Oil Market Outlook

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Oil prices rose for a fourth straight week amid concern over tightening supplies as the deadline for US sanctions against Iran nears.

Also driving up prices was concern about rising trade tensions in North America, which eased when Canada agreed to sign on to a new deal to replace Nafta last week.

However, gains were capped by a much larger increase in US crude inventories than analysts had forecast.

Oil prices are up nearly 20% since mid-August, at their highest levels since late 2014.

West Texas Intermediate (WTI) crude rose $1.09 to $74.34 per barrel. Brent gained $1.44 to close at $84.16, and Dubai crude averaged $85. Thaioil forecasts that WTI this week will trade between $75 and $80, and Brent between $84 and $89. Prices are expected to remain high as Iranian exports drop and Saudi Arabia considers whether to pump more. However, the strong dollar could curb oil demand, especially if currencies of emerging economies weaken further. Among the factors expected to influence trade:

- China, with an average crude import volume of 650,000 barrels per day from Iran, is the latest major customer to reduce orders as the Nov 4 US sanctions date approaches. Sinopec reduced its September imports by around 50%, the highest reduction in many years. However, sources said India intended to import some Iranian crude in November, contrary to earlier reports that it would not. Many analysts expect Iranian exports to drop by around 1 million bpd once sanctions kick in.
- Saudi Arabia and Russia continue to consider production increases to ease the tight supply problem. Reports of an informal agreement to lift Saudi output by 200,000 to 300,000 bpd and Russian production by 150,000 bpd from September levels could not be confirmed. The Saudis in particular are facing pressure from US President Donald Trump to do something about climbing prices.
- US crude oil inventories are likely to keep rising as refineries undertake maintenance ahead of the winter season. Stocks in the week to Sept 29 jumped by 7.96 million barrels to 404 million, compared with forecasts for a rise of just 1.5 million. The jump partly reflected a big drop of 920,000 bpd in exports to 1.7 million bpd.
- While US crude production remains at a record 11.1 million bpd, pipeline bottlenecks could cause drillers to scale back operations until crude transport can be assured. The US rig count fell for a third consecutive week, dropping by two to a total of 861.
- With prices at $80 per barrel and above, the market is monitoring oil demand in countries whose currencies have weakened a lot against the dollar, among them India, Indonesia and the Philippines. Prices may hit $100 as US pressure curbs exports from Iran, Russian Energy Minister Alexander Novak predicted last week.
- Economic indicators to watch include US producer and consumer prices, euro-zone industrial production and the Chinese services PMI.

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