

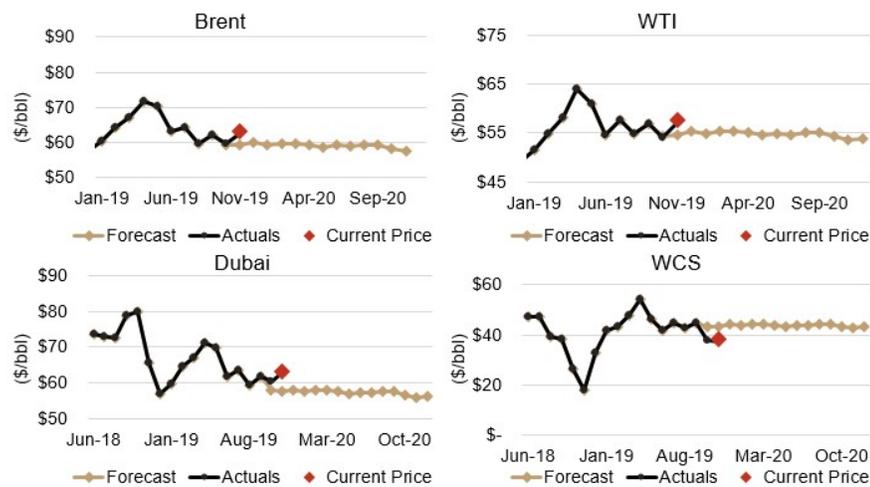
November 26, 2019

November Crude Oil Price Update

Crude oil prices surged in November on optimism around a trade deal and rumors from OPEC that the current supply agreement would be extended at the Dec 5 meeting. Physical fundamentals are stable but spots of softness remain, especially when considering refined products. Visible crude oil stocks in the OECD are above 2018 levels, despite higher year-on-year refinery intake. Refining runs will remain strong through the end of the year on both new facility start-ups and product stock building in advance of IMO 2020. Technical indicators, especially those tracking momentum, don't appear to be signaling a shift in direction, indicating that range bound activity could continue, just at a higher starting point.

Due to the sentiment driven increase in prices, we believe that chances of a correction are greater than chances of a continued price rise. Negative headlines about US-China trade negotiations could see crude oil prices swiftly reverse, even with an OPEC+ extension in place.

Current Price Outlook versus Actual



Prices trended fairly close to our forecast in October, but November saw them veer sharply higher on hopes that a US-China trade deal would be announced. Although negotiations are proceeding, we have trouble envisioning a timeline that sees a Phase One trade deal signed before the end of the year. Additionally, with no fundamental change in physical markets, and a trade agreement still in the “negotiation” phase, we think the chances of a correction are substantial. One bad headline could see prices fall back before the end of the year. The average price of Brent so far this month (Nov 1 – Nov 26) was \$62.59/bbl, a substantial \$3.42/bbl above our November forecast. Brent crude oil has risen \$2.57/bbl since the start of the month.

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