 50 indicates that it is declining.

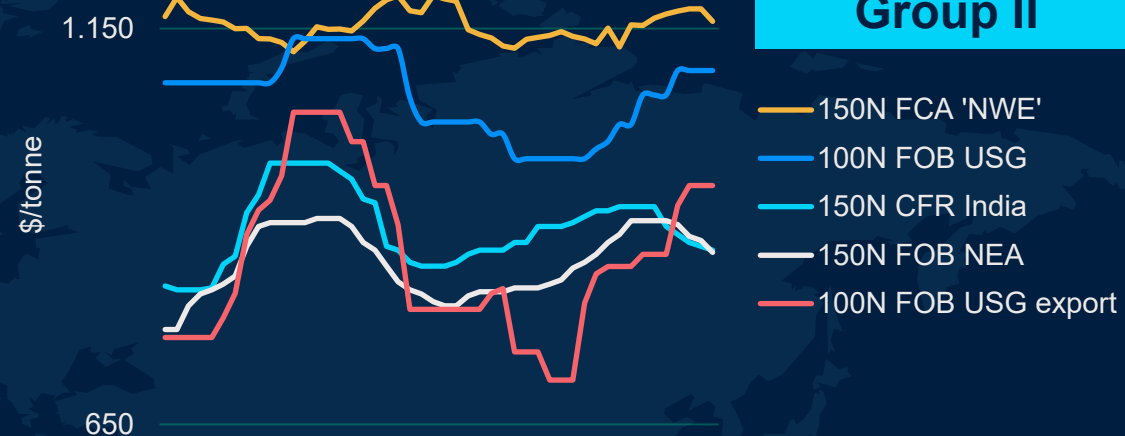
Key global price trends



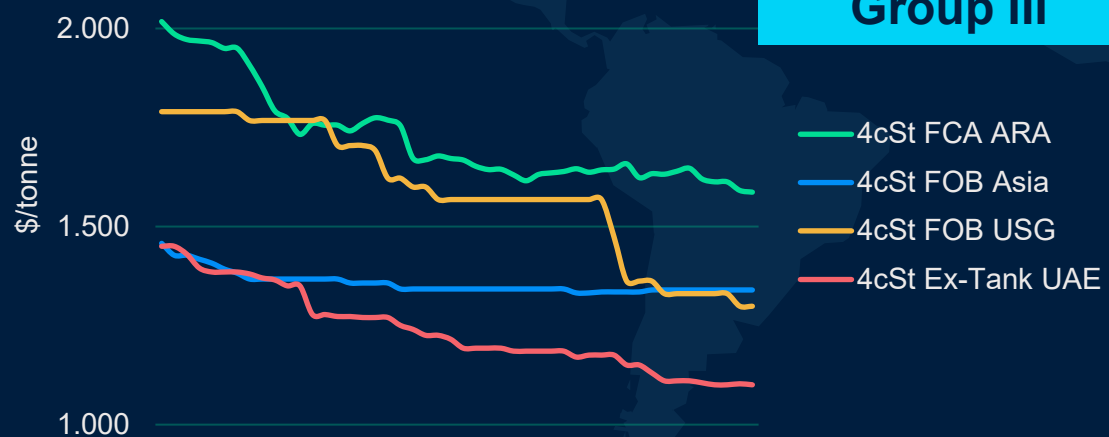
Group I



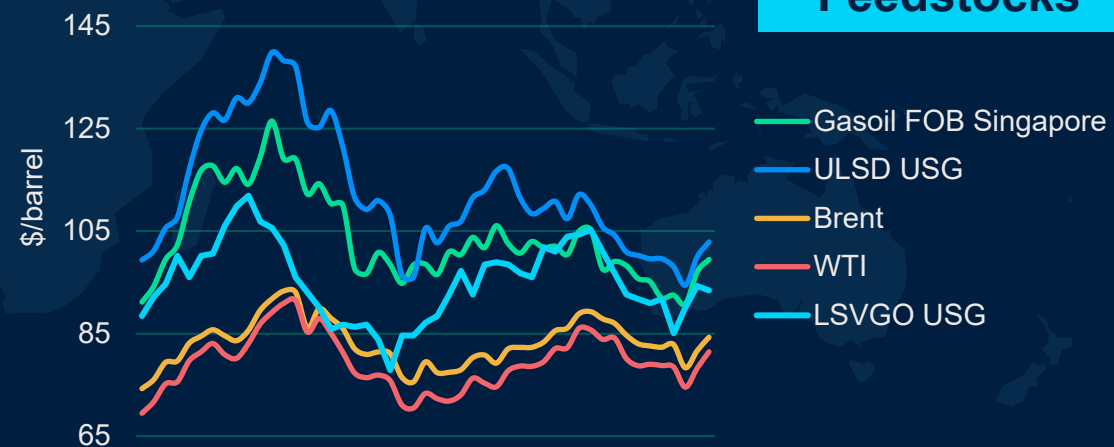
Group II



Group III



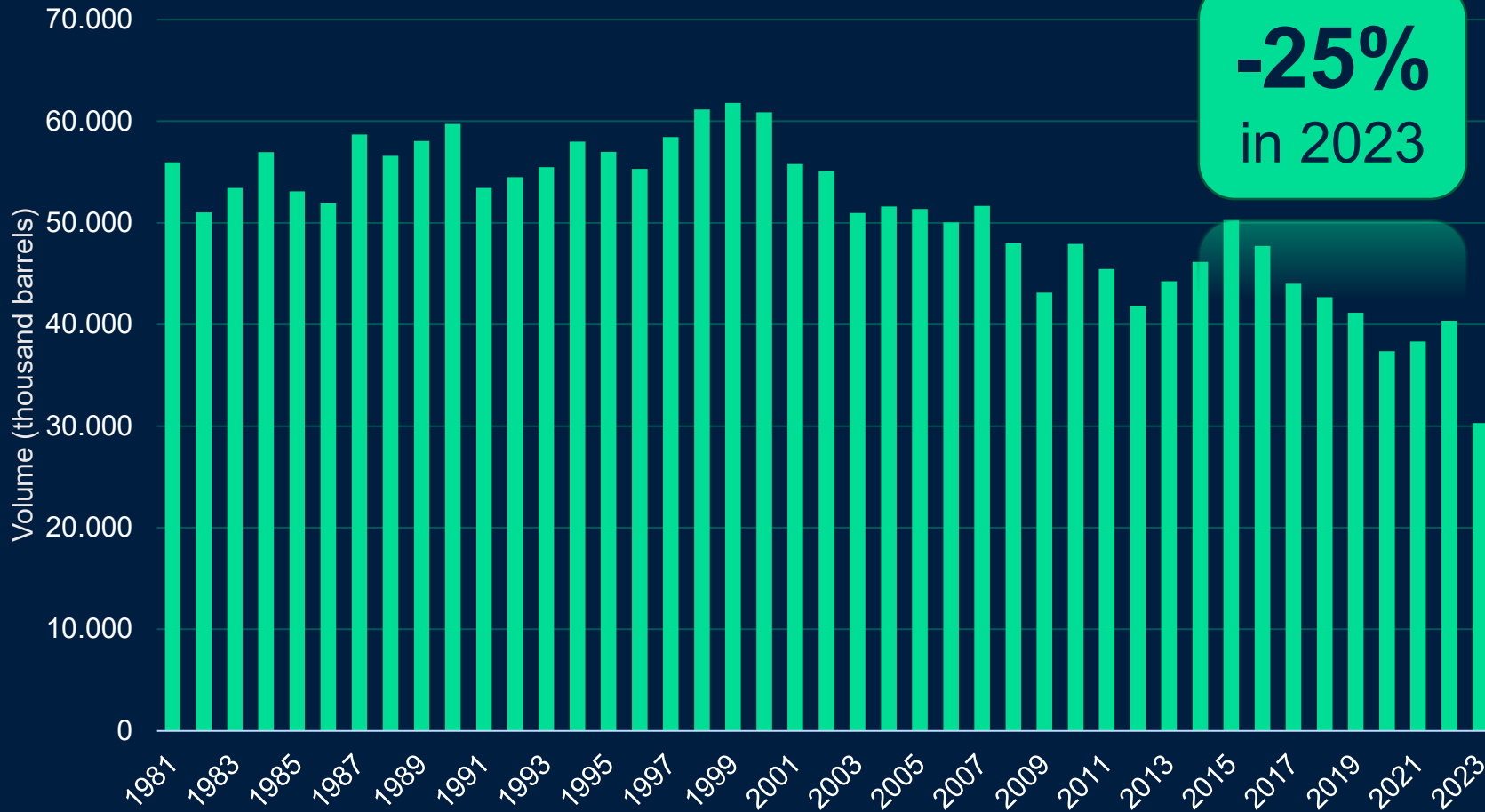
Feedstocks



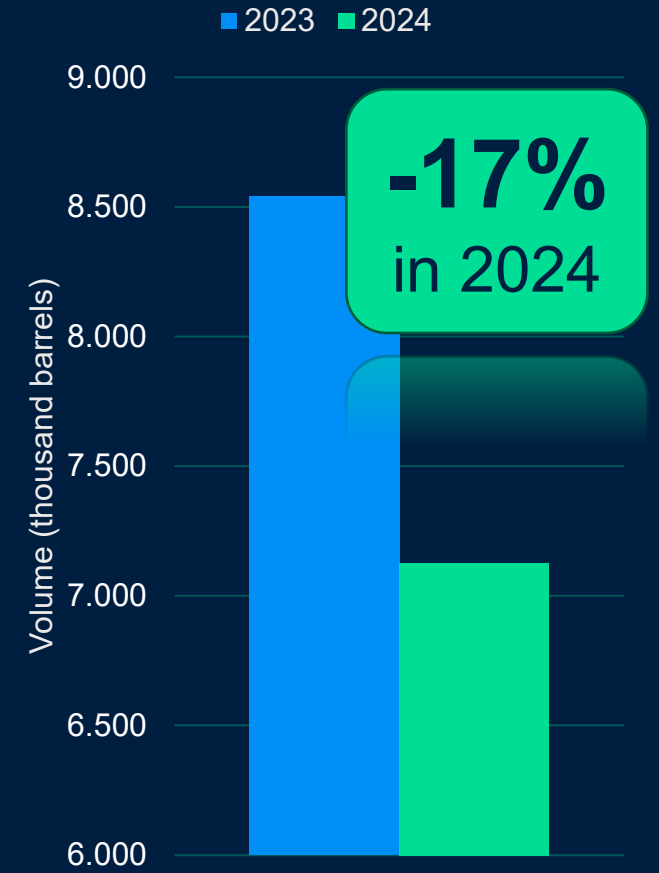
US lubricant demand at historic lows



US domestic consumption



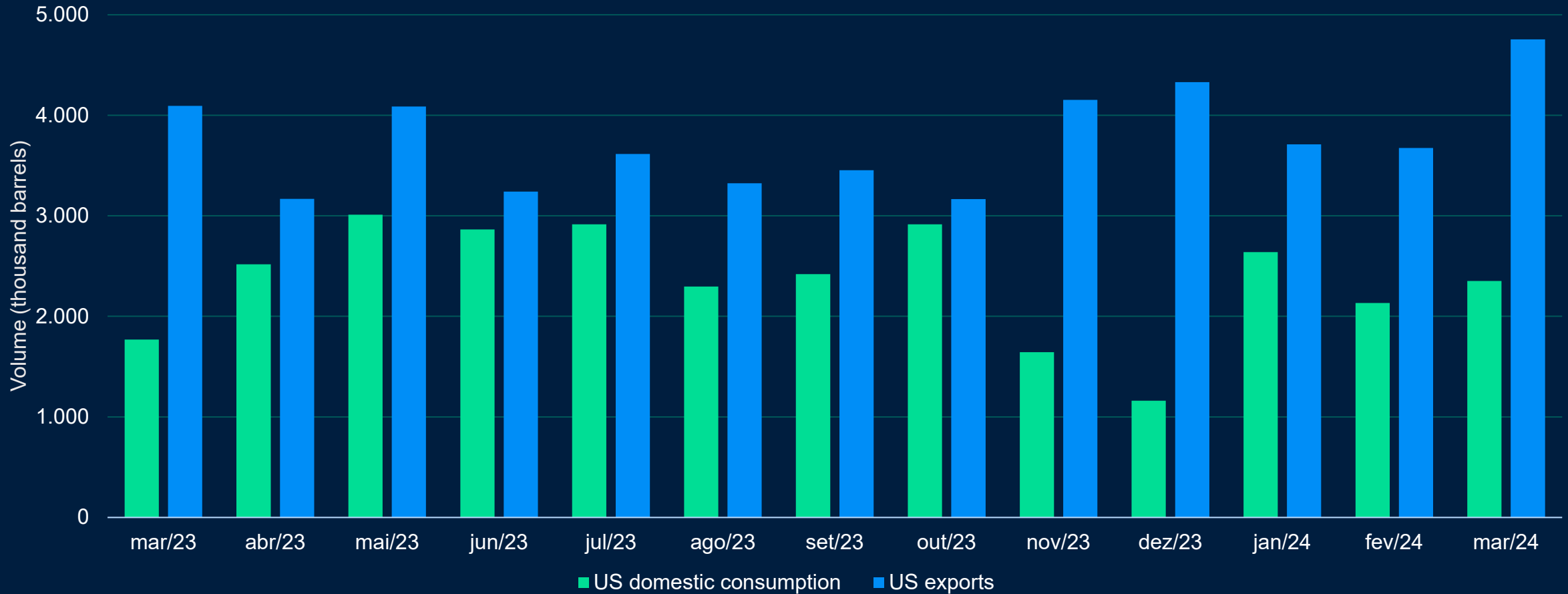
Q1 comparison



Exports outpace US consumption monthly



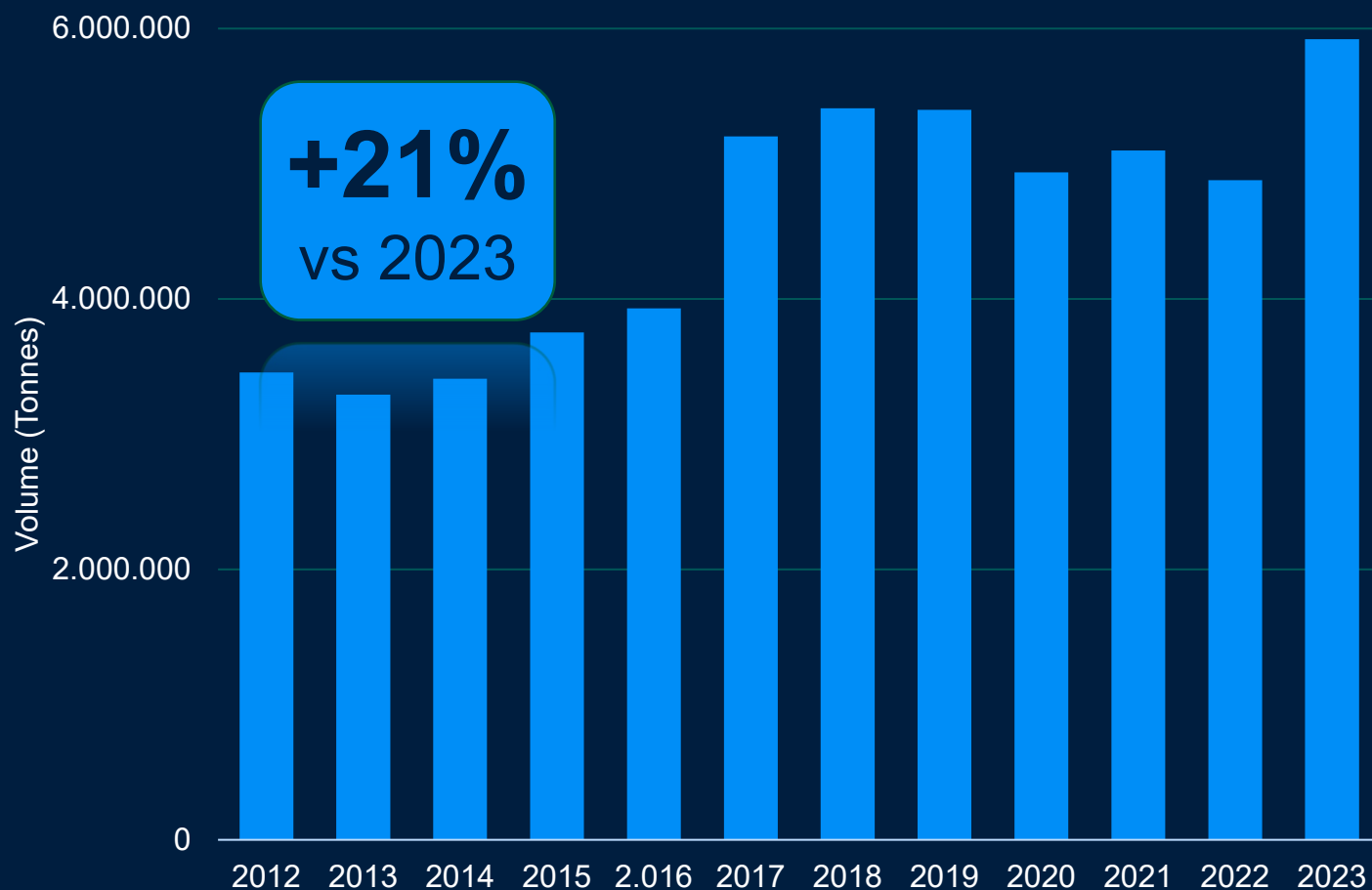
US domestic consumption vs exports



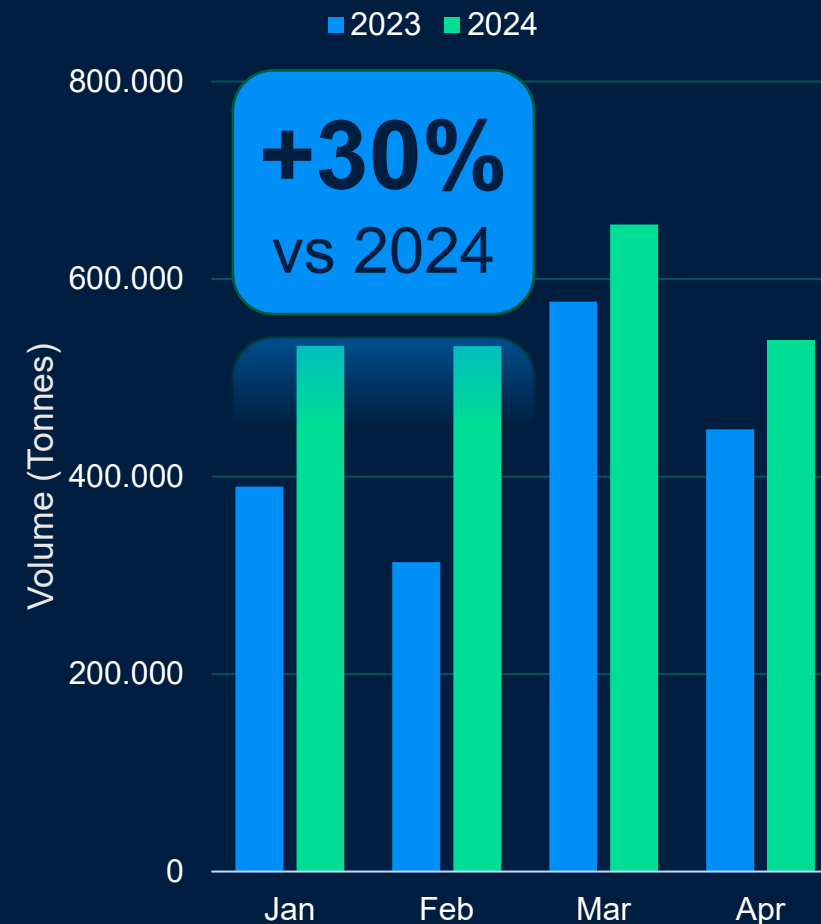
US exports record volumes amid weak demand



US exports 2012-2023



US exports Jan-May



US exports: Where are they going?

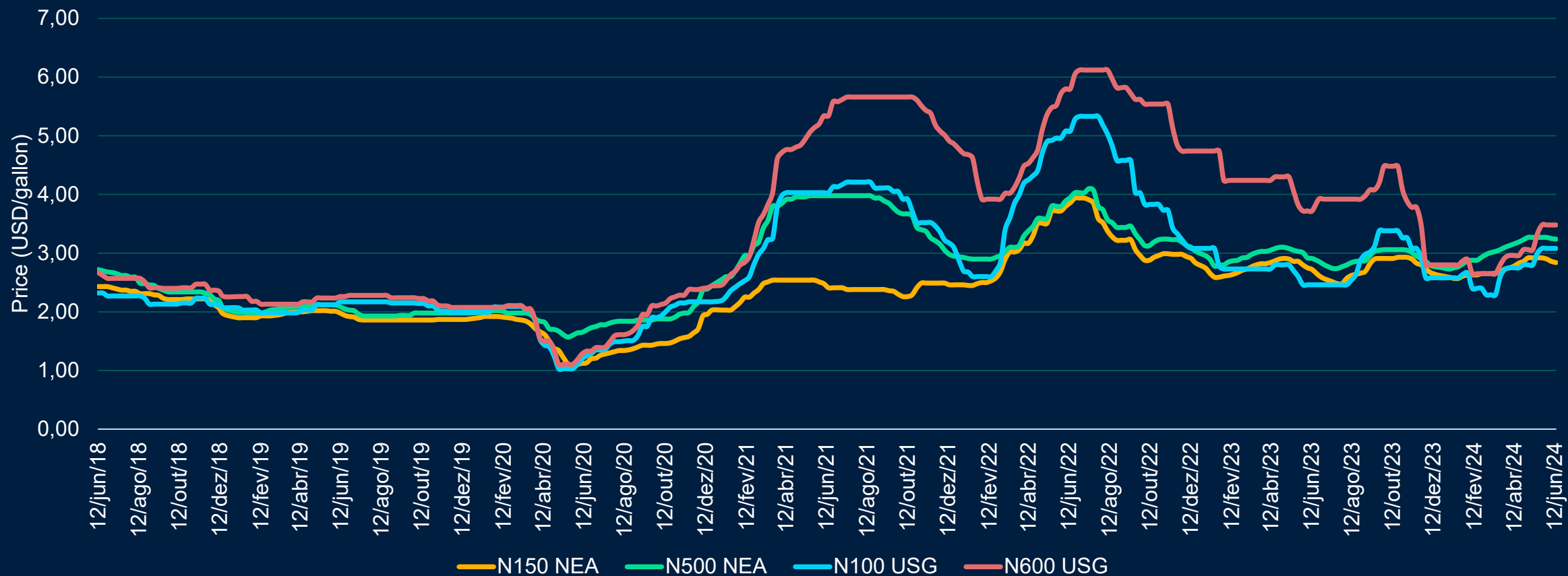


Source: ICIS SnDD

US prices reconnect with Asia



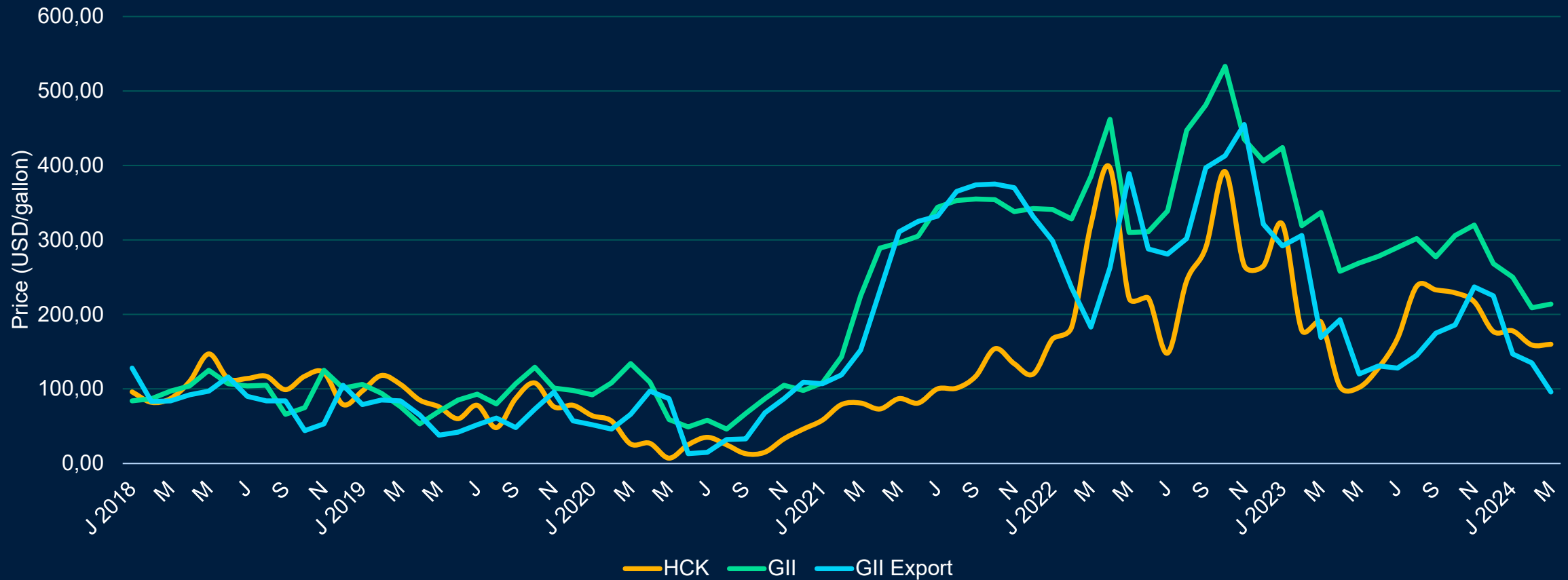
Group II USG vs NEA FOB



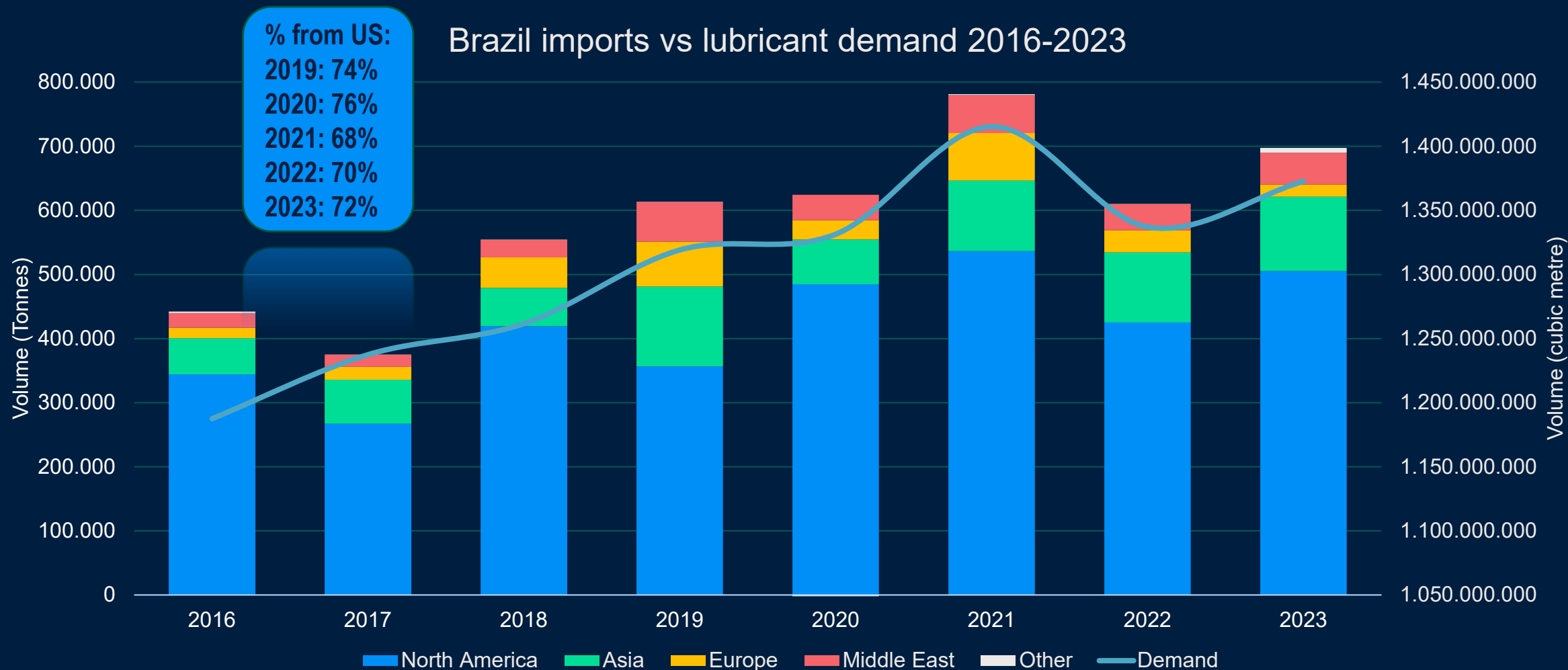
Export margins below hydrocracker margins in Q1



US Gulf Coast: Margins on base oil and fuel-producing units



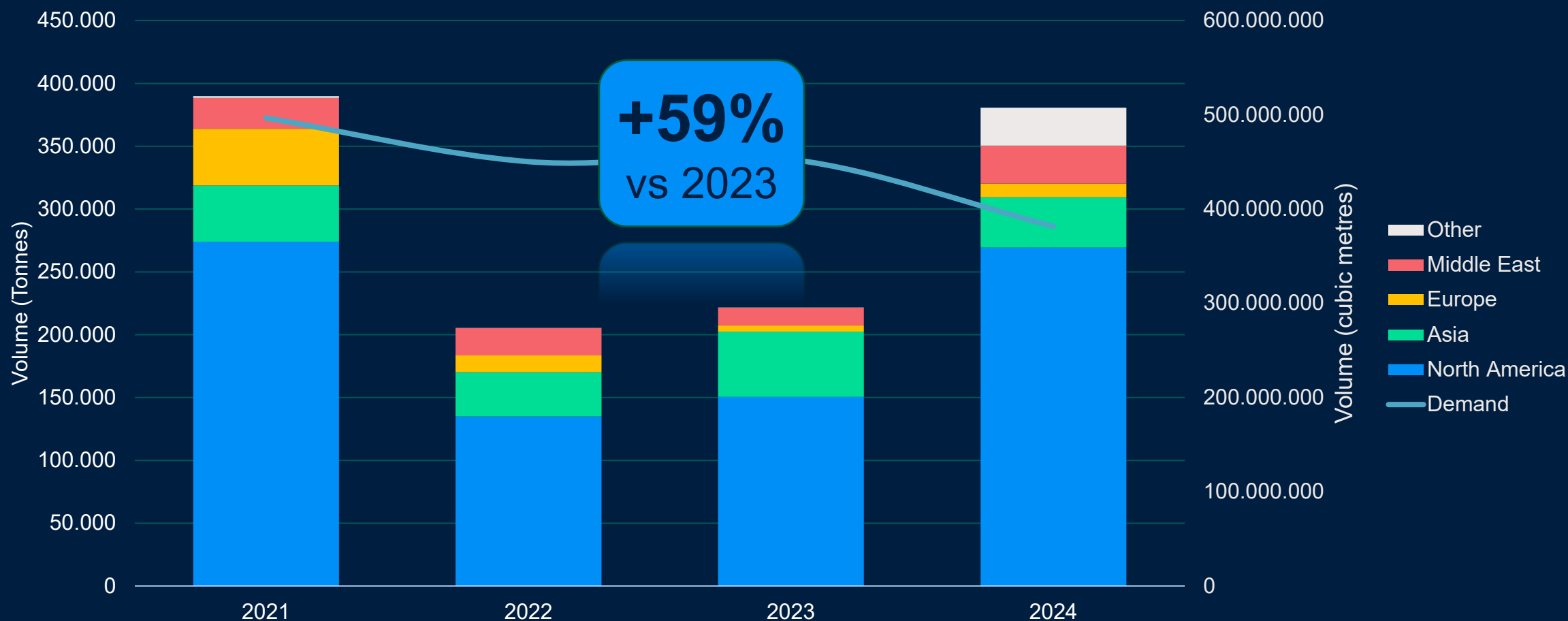
Brazil imports, lube demand generally align



Brazil imports up sharply, demand down YTD



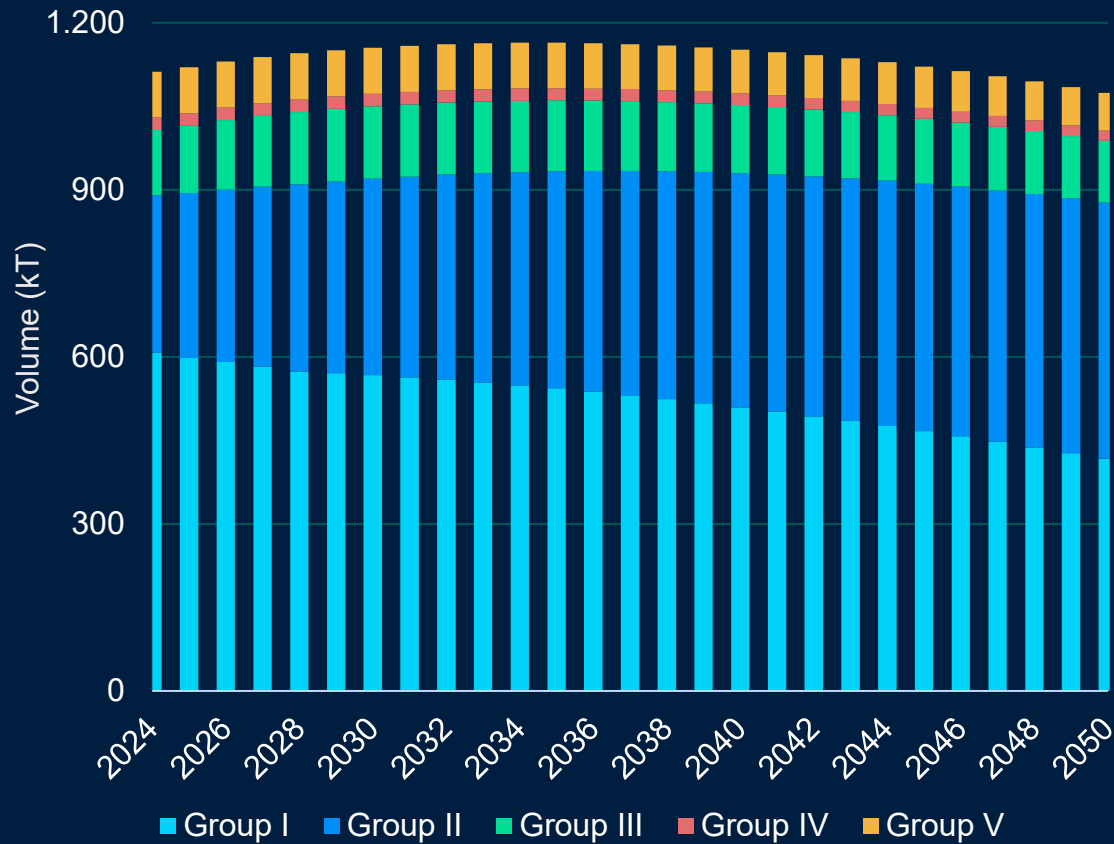
Brazil imports 2021-2024 (Jan-May)



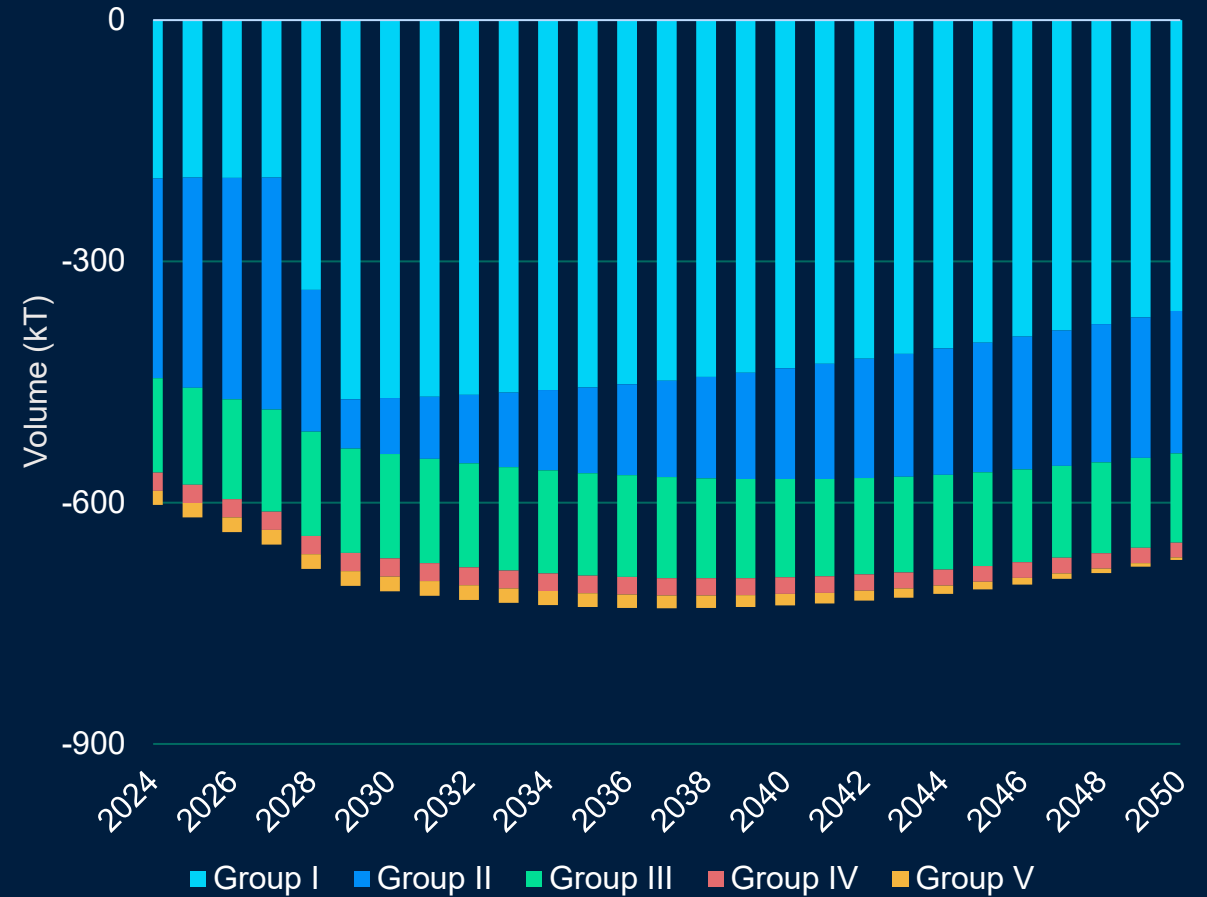
Brazil base oil demand, import needs to 2050



Demand estimate



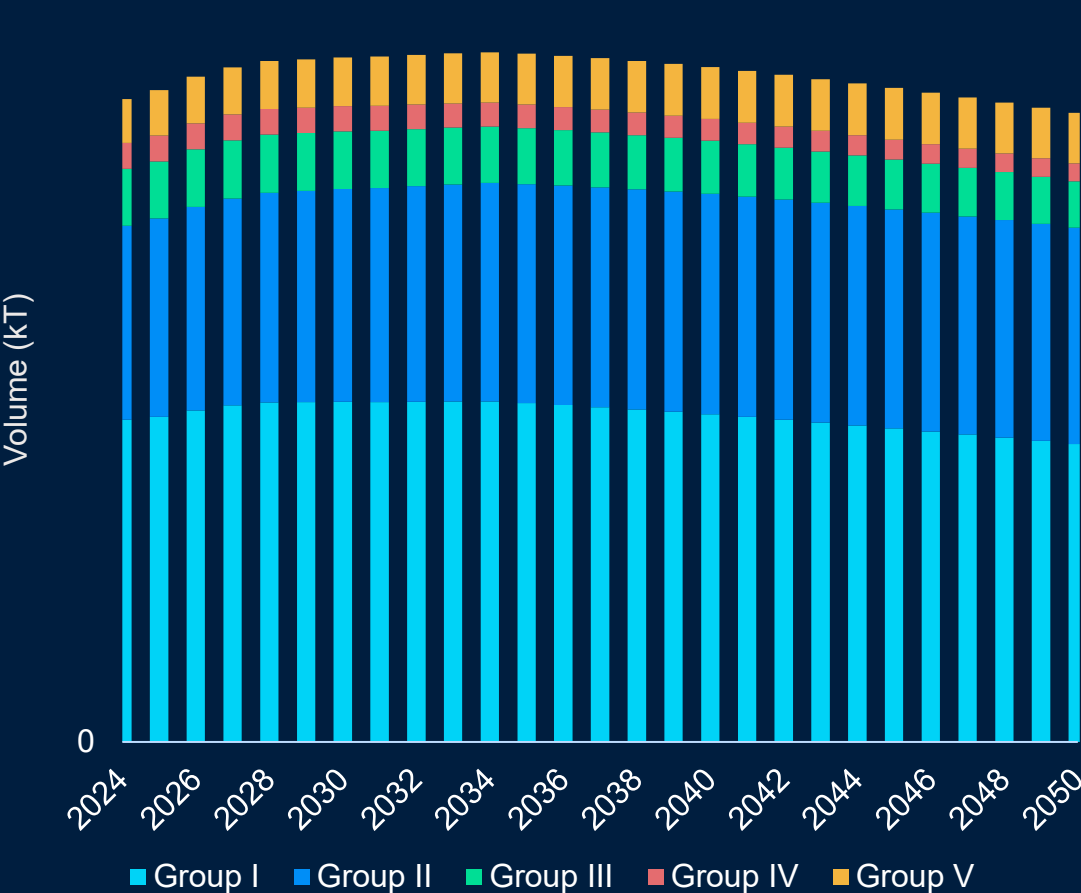
Net export estimate



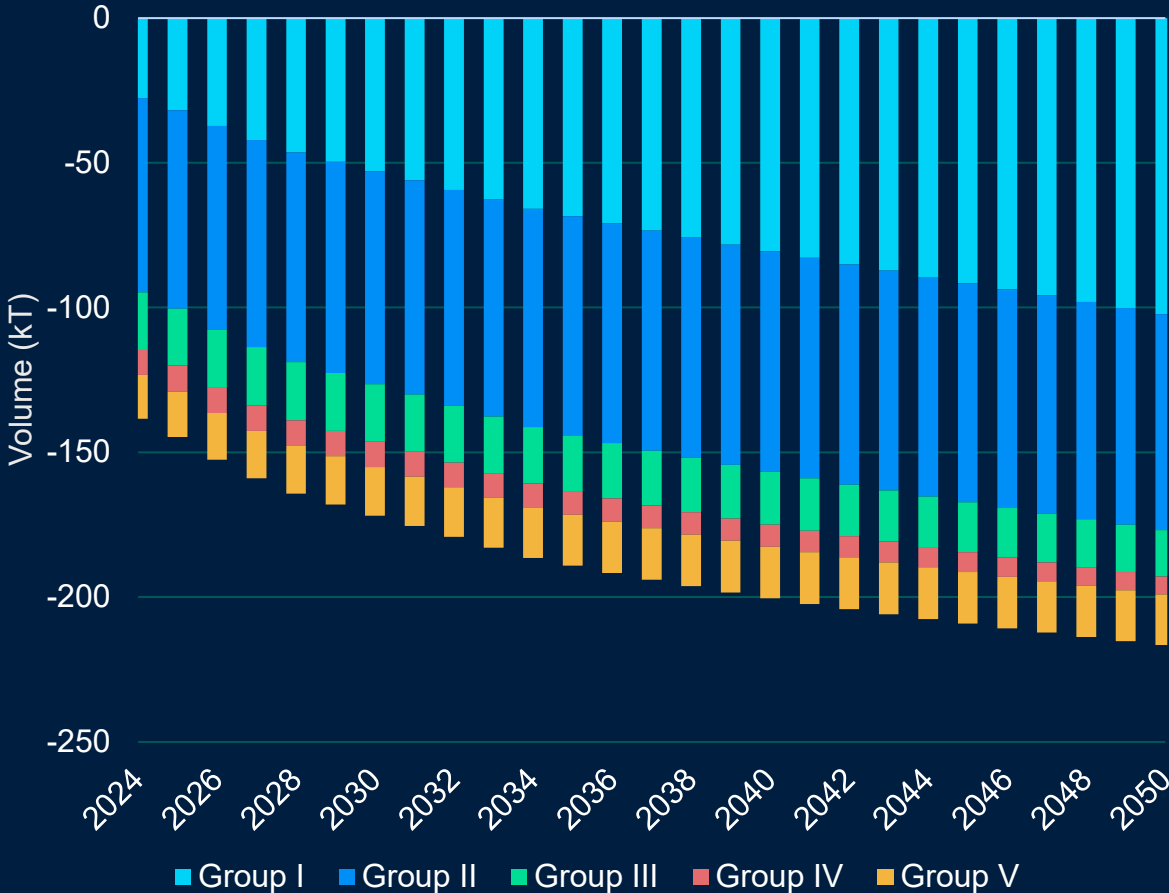
Argentina base oil demand, import needs to 2050



Demand estimate



Net export estimate



ICIS expectations going forward

- 🔄 Tight Q2, early Q3; potentially long Q4
- 🔄 Weak US demand keeps exports available
- 🔄 Firm crude supports prices



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