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Oil Market Outlook

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Crude oil prices were driven higher by rising tensions between Saudi Arabia and Iran, already waging a proxy war in Yemen and seemingly headed for a showdown in Lebanon. The purge inside Saudi Arabia by Crown Prince Mohammed bin Salman, with some 200 royals, politicians and businessmen detained on corruption charges, also raised questions about the country's direction.

Prices were also supported by expectations that Opec and its allies will agree to extend their production cuts of 1.8 million barrels per day beyond March 2018. However, gains were capped by an unexpected rise in US crude inventories and a global sell-off in stocks and bonds on Friday.

West Texas Intermediate (WTI) crude increased by \$1.10 to close at \$56.74 per barrel. Brent gained \$1.45 to \$63.52 and Dubai crude averaged \$62. Thaioil forecasts that WTI this week will move within the range of \$53 and \$58, and Brent will trade between \$60 and \$65. Prices are expected to move up amid signs the global glut is easing, while supply concerns are rising in Nigeria where militants threaten new attacks. However, rising US production could limit gains. Among the factors expected to influence trade:

- Key figures from Opec and non-Opec states will be setting out their positions ahead of a meeting on Nov 30. The Opec secretary-general said the group wanted to reach agreement on an output cut extension before the meeting takes place.

- Hostility between Saudi Arabia and Iran is on the rise after the Saudis accused Teheran of being responsible for a missile attack aimed at King Khalid International Airport in Riyadh by Houthi rebels based in Yemen. Iran has denied any support for the rebels. Riyadh is also said to have forced the resignation of Lebanon's prime minister, even though he is an ally, because it was unhappy with the lack of action by his country against Iran-backed Hizbollah militants.

- Nigerian crude oil production could be in jeopardy after the Niger Delta Avengers ended a ceasefire, saying they had lost their faith in local leaders to solve poverty and oil pollution problems. The Avengers claimed 17 attacks in 2016, forcing the closures of many oil fields and pipelines and cutting Nigerian output from 2.2 million bpd to 1.2 million.

- US crude oil inventories are expected to resume falling as refiners operate at high capacity to meet strong demand, reflected in a drop in petroleum product stocks by 11.3 million barrels to 799.9 million. Crude inventories in the week to Nov 3 rose unexpectedly by 2.24 million barrels, compared with a forecast decline of 2.45 million. US export volumes are likely to rise as the spread between WTI and Brent makes US crude more attractive.

- US crude oil production, especially from shale fields, continues to rise as prices hold above \$50. Output in the week to Nov 3 was up by 67,000 bpd to 9.62 million. As well, drillers last week added nine rigs to bring the count to 738.

- Economic indicators to watch include Chinese and US retail sales, euro zone third-quarter GDP and industrial production, US producer and consumer prices.

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