CIO trimmed its price forecasts owing to weaker oil demand growth, but it continues to hold a constructive outlook and recommends risk-seeking investors to sell crude oil’s downside price risks. (UBS)

CIO trims crude oil price forecasts

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CIO new Brent forecasts stand at USD 80/bbl across 2025, down from USD 87/bbl at the end of March and June and USD 85/bbl at the end of September. Their WTI forecast remains a USD 5/bbl discount to Brent.

The main reason for the downward adjustment is our new oil demand growth estimates, which we lowered from 1.5mbpd to 1.2mbpd this year and from 1.3mbpd to 1.2mbpd next year on weaker demand growth in China. With visible global oil inventories showing larger declines than the difference in the supply and demand models of energy agencies, we continue to believe that part of the mismatch is driven by underestimated oil demand growth. Our non-OPEC+ supply growth estimate for 2025 stands at 1.3mbpd. We see the oil market as balanced to marginally oversupplied next year. But as market participants anticipate a strongly oversupplied market, positioning of financial investors is therefore low. So we continue to believe that prices have room to recover from current levels.

The market focus since the US election has been on President-elect Donald Trump's "drill baby drill" pledge and proposed tariffs. We continue to believe that it is not the person sitting in the White House that determines the US crude production path, but the prevailing spot price. With the US crude price (WTI) starting to trade into the production curve, if current prices prevail, US crude production could be flat or even negative next year. Moreover, executives of energy companies have indicated an ongoing focus on capital discipline. Tariffs remain a risk for oil demand growth in 2025, but further rate cuts and fiscal stimulus measures would likely offset the associated economic growth drags. Also, the nominations of officials to the next Trump administration suggest a hawkish stance on Iran and Venezuela. There is therefore the prospect of a drop in crude exports and production in both countries next year in case of new sanctions.

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