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Alam Maritim positive on O&G

UNFAZED BY HEADWINDS: Lower oil inventory and rising demand are likely to contribute to recovery

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ALAM Maritim Resources Bhd is positive about the outlook in the local oil and gas (O&G) industry despite the current headwinds.

"Oil prices are expected to remain depressed for the most part of this year despite having recovered slightly," said group chief executive officer and group managing director Azmi Ahmad.

He said contract rates for vessels and other services are expected to be lower for the year as Petroliam Nasional Bhd (Petronas) had reduced its capital expenditure (capex) by 10 to 15 per cent, and operating expenditure (opex) by 30 per cent.

Reduction in capex and opex are part of Petronas' cost rationalisation measures.

Azmi believes there may be no further drop in oil prices and he expects a recovery by the fourth quarter of this year.

The lower oil inventory and rising demand are likely to contribute to recovery,

he said.

"Market indicators already showed reduced crude oil inventories globally and recent geo-political factors, particularly in the Middle East, have contributed to stronger oil prices, albeit still far from the US\$100 (RM380) per barrel mark," said Azmi.

RHB Investment Bank Bhd's analysts also opined that oil and gas markets will improve in the second half of this year.

"The last time there was a balanced market was in first quarter of last year with oversupply starting around the second quarter and thereafter. In the first quarter of last year, crude oil prices were still trending at US\$100 to US\$110 per barrel.

"Prices started sliding since the second quarter of last year as the oversupply worsened. We are seeing the crossover point again in the current quarter, where a balanced market may occur," it said.

Economic Cooperation and Development countries are the major drivers causing demand to increase by 175,000 barrels per day in the year to date this year, it said.

RHB Investment is still maintaining an "overweight" on the oil and gas sector.