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# Oil Market Outlook

Oil prices were pushed down last week as production increases by Opec members and Russia began to kick in, while activity resumed in Libya where output had been curbed by conflicts.

As well, growing trade tensions raised concern about the impact on the global economy and oil demand. President Donald Trump has threatened tariffs on another $200 billion in Chinese goods by September if the two countries cannot agree on ways to narrow the trade deficit.

However, losses were limited by news of a decline in US crude inventories of 12.6 million barrels, nearly three times more than forecasts, as imports fell because of the shutdown of the Syncrude complex in Canada.

West Texas Intermediate (WTI) crude fell by $2.79 to close at $71.01 per barrel. Brent dropped by $1.78 to $75.33 and Dubai crude averaged $71.40. Thaioil forecasts that WTI this week will trade between $68 and $73, and Brent between $72 and $77. Prices are expected to remain depressed by trade concerns and rising output. However, US crude stocks are likely to keep dropping as supplies from Canada remain constrained. Among the factors expected to influence trade:

- Libyan crude production is expected to increase as the Zueitina and Hariga oil export ports have resumed normal operations. The National Oil Corp had declared *force majeure* on shipments on June 14 because of clashes between militias and the Libyan National Army. The reopening will restore 400,000 bpd of the 800,000 bpd of exports that have been lost, but the Ras Lanuf and Es Sider ports, also damaged in clashes, remain closed for repairs. Production has resumed, however, at the 72,000-bpd El Feel field, which had been closed after guards went on strike over pay.
- Opec and non-Opec producers are beginning to increase output in line with a June agreement to ease their production cuts to help offset reduced supply from Iran and Venezuela. Saudi Arabia lifted output in June by about 500,000 bpd from the previous month and says it is willing to pump more if the market continues to tighten. The UAE is lifting production by 200,000 bpd and Russia by 300,000 bpd.
- The US Energy Information Administration forecasts US crude oil production in 2018 will average 10.79 million bpd, or 800,000 bpd more than a year earlier. It sees output reaching 11.79 million bpd by the end of 2019. The number of active US oil rigs was unchanged last week at 863, reflecting a pause by producers in light of a recent price retreat.
- US crude oil inventories continue to fall amid high fuel demand and lower Canadian imports resulting from the shutdown of the 360,000-bpd Syncrude facility for an upgrade. It will not reopen until September, two months behind schedule. Crude inventories now total 405.2 million barrels, below the five-year average of 420 million. Officials reportedly are looking at drawing on the 660-million-barrel Strategic Petroleum Reserve to increase supplies.
- Economic indicators to watch include Chinese second-quarter GDP, retail sales and industrial production, and US retail sales and jobless claims.

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