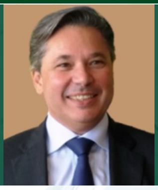
Investments - Flash

M. Alain Freymond - Partner & CIO



RESUMPTION OF THE UPWARD TREND FOR ENERGY

Seasonality and pressure from Trump are supporting growth

Crude oil price volatility has eased somewhat since mid-June following a period of extreme tension in the Middle East. However, the upward trend remains intact, with WTI prices above $67 per barrel, up significantly from the lows seen at the end of April. While the United States has just secured a promise from the European Union to purchase more energy from the United States ($750 billion), the physical oil market situation appears somewhat tense for the next two months due to strong seasonal demand. The current quarter (July-September) is now the most tense period of the year for the oil market, with increased seasonal demand due to summer travel and economic activity. Global refineries are expected to reach peak activity in August to meet this demand. US inventories were down in July, while global inventories remain close to their lowest levels in five years, making the market more sensitive to shocks. US crude oil production is expected to decline slightly from its peak in Q2 2025, as OPEC+ has reintroduced volumes to the market but is already discussing the possibility of suspending its production increases from October onwards.The International Energy Agency (IEA) expects tensions due to rising demand estimated at 103.8 Mb/d (990,000 barrels more than in the same period in 2024), which may not be offset by actual production levels. Gasoline stocks have also surprised on the downside and are below the average for the last five years. However, the situation at the CFTC suggests that combined speculative net long positions are at the lower end of their trading range in recent years, indicating little bullish anticipation for the moment. This "contrarian" indicator is undoubtedly more influenced by the risks of a global economic slowdown in the short term. The risks weighing on Russian exports if Moscow does not seek an agreement with Ukraine are also likely to push prices higher. Overall, we believe this context is favorable for the current positive momentum to continue. Crude oil prices could rise to $80/b over the next three months.