(UBS)

Trump’s wish for cheap oil unlikely to be granted

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The price of Brent crude fell 3% last week to end at USD 78 a barrel, after President Trump put pressure on OPEC nations to deliver cheaper oil and announced plans to boost US production.

Trump said he would ask Saudi Arabia to increase investment in output by USD 1 trillion dollars. To encourage domestic production, he unveiled measures to roll back environmental restrictions on energy infrastructure.

But while the news undermined oil last week, we don’t expect a sustainable decline in the price of Brent.

It is worth noting that Trump’s requests for higher OPEC production in his first term went unheeded. We would expect a similar response this time. Saudi Arabia’s economy minister stressed on Friday that the goal of the group of oil-exporting nations was to ensure “long-term market stability” and make sure “there’s enough supply for the growing demand.” In addition, OPEC+ nations have been recently sticking strictly to their agreed production limits, suggesting a determination among members to keep the oil market in balance. Further constraints on global oil supply could come from the Trump administration’s desire to add to pressure on Iran, Russia, and Venezuela.

In terms of US output, despite Trump’s call to “drill baby drill,” we don’t think current prices offer much incentive to increase production further. Oil drilling activity remains at low levels. US output, the largest of any nation in the world, is already at a record 13.457 million barrels a day. US oil production will keep growing but likely at a slower pace. Finally, demand for crude remains solid, having been supported by unusually cold winter weather in the US and Europe.

Takeaway: Risks to oil prices remain skewed to higher prices in the short term, in our view. We expect Brent to trade around USD 80 a barrel over 2025.

For more, see the **Weekly Global: Preparing portfolios for a higher tariff world**. 27 January 2025.

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