

OPEC+ policy remains key for oil outlook

We were right at the start of the year about oil prices tightening and OPEC+ supply cuts are continuing to support the market. Gas storage levels came in much better than we expected. And gold, as we thought, has already touched record highs



OPEC Secretary General Haitham al-Ghais in Russia earlier this year

The half-time review

Let's start with oil. Our first call for 2024 was that Brent would trade above \$90/bbl in the second half of the year. Oil prices have already traded above that level several times this year, and we expect prices to briefly trade above that in the third quarter. However, any rally here is unlikely to be sustained.

We thought European natural gas storage would be very comfortable at the end of the 2023/24 winter. The expectation was that storage would exit the heating season between 45-50% full, but it was better than that, standing at 58% full by the end of March. Continued weakness in gas demand led to larger-than-expected storage.

Our final call for this year was that gold would hit record levels. This has [already happened](#) multiple times, with prices hitting a high of \$2,450/oz in May. The move higher has occurred despite interest rates staying higher for longer. Strong central bank buying has propelled gold higher.

1 Second-half prediction: Oil prices to peak in the third quarter

We will also be keeping a close eye on OPEC+ policy, as this will be crucial to the outlook for the last few months of the year and into the next. A handful of OPEC+ members will continue with additional voluntary supply cuts of 2.2m b/d through the third quarter. Members will start gradually bringing back this supply from the end of the year until next year's third quarter. Continued supply cuts should leave the market in a large deficit in the coming months.

However, the easing of these cuts from the fourth quarter means a more comfortable oil market in terms of supply. As a result, we expect oil prices to peak in the third quarter before trending lower in the fourth and into next year. Our 3Q24 Brent forecast is \$88/bbl and \$80/bbl for the full year 2025. The key risk to this view is if OPEC+ decides to continue with full cuts, as this would leave the market in deficit through 2025 as well.

2 Second-half prediction: Natural gas to hit new lows

For natural gas, our call is going to be tough to hit, but we believe European natural gas prices will average EUR25/MWh in the third quarter. And they could potentially hit a new year-to-date low. This is on the assumption that storage will hit 100%-full ahead of the next heating season. However, there are clear risks which could get in the way. Firstly, a halt to remaining Russian pipeline flows would leave the European market tighter. Secondly, continued strength in Asian LNG demand could see spot LNG cargoes continuing to be diverted to Asia, slowing the pace of storage builds in Europe. A further increase in speculative activity in the European natural gas market would limit the downside in gas prices.

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