

Oil market update

Moutaz Altaghlibi – Economist energy markets and energy transition | [moutaz@altaghlibi @nl.abnamro.com](mailto:moutaz@altaghlibi.nl)

- ▶ **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).

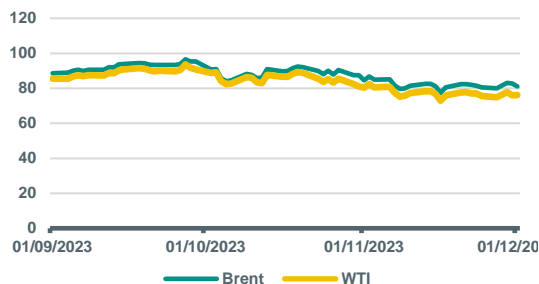
For the first quarter of 2024, we expect that the voluntary cuts will have limited impact on prices, and be offset by a higher supply by non-OPEC producers such as the US and Guyana, associated with a lower global demand growth. This will induce a surge of a supply surplus, putting a downward pressure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

DISCLAIMER

This document was compiled by ABN AMRO. Its sole purpose is to provide financial and general information on the economy. ABN AMRO reserves all rights regarding the information in the document and the document is provided to you for your information only. It is not permitted to copy, distribute or pass this document (in whole or in part) to a third party or use it for any other purpose than that stated above. This document is for information purposes only and does not constitute an offer of securities to the public, nor an invitation to make an offer.

You should not rely for any reason on the information, opinions, estimates and assumptions in this document or on its completeness, accuracy or correctness. No warranty, express or implied, is given by or on behalf of ABN AMRO, its directors, officers, agents, affiliates, group companies or employees as to the accuracy or completeness of the information contained in this document and no liability is accepted for any loss, arising, directly or indirectly, from the use of this information. The views and opinions expressed herein may be subject to change at any given time and ABN AMRO is under no obligation to update the information contained in this document after the date thereof.

Before investing in any of ABN AMRO's products, you should inform yourself about the various financial and other risks, as well as any possible restrictions on you and your investments, arising from applicable laws and regulations. If, after reading this document, you consider making an investment in a product, ABN AMRO recommends that you discuss such an investment with your relationship manager or personal advisor in order to further assess whether the relevant product - taking into account all possible risks - is suitable for your investments. The value of investments may fluctuate. Past performance is no guarantee of future results. ABN AMRO reserves the right to make changes to this material.

All rights reserved © Copyright 2023 ABN AMRO Bank N.V. and affiliated companies ("ABN AMRO")