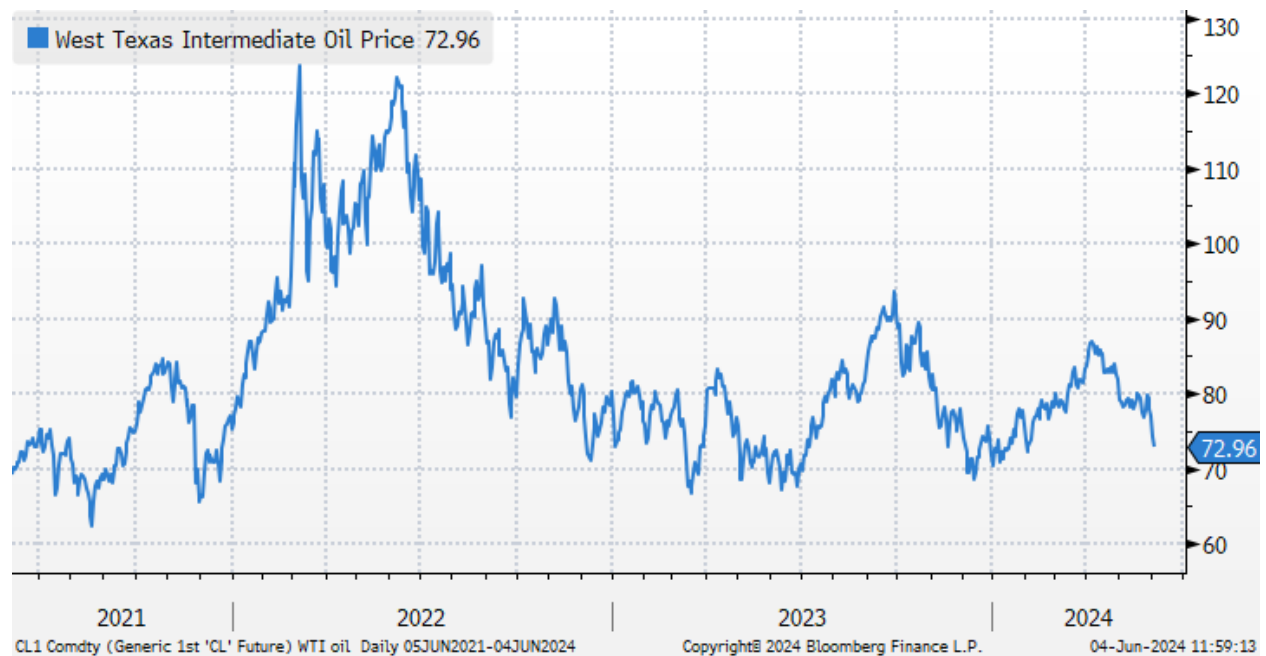


06.04.2024

## Oil Prices



- Oil prices have declined to the lowest level in four months.
- The chart above shows the price of WTI over the past 3 years. Oil prices spiked in early 2022 following Russia's invasion of Ukraine, but prices have remained sub-\$100 since mid-2022.
- The sharp decline this week has been driven by the decision of OPEC+ over the weekend to allow cartel members to start bringing more supply to the market beginning in October.
- Whether the OPEC+ decision to stop targeting higher oil prices is a tactical retreat or a strategic shift remains to be seen.
- Looking ahead, global oil demand is forecasted to moderate over the coming year – potentially creating a *double whammy* of more supply and weaker demand.
- For the majority of economies, lower oil prices are a tailwind. For some producers – like Saudi Arabia – the price decline may force more government borrowing and asset sales to plug the funding gap. The kingdom may even seek refunds on LIV golfers such as Phil Mickelson.
- Given the large impact of energy prices on headline inflation, global central bankers who are battling inflation will welcome the decline in oil prices.

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