MiC | MATICHON INFORMATION CENTER

Subject Heading :

61317181

Source : BANGKOK POST

Date : 1 OCT 2018 Page : B7

No :

Thaioil | MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Oil Market Outlook

Oil prices were driven upward last week after Saudi Arabia and Russia said there was no immediate need to increase output, as supply and demand were close to being balanced.

However, investors believe the world will need additional supplies as looming US sanctions dissuade major importers from purchasing Iranian oil. Even China has now begun to reduce its orders from Iran. As supplies tighten further, talk of $100 oil is being heard in some quarters.

Brent crude is now trading near a four-year high, though gains were capped by concerns over the US-China trade war and an unexpected rise in US crude inventories.

West Texas Intermediate (WTI) crude rose $2.57 to close at $73.25 per barrel. Brent gained $3.92 to $82.72 and Dubai crude averaged $81. Thaioil forecasts that WTI this week will trade between $70 and $75, and Brent between $80 and $85. Prices are expected to climb as Iranian and Venezuelan shipments slip further, while Opec ignores US President Donald Trump's demand that it pump more. Meanwhile, the US says it will not offer to sell any more oil from its Strategic Petroleum Reserve. Among the factors expected to influence trade:

- Iran's crude oil exports are expected to fall to between 1.4 million and 2 million bpd once US sanctions take effect on Nov 4, from a pre-sanctions level of 2.8 million. South Korea and Japan have stopped importing Iranian crude, and India is unlikely to place any more orders. Significantly, the Chinese refiner Sinopec is also slashing its orders.
- After deciding at their Sept 23 meeting in Algiers that they were satisfied with current production levels and prices, Opec and its allies will try to resist pressure from the US and others to release more oil to the market to prevent shortages and a price spike. "Our plan is to meet demand," was all Saudi Energy Minister Khalid Al-Falih would say.
- Most industry analysts are revising up their price forecasts, and a handful are saying that $100 is a possibility by year-end. However, they also note that crude supply from non-Opec producers alone will be higher than global demand growth next year.
- US crude oil inventories are likely to rise as refineries enter the maintenance season. Distillation rates have fallen from a peak above 97% to 90.4% now that the summer driving season has ended. Stocks in the week to Sept 21 rose by 1.85 million barrels, to 395.99 million.
- Market participants continue to watch US-China trade developments for signs of an impact on oil demand. So far it has been limited, despite the move by Washington last week to slap tariffs on another $200 billion in Chinese imports.
- The dollar continues to strengthen as the Federal Reserve signals one more interest-rate increase this year and three moves next year. Further gains will make oil more costly for holders of other currencies.
- Economic indicators to watch include US non-farm payrolls and unemployment, and euro zone unemployment and retail sales.

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