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Subject Heading :

61212517

Source : BANGKOK POST

Date : 2 JUL 2018 Page : B7

No :

Oil Market Outlook

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Oil prices posted their biggest weekly rise in two months as shrinking US stockpiles and supply disruptions from Canada to Libya compounded the impact of falling shipments from Iran and Venezuela.

US crude inventories in the week to June 22 sank by 9.9 million barrels, against expectations of 2.6 million, as refinery run rates rose to a 13-year high and a power outage at the Suncor complex in Canada cut Canadian oil exports by 360,000 barrels per day.

Also pushing up prices was speculation that Iran might reduce its oil production by more than expected, amid reports that Washington was pressing Iran's customers to cut their imports without any waivers.

West Texas Intermediate (WTI) crude rose $5.57 to $74.15 per barrel. Brent gained $3.89 to $79.44 and Dubai crude averaged $76. Thaioil forecasts that WTI this week will trade between $72 and $77, and Brent between $76 and $81. Prices are expected to continue rising as supply tightens further on rising US inventories, falling Canadian exports and declining shipments from Iran and Libya. Gains could be capped by an increase in Opec output and climbing US production. Among the factors expected to influence trade:

- US oil inventories are likely to sink further as the Canadian oil firm Suncor says full production at Syncrude will not be restored until the end of July. US crude production, now at 10.9 million bpd, is on track to reach 11 million in the third quarter, and exports have reached a record 3.0 million bpd. Drilling activity is at a three-year high with 858 rigs active, although operators took four rigs out of service last week.
- The decline in oil exports from Iran may exceed earlier estimates of 300,000 to 500,000 bpd. Many buyers, including Japan, South Korea and India have indicated they could stop importing Iranian crude if US sanctions are imposed. The sanctions are to take full effect on Nov 4 and Washington has indicated there will be no waivers, though some US officials have suggested extensions might be considered. Iranian oil output is expected to plunge 66% by the end of the year, according to Facts Global Energy.
- Libya's National Oil Company is preparing to halt operations at the Zweitina and Al-Hariga export terminals as conflicts with militias intensify. Earlier clashes had forced the suspension of operations at the Ras Lanuf and Al-Sidr ports, slashing output by 450,000 bpd. The shutdown of Zweitina and Hariga would add 350,000 bpd to the losses. Libya was producing 1.6 million bpd before the overthrow of Moammar Gadhafi in 2011. Output this year was just above 1 million bpd before the most recent conflicts.
- Traders will be watching key Opec members and Russia in light of their May 22 agreement to lift output by up to 1 million bpd to offset lost supply from Venezuela and Iran. Country quotas were not specified, but Saudi Arabia has said it is prepared to lift output to as much as 10.8 million bpd in July, from around 10 million last month.
- Economic indicators to watch include US and euro zone manufacturing and services PMI and Chinese services PMI.

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