Bangkok Post
Section: Business/-
Date: Monday 19 June 2017
Volume: - No: - Page: B7(Top Left)
Bangkok Post
Circulation: 70,000
Ad Rate: 1,500
Col.Inch: 27.65 Ad Value: 41,475 PRValue (x3): 124,425 Clip: Full Color
Headline: Oil Market Outlook

Oil Market Outlook

Oil prices continued to fall last week as US oil inventories increased while gasoline demand remained much weaker than expected in the summer driving season. Sentiment was also dampened by the continued rise in crude production in Libya, Nigeria and the US.

However, prices were supported by reports that Saudi Arabia would lower oil exports in July to some buyers in China, India and South Korea by about 300,000 barrels per day. It said it would also reduce volumes to the US and to Europe by 35% and 11%, respectively, compared with June.

West Texas Intermediate (WTI) crude fell by $1.09 to close at $44.74 per barrel. Brent lost 78 cents to $47.37 and Dubai crude averaged $45. Thaioil forecasts that WTI this week will move within the range of $43 and $48, while Brent will trade between $45 and $50. Prices are expected to be depressed by persistent concern about global oversupply and weakness in US gasoline demand growth. However, prices will be supported by falling volumes from Saudi Arabia, while Kazakhstan is reducing output after overproducing for three months. Among the factors expected to influence trade:

■ Recovering production from Libya and Nigeria, which are exempt from the Opec pact, is negating the benefits of reductions by other producers, and even the extension of cuts until March next year appears unlikely to reduce the global glut. High exports and production from Russia, which earlier signalled that it would soon meet its lower output quota, are not helping. Libyan production has risen to around 835,000 bpd, while Forcados crude from Nigeria is once more flowing at 200,000 to 250,000 bpd. Further underlining the extent of the glut was news that traders are storing more oil in 10 supertankers off Singapore and Malaysia.

■ The market is wondering when or if US drivers are going to start filling their tanks this summer. Gasoline demand over the past two weeks was off 3.8% from the same period last year. Gasoline stocks for the week ending June 9 rose 2.1 million barrels to 242.4 million, 19.4 million above the five-year average, the Energy Information Administration reported.

■ US crude oil inventories are expected to decline as refineries maintain high run rates and imports from Saudi Arabia fall from one million bpd in June to 850,000 bpd in July and 750,000 in August. The EIA said crude stocks to June 9 fell by 1.7 million barrels, less than the forecast of 2.7 million, to 511.5 million.

■ US crude oil production continues to edge up and remains on track to exceed 10 million bpd early next year. The International Energy Agency (IEA) estimated that US output would rise by 430,000 bpd this year and by another 780,000 bpd next year. Despite the recent slide in WTI prices to well below the consensus break-even level of $50 a barrel, drillers last week added six oil rigs, bringing the total to 747, the energy services firm Baker Hughes said on Friday. That compares with 337 rigs in the same week a year ago.

■ Economic indicators to watch include euro zone and US manufacturing and services PMI, and US new home sales.

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