

# Faysal Asset Management

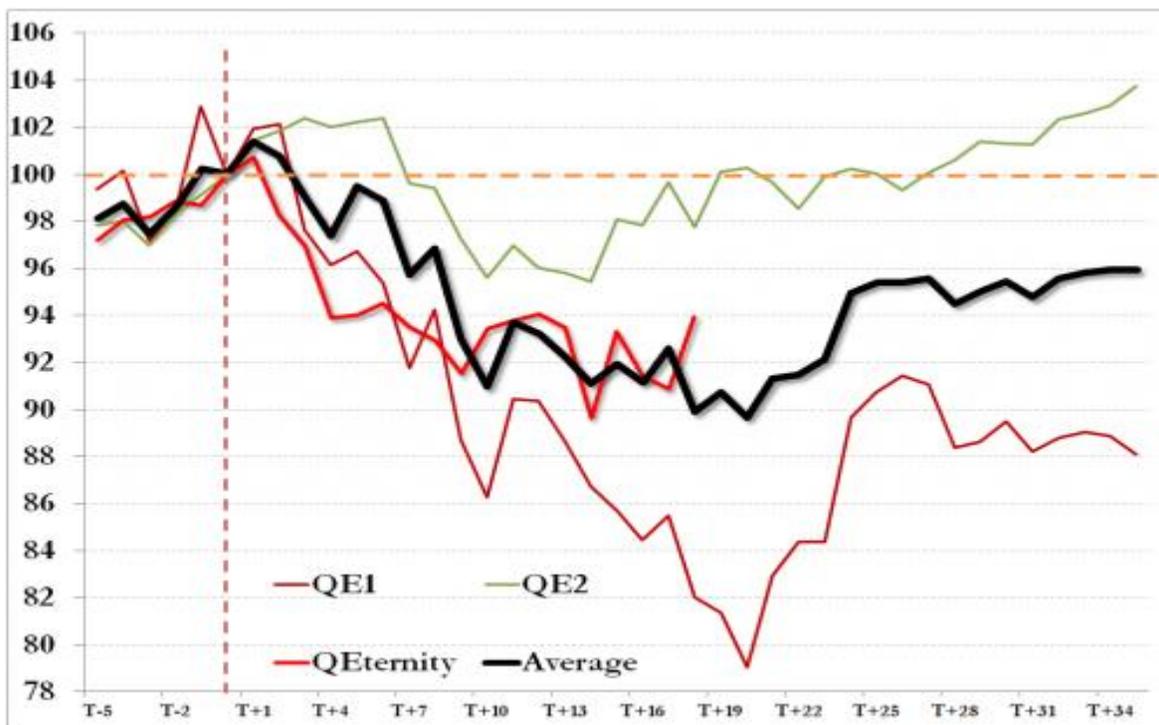
## Tracking Crude Oil

October 12, 2012

## After T+20 days from QEternity....

With reference to the flash note on “Crude Oil” (dated: September 27, 2012), here we track the trend in international oil prices after the launch of third austerity plans. Without fail, WTI is running close to the average oil price trend after quantitative easing (highlighted in black). After T+20days we now anticipate some correction in WTI, implying cessation in continuous plunge experienced in oil prices. Nevertheless, slow growth in China coupled with piling up of crude oil inventories (exceeding expectation) on weekly basis has further supported the rundown on oil prices lately. Where on one hand recession and heightened supply from Saudi Arabia are keeping oil prices low contrarily on the other hand supply disruptions due to unrest in Turkey and Syria are pushing the prices up.

Plummeting international oil prices is a sigh of relief for Pakistan’s import bill which would help reduce the trade gap. It was evident in September 2012 import bill – posting a negative growth of 8% - thereby shrinking the trade gap to USD1bn in the aforementioned month. Additionally, oil prices below USD100 per barrel relieves pressure from transport; representing 7% of the inflation basket. Hence, the current levels presage single digit inflation to be maintained till June 2013.



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