

Brent may average \$50-\$70 until 2024: Bank of America Merrill Lynch



Brent prices may average between \$50 and \$70 a barrel until 2024, Bank of America Merrill Lynch has said in a report.

“As prices become more anchored around \$60, we believe volatility implied in oil options could trend lower in the medium term. But in contrast to last year, we see growing downside risks to our price outlook on rising US shale supply and slowing consumption growth,” Bank of America Merrill Lynch noted.

Its projections assume Opec+ is prepared to lose share in the global oil market. More broadly, it expects oil as a share of the global energy pie will drop too as the petroleum consumption mix rotates away from gasoline and ends into distillates and natural gas liquids (NGLs).

While medium-term trends pose some challenges, Bank of America Merrill Lynch still sees a balanced oil supply/ demand outlook this year. Brent should average \$70 in 2019, helped by “voluntary and involuntary declines” in Opec supply. It projects a 2.5mn bpd drop in Opec supply from fourth quarter (Q4, 2018) into Q4, 2019 and then assumes stable output for the group through 2024.

As global oil demand growth slows from 1.2mn bpd in 2019 to 600,000 bpd in 2024, Bank of America Merrill Lynch sees non-US, non-Opec contributions averaging 190,000 bpd per year.

Shale should fill the balancing gap as US producers rush to deliver the marginal barrel. Total average US crude oil and liquids supply is projected to grow from 15.5mn bpd in 2018 to 21.9mn bpd in 2024.