Macro Strategy
CME – Mining – Energy – WTI Crude Oil

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Forecast

Day	Flat
Week	Down
Month	Down
1 Year +	Up

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Crude Oil Declines May Be Limited

- Yesterday's OPEC report once again lowered the oil demand expectation for 2024.
- This expectation of OPEC is significantly reflected in the fundamental data of oil as well. The hedgimg pressure on oil and the retreat in the convenience yield are evidence that oil production has actually slowed down (yellow and grey lines in Chart 1, Bottom Panel).
- What is interesting is that in 2023, when there were no expectations of an economic slowdown, the return on convenience yield was around 4% on average in 2023 and it is very close to the same level today. This indicates that oil production did not decline much across the world even during the period when oil demand was predicted to fall. This is evident from the fact that oil stocks, shown in green in the top panel of Chart 1, have not displayed an upward trend).
- Oil prices continue to be under selling pressure in the shadow of the expectation that the US economy will enter a recession. It is not easy to reverse this situation at this stage, but I think that current economic conditions will not allow oil prices to decline further in the face of global geopolitics.

Conclusion: Although oil will continue to be under selling pressure in the medium term, I think that funds will consider the pullbacks in oil as a short-term buying opportunity. I do not think that too many investors can carry open positions while geopolitical risks have increased in the world.

Chart 1