

# Investments - Flash

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## CRUDE OIL PRICE RISES TO \$90 AMIDST INVENTORY RESTORATION Prospects for a 20% rise in oil company stock prices

While the price of a barrel of WTI has just hit a short-term low of around \$69 following the memorandum of understanding in the Middle East, we believe this low represents a buying opportunity and that prices will rebound by the start of the new school year. Our average forecast of \$85-\$90 for the full year implies that the current level below \$70-\$75 is considered "oversold." The EIA, in its Short-Term Energy Outlook, also supports this view by anticipating that the market will remain structurally in deficit during the current quarter. During the months when the Strait of Hormuz was partially closed, the world drew down its inventories at a breakneck pace. The EIA estimates that global inventories fell by more than 6 mbd over the entire quarter. Even as ships stranded in the strait pass through and temporarily increase the available crude supply, the deficit accumulated in global storage tanks is estimated at several hundred million barrels. Filling this gap will absorb the newly released crude and drive up spot prices as refineries seek to restock for the fall. In the United States, the \$70 threshold will likely trigger purchases for strategic reserves, creating a psychological "technical floor" and preventing prices from falling further. Despite fears of an economic slowdown in China and Europe, the U.S. economy remains surprisingly strong. The feared collapse in demand that occurred when oil prices

hovered around \$110 is no longer a concern at \$70. At this more affordable price, fuel consumption is picking up again, which will quickly absorb the short-term surplus of barrels that have been stuck in the Strait of Hormuz until now. Our bullish outlook is not based on fears of a resumption of the war but rather on the logic of inventory restocking. We believe the market overreacted to the downside following the announcement of the memorandum of understanding, but the restocking of inventories will automatically drive prices higher. Crude oil is now trading below the price on the day the conflict broke out, below its 200-day moving average, and down 42% from its March 9 high. While the price per barrel averaged \$65 in 2025, it stands at nearly \$80 in 2026. U.S. oil companies have followed the same downward trend and are often trading 10% below their February 27 price and down approximately 25% from the sector's March 31 high. With an average dividend yield of about 3%, the sector also appears "oversold" to us. Against this backdrop of continued strong earnings growth for 2026 and lower P/E ratios, the sector appears attractive to us and should benefit from a 15% to 25% rally over the next six months.

