Stratas Advisors Announces 2019 Forecasts

HOUSTON, Jan. 11, 2019 /PRNewswire/ -- Stratas Advisors, a global consulting and analytics provider for upstream, midstream and downstream energy markets, announced its oil price forecasts for 2019.

Last year was a volatile year where crude and product prices rose but also whipsawed on evolving market concerns. Heading into 2019, we have identified the top three questions that are likely to guide markets this year. These questions underpin our expectation that Brent will average about $72/bbl in 2019 and WTI will average about $64/bbl.

Will the global economy continue to slow?

Multiple indicators point to slower growth momentum, and several global agencies reduced their 2019 GDP forecasts at the end of 2018. Markets will be closely watching trade and consumer spending indicators for signs of a slowdown. Additionally, the trade dispute between the US and China is still ongoing and concerns about escalation are legitimate. The US and EU are unlikely to aggressively pursue interest rate hikes, but pressure on emerging market currencies will continue to put a strain on many governments' finances. While slow growth in crude prices should mitigate increases in refined product prices, demand could still be at risk if global economic growth slows more than is currently expected.

Will there be too much crude oil?

Traders are entering 2019 looking for definitive proof that OPEC and its allies are adhering to the production agreement struck in early December. Even after agreeing to remove 1.2 MMb/d from production, markets were still concerned about oversupply, so any evidence that cuts are lower than promised will lead to price weakness. Additionally, markets continue to be concerned about oversupply from the United States. According to weekly statistics, US crude production averaged 1.5

MMb/d higher in 2018 than 2019. While Stratas Advisors expects growth to moderate in 2019, it will continue, pressuring prices. Takeaway capacity constraints will persist through the first half of the year, but as pipeline projects are completed, more US crude will make its way to the Gulf Coast and into global markets.

Will there be enough diesel?

The last quarter of 2018 saw diesel cracks rising on demand from shippers and industrial activity. In 2019, questions will be swirling around IMO 2020 implementation, and diesel cracks are likely to be a driving force for margins in the latter half of the year. While many shippers have chosen to install scrubbers to comply with upcoming regulations others are shifting fuels, which means that by the end of 2019 there will be a significant new source of demand for low-sulfur diesel fuels. In a repeat of the end of 2018, diesel demand will encourage higher run rates, likely leading to a build in associated products. Whether the global economy will be robust enough to absorb these extra products remains to be seen.

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