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# Oil Market Outlook

**O**il finished its best quarter in more than a year on forecasts for rising demand and concern about instability in the Middle East, where Iraq, Turkey and Iran are seeking to isolate Iraqi Kurdistan after it voted for independence.

Prices were also supported by an unexpected drop in US crude inventories and an expected decline in exports from Iran, in response to higher domestic demand and a maintenance shutdown at the South Pars platform.

However, gains were capped by profit-taking, and by data showing rising US crude production.

West Texas Intermediate (WTI) crude increased by \$1.01 to close at \$51.67 per barrel. Brent dropped 68 cents to \$57.54 and Dubai crude averaged \$55. Thaioil forecasts that WTI this week will move within the range of \$50 and \$55, while Brent will trade between \$54 and \$59. Prices are expected to decline slightly on rising US production as the post-Harvey recovery is nearly complete and drillers are encouraged by higher prices in the near term. However, the market also has to monitor global demand amid seasonal turnarounds of refineries and tension in Iraq. Among the factors expected to influence trade:

- With higher prices and brightening demand forecasts, US drillers added six oil rigs last week, bringing the total to 750 and expanding activity for the first time in over a month. The Energy Information Administration (EIA) forecast that shale oil output in October would rise by 79,000 barrels per day from September, to 6.08 million bpd. In addition, most Gulf of Mexico production has resumed after earlier storms. Total US oil production rose last week by 37,000 bpd to 9.55 million bpd.

- US crude inventories are expected to rise as production and exports increase while refinery distillation rates remain stable, with most refiners affected by Hurricane Harvey now back at full capacity. The EIA said US crude stocks in the week ending Sept 22 fell by 1.8 million barrels to 471 million because refineries had raised capacity after Harvey. Analysts had forecast an increase by 3.1 million barrels. Oil exports jumped 61% to 1.49 million bpd.

- Refineries around the world generally conduct seasonal maintenance in October, which could reduce demand for crude oil in the short term. However, overall global demand is forecast to be higher than last year, especially from big developing countries such as China and India. Economic revival in Europe is also helping.

- Fallout from the Sept 25 independence vote in Iraqi Kurdistan is increasing, with Turkey threatening to shut the 500,000-bpd pipeline transporting crude from territory in northern Iraq controlled by the Kurdistan Regional Government (KRG). Turkey and Iran are concerned about the prospect of unrest among their Kurdish populations, and are working with Iraq in an attempt to isolate the Iraqi Kurds.

- Economic indicators to watch include US nonfarm payrolls, euro zone unemployment and retail sales, and the US manufacturing and services PMI. -

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