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Oil Market Outlook

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Oil prices were pressured last week by a higher than expected increase in US crude inventories and further gains in US production, even as the number of active oil rigs fell for the first time in three weeks.

However, prices rallied on Friday as Opec suggested it might extend output curbs beyond this year. Futures prices in New York gained 5.4% in March, erasing February losses that had been fuelled by mounting American stockpiles.

West Texas Intermediate (WTI) crude fell by 89 cents last week to close at $64.94 per barrel. Brent shed 18 cents to $70.27 and Dubai crude closed at $65.27. Thaioil forecasts WTI this week will trade between $63 and $68, while Brent will trade between $67 and $72. Prices are expected to remain high as investors weigh the prospect of a further extension in Opec-led output cuts, while US inventories should start to fall as refineries step up activity. Among the factors expected to influence trade:

- Some Opec producers are considering prolonging efforts to drain the global supply glut until the middle of next year, Iraqi Oil Minister Jabbar al-Luaibi said last week. Opec Secretary-General Mohammad Barkindo said the group was looking for "long-term cooperation with other global producers". Saudi Arabia has proposed to cut output further and has held talks with Russia on a long-term agreement (10-20 years) to ensure stable prices. The current pact to reduce supplies by 1.8 million bpd or 2% of world output expires at the end of this year. Compliance has been well above 100%, but mainly because near-bankrupt Venezuela is pumping only half as much oil as it once did.
- US crude stocks are likely to start falling again as refinery run rates increase. The Energy Information Administration said the distillation rate in the week to March 23 rose 0.6% to a two-month high at 16.8 million barrels per day. Inventories in the same week rose by 1.6 million barrels to 429.95 million, but mainly because the country imported 1.1 million barrels more than in the previous week.
- US crude oil output is now at a record 10.43 million bpd, according to the EIA, on pace to exceed 11 million bpd by year-end, moving the country ahead of Russia as the world's largest producer. While the number of active oil rigs unexpectedly fell last week by 7 to a total of 797, a survey of 58 exploration and production companies by US financial services firm Cowen & Co indicates they plan an 11% increase in capital spending this year.
- Behind-the-scenes talks are continuing to prevent a US-China trade war after some noisy posturing by Donald Trump and Chinese officials. Washington has threatened to impose tariffs on $60 billion in Chinese goods in retaliation for intellectual property "theft", while Beijing has responded in kind. Such moves, coupled with retaliation elsewhere for US duties on aluminium and steel, could lead to a global economic slowdown and curb oil demand.
- Economic indicators to watch include Chinese Caixin manufacturing and services PMI, US non-farm payrolls and euro zone manufacturing and services PMI.

For more information visit www.thaioilgroup.com or download the TOP Energy application for iOS or Android mobile devices.