

Oil analysts differ on future oil price direction

Goldman Sachs analyst Jeffrey Currie suggest that the price of oil could potentially fall to \$20 per barrel!

This will come as a wake up call to juniors developing projects as that price would make most production unsustainable.

It's been a roller coaster year for oil prices!

Oil prices plunged from \$100 in late 2014, recovered slightly in early summer, and since then have nosedived downwards again, to around \$44 per barrel for Brent crude, and \$42 for WTI.

Currently, some experts think that oil could fall even lower, whilst others think we may already be at the bottom. Looking at the economic problems occurring in the world presently, I think it is entirely possible \$40 will not hold as a support line, and oil may be priced in the 30's very soon.

The catalyst for this could be increasing production in Iran, combined with economies around the world contracting at the same time. Unless OPEC agrees production cuts, and soon, a further fall looks inevitable in my opinion.

Goldman Sachs analyst Jeffrey Currie has released a note suggesting that the price of a barrel of oil could halve from

where we are now, reaching as low as \$20 per barrel.

Other peer analysts have different and more positive views on what may play out.

In a recent note to clients, **Morgan Stanley's Adam Longson** shared a note showing how his research team sees the oil story playing out through 2018. *"This is a supply-driven downturn, which typically take longer to resolve,"* Longson wrote. *"Most large price declines over the past 25 years were demand shocks, which can resolve relatively quickly. The current downturn is supply-driven, similar to 1986, although we don't see a 10 year plus downturn."*

Longson and his team outlined four specific phases in this recovery:

- **Today – mid 2016:** oversupply, and oil recession. (Oil between \$45 to \$50.)
- **Q4 2016:** initial re-balancing and recovery. (Oil increasing from \$60 to \$65)
- **Early 2017:** recovery. (Oil around \$75)
- **2018:** normalisation. (Oil around \$85)

When questioned about beyond 2018, Longson simply writes "?"

He added, "Given long lead time projects, demand elasticity, and the lack of OPEC intervention, supply returns as demand slows causing another downturn."

Looking at the state of the world's major economies, with recession returning a very real possibility, Longson looks a bit of an optimist to me!

A whole tranche of junior exploration and development companies will be hoping he is right though!