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## Oil Market Outlook

US oil prices declined last week as a rout in emerging markets raised concerns about weakening energy demand. But Brent crude rose slightly as shipments from sanctions-threatened Iran continued to fall and customers sought new supply sources.

Rising Opec production continued to pressure oil prices, while US-China trade tensions raised concerns about the economy overall.

However, prices received support from a 9% fall in US output as producers shut down rigs in preparation for a storm in the Gulf of Mexico. A further decline in US crude inventories also lifted sentiment.

West Texas Intermediate (WTI) crude fell \$2.05 to close at \$67.75 per barrel. Brent gained 59 cents to \$76.83 and Dubai crude averaged \$75. Thaioil forecasts that WTI this week will trade between \$64 and \$69, and Brent between \$74 and \$79. Prices are expected to remain high as Iranian and Venezuelan exports continue to fall. Iraq is also in the spotlight, as protests over poor public services in the oil-rich Basra region are intensifying. Authorities are concerned that protesters could disrupt oil production of up to 400,000 bpd. Among the factors expected to influence trade:

- More declines in Iranian oil production and exports are expected as buyers reduce imports before the Nov 4 effective date of new US sanctions on Iranian crude. The country's output in August dropped by 150,000 bpd to 3.55 million. Exports hit a six-month low of 2.1 million bpd after South Korea suspended purchases, while Japan and India are following suit. China continues to import Iranian crude at normal levels, however.

- US crude oil inventories fell for a fourth week as refinery run rates remained high. Production also dipped as Gulf of Mexico operators suspended activity ahead of the arrival of tropical storm Gordon, which was expected to strengthen to a hurricane over the weekend. Crude stocks in the week to Aug 21 fell by 4.3 million barrels, against forecasts for a drop of 1.9 million, to 401.5 million.

- Market participants are weighing the possible impact on the world economy and global oil demand if US President Donald Trump goes ahead with a new round of tariffs on \$200 billion worth of Chinese imports. Beijing has said it would retaliate in kind. Mr Trump, meanwhile, said on Friday that he might start looking at trade with Japan next.

- Opec and its allies plan two meetings this month — one tomorrow and another on Sept 23 — to review their recent agreement to lift output by up to 1 million bpd to offset lost production from Venezuela and Iran. Tomorrow a technical committee will discuss how to allocate the additional production among participants. Opec output in August rose 220,000 barrels from July to 32.79 million barrels per day, led by Libya where production resumed after stoppages caused by militia actions.

- Economic indicators to watch include Chinese industrial production, retail sales, producer and consumer price indices, and US retail sales, producer and consumer prices.

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