Commodities

Crude oil rally hits the usual inventory obstacle

- Oil prices have rallied over much of the past week. Markets started to anticipate an agreement between Russia and OPEC to limit output. Saudi Arabia's energy minister also suggested cuts to excessive production.
- OPEC will meet in Algeria in September 2016. Markets will watch out for any deal to cap supply after similar talks in Doha had failed earlier this year.
- The rally halted, however, after data showed that U.S. gasoline stockpiles are rising and are at their highest seasonal levels in more than two decades. Inventories remain the biggest downside risk to oil prices this year.
- The International Energy Agency (IEA) forecasts that there couldbe no global oversupply from H2 2016 onwards. The IEA expects that global crude oil production in Q3 could lag behind demand by almost 1m b/d due to output cuts by oil producers, while global demand remains more stable.
- Further ahead, the IEA has nonetheless cut its 2017 global oil demand forecasts. IEA now expects demand to be 1.2mb/d in 2017, from a previous forecast of 1.4mb/d. This is due to a weaker global outlook.
- IEA's updated views are still in line with our view that oil prices could rise modestly to $55/bbl (WTI) by end-June 2017. Currently, prices are hovering around the $45-47/bbl range.

Commodities

Oil prices move up, but remain below 2015 highs

— Focus of the Week

Figure 3: WTI crude oil prices over 2015-2016
Source: Bloomberg Finance L.P, Deutsche Bank Wealth Management. Data as of August 17, 2016.