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'Oil price may shoot up to US\$150 per barrel

OPEC+ PRODUCTION

OIL PRICE MAY SHOOT UP TO US\$150 PER

Market will stay volatile due to supply cuts and looming energy crisis, says economist

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HE decision by the Organisation of the Petroleum Exporting Countries and its allies Countries and its alies (Opec+) to rein in output may push the oil price to as high as US\$150 per barrel, said economists. They said the production cut

announced last week would slow demand for oil and weaken the world economy which is on the brink of a recession. Juwai IQI chief economist Shan

Saeed said the Opec+ decision may lead to the oil price ranging from US\$110-US\$150 per barrel

"The energy market is still in

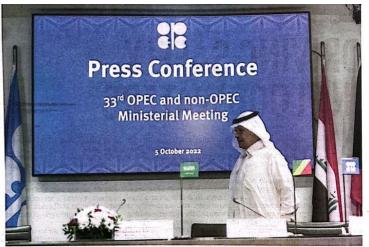
backwardation where the spot price is higher than futures. De-mand is still in the energy market equation, Presently, daily de-mand for oil ranges from 92 mil-lion to 97 million barrels per day (bpd)." (bpd)."

Last Wednesday, Opec cut its

world oil growth demand forecast for 2022 for the fourth time since April.
It also trimmed next year's fig-

It also trimmed next year's fig-ure, citing slowing economies, resurgence of China's Covid-19 containment measures and high inflation, according to a Reuters

innation, according to a keuters report.
Oil demand is expect to in-crease by 2.64 million bpd, or 2.7 per cent, in 2022, said Opec in a monthly report, down 460,000 bpd from the previous forecast. "Opec+ has decided to cut pro-



The Organisation of Petroleum Exporting Countries says oil demand is expected to increase by 2.64 million barrels per day (bpd), or 2.7 per cent, this year, down 460,000 bpd from the previous forecast. EPA

duction by two million bpd last week. The crisis in Europe is getweek. The crisis in Europe is get-ting severe as demand and prices for oil and gas are going up. The energy crisis will hit the global economy next year." Saeed said the oil market would

stay volatile due to supply cuts.
"Saudi Arabia and Russia are calling the shots in the energy calling the shots in the energy market. Another oil production cut is possible in the next Opec meeting. Prices above US\$90 to US\$95 per barrel are acceptable to many Opec members to bolster the gross domestic product (GDP) outlook."

He said sanctions against Rus sia have put pressure on oil and gas companies.

"Russia will only produce nine million bpd for the market next

year, a sharp decline of two mil-lion bpd," added Saeed.

SPI Asset Management manag-ing partner Stephen Innes said whenever there is any poor growth headline, it always trig-gers an adverse reaction in the oil

market.
"With back-to-back doom loop reads from China's lockdown to the International Monetary Fund growth outlook and Ope's demand downgrade, it is challenging for traders to hold their nerve given the heightened cross-asset volatility," he told the New Straits Times.

Innes said there would be no growth in global oil supply thanks to years of under-invest-

"Forget 2023 GDP. When China

eventually normalises, it will be a massive tailwind and a signifi-cant driver for the medium

He said Opec's willingness to plank prices against the backdrop of an impending European Union embargo on Russia was substan-tial bullish skews despite the US tal bullish skews despite the US
extending strategic petroleum reserve releases and considering
the No Oll Producing and Exporting Cartels legislation
"Oil is still high but gas price in

Europe have come off quite a bit, and with China importers staying out of the spot market this winter as demand growth is now the slowest since 2002, the world's top fuel importer will likely avoid competing with crisis-hit Europe for supplies," he added.