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Oil market update

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- **Oil price witnessed an average 10% drop during the month of November, hitting a four months low of 76,7 USD/b**
- **The conflict in the Middle-East had limited impact on oil markets as fears for escalation faded away, and the market is refocused on fundamental dynamics**
- **OPEC+ latest voluntary cuts had very limited impact on prices reflecting a low trust by market participants**

Oil price witnessed an average 10% drop during the month of November. Brent had a 30 day average of 82.7 USD/b, while hitting a four months low of 76,7 USD/b. The decline was driven mainly by darkening economic outlook in the EU and the US, and lower than anticipated demand from China. Meanwhile, crude inventories witnessed a recovery with US stockpiles increasing.

As expected in our last market update (link), the conflict in the Middle-East had limited impact on oil markets as fears for escalation faded away, and the market is refocused on fundamental dynamics. Accordingly, all eyes were on the OPEC+ meeting on the 26th of November.

After deferring their meeting for four days citing disagreements on some African quota cuts, the meeting took place online on the 30th of November. Following meeting, OPEC+ announced more voluntary cuts, amounting to 2,2 million barrels a day (was 1,3 mbd before), with Saudi Arabia extending its one million barrels cuts to the first quarter of 2024, followed by 500,000 barrels/d by Russia. The remaining cuts are divided among the UAE, Iraq, Kuwait, Kazakhstan, and Algeria. Brazil signalled potentially joining the cuts in January. The market response to the announcement reflected a low trust in these cuts, thus not pricing them in full. Accordingly, prices went back to levels seen before the meeting (Brent around 80 USD/b) after surging on more positive hopes one day before (reaching 84,6 USD/b for Brent).

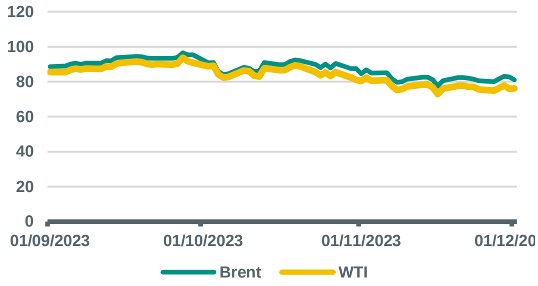
For the first quarter of 2024, we expect that the voluntary cuts will have limited impact on prices, and be offset by a higher supply by non-OPEC producers such as the US and Guyana, associated with a lower global demand growth. This will induce a surge of a supply surplus, putting a downward pressure on prices.

Outlook

Our outlook for the first quarter for Brent is to average around 83 USD/b, while we expect an end of year price of 95 USD/b, driven mainly by a recovery in the global economy as inflation softens and interest rates go down.

Crude price developments

Unit: USD/barrel



Source: Bloomberg, ABN AMRO Group Economics

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