

Investments - Flash



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THE -30% FALL IN CRUDE OIL PRICES ALREADY SEEMS EXCESSIVE

Demand will remain in excess and will not be offset by already low inventories

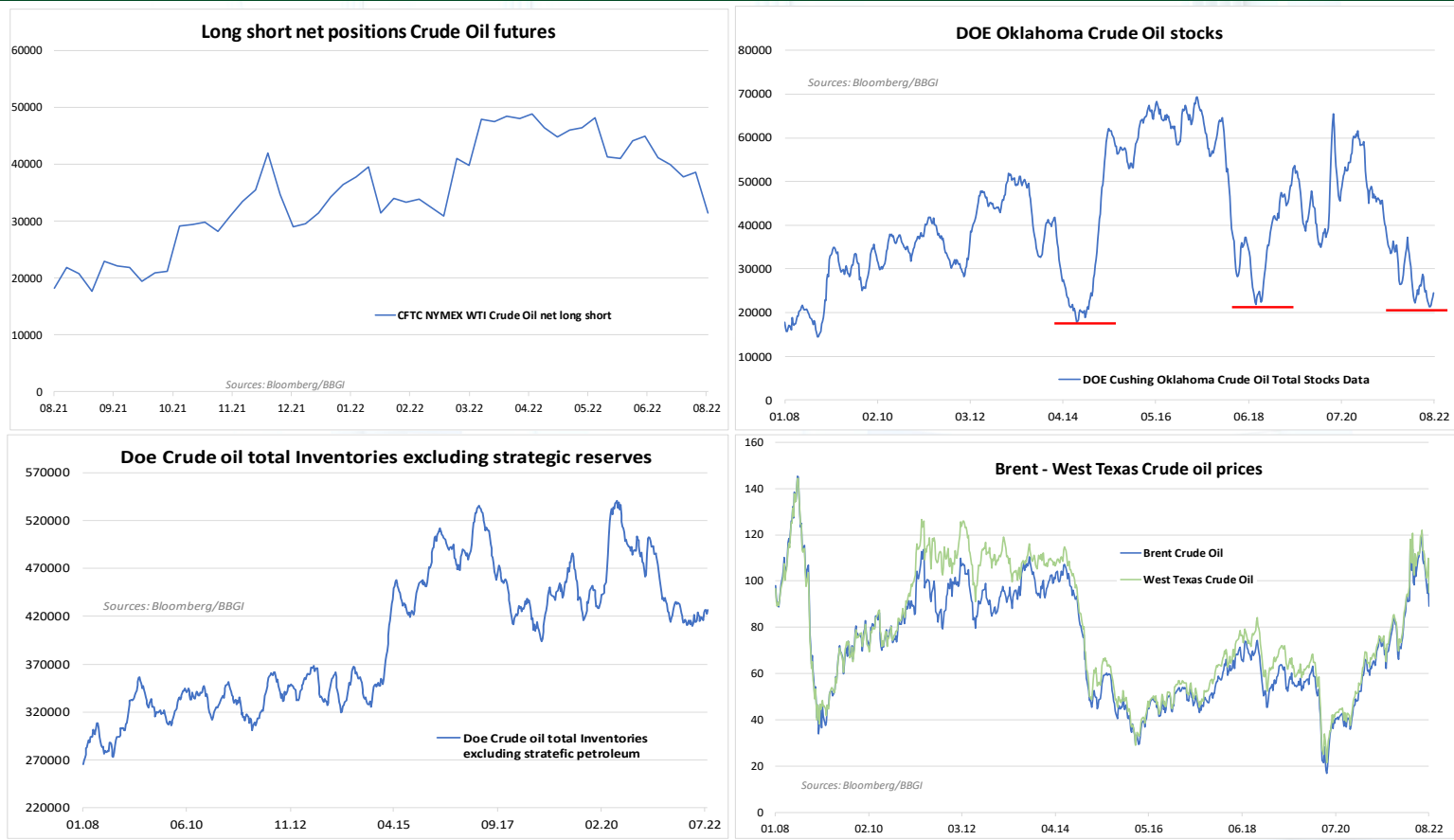
The recession scenario has spread quite widely in the financial markets for several months, pushing commodity prices down significantly. Oil prices have thus fallen by almost -30% since their double top in March and June above \$120/b. The US WTI price (\$87.8/bbl) is now close to its October 2021 level again and is trading almost -8% below its 200-day average.

The differences between « future » prices and the actual prices traded in the physical market are significant and reflect the positioning of investors in the financial markets over the past few months, who have significantly reduced their speculative positions. Net non-commercial long positions have indeed been reduced during this period, even though physical oil inventories are at a very low level. Moreover, demand for refined products does not seem to have been strongly impacted by the price increase for the time being.

This fall in prices should benefit consumers and should help to reduce inflationary pressures.

However, the fundamentals remain characterised by excess demand relative to current supply. The latest communication from OPEC suggests that an increase in production should not be expected in the coming months.

If Chinese growth picks up and the recession scenario turns out to be too extreme, demand will not collapse as current prices suggest. Therefore, a rebound in crude oil prices becomes very likely, as geopolitics has not finished affecting the supply level in Europe, reinforcing the risks of further price rises after a phase of stabilisation of prices between \$85-90/b.



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