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**Expert Commentary**

**Thomas Pugh, Commodities Economist at Capital Economics Ltd, on oil**

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**Crude oil has been trading above \$40 per barrel so far in April, despite the failure of OPEC and other producers to reach an agreement on an output freeze in Doha. Nevertheless, analysts remain sceptical and forecast oil prices to fall below \$30 per barrel in the near future. Do you share this point of view or not and why?**

I do not think that oil is going to fall below \$30 per barrel, that would be too bearish; however, I would not be surprised to see some pullbacks in prices, perhaps to below \$40. The reason for that could mainly be the current rally that we have seen in the last few months, which has happened due to a large upswing in sentiment rather than any change in the fundamentals. To my mind, any sort of change in sentiment or even anything like profit taking could pull prices back down. Nevertheless, that should be temporary before prices start rise again towards the end of the year and throughout the next year.

**Analysts state that June’s OPEC meeting will fail to change the current situation on the oil market, since Iran will most certainly continue boosting its oil production and Saudi Arabia will not join the deal without Iran’s participation. In your opinion, will it be possible for the major oil producers to reach an agreement? And if yes, how this will impact the performance of oil in the future?**

I do not believe that any agreement would be possible until Iran reaches its pre-sanctions level, which would probably take at least the rest of the year. Thus, I certainly do not expect anything to happen in June. Moreover, by the time Iran is ready to make a deal, there will probably not be any need to make a deal at all, as non-OPEC production will fall and the demand will have risen to rebalance the market anyway.

**What other factors will determine oil performance? And where do you foresee oil prices for the end of this year?**

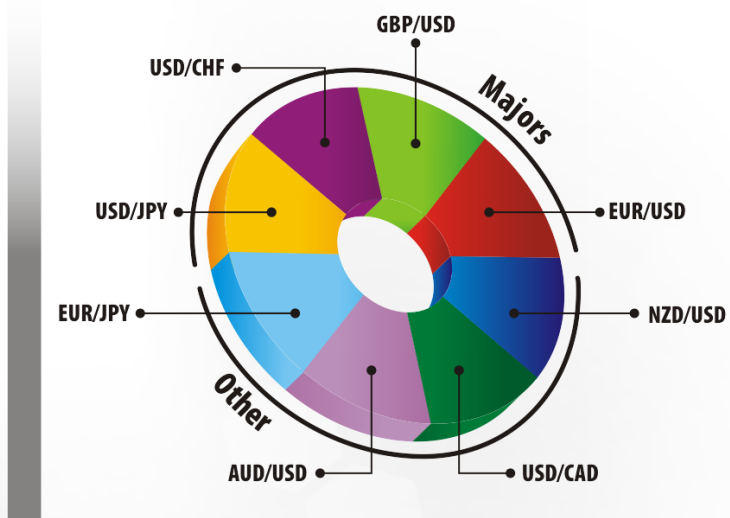
I suppose the main headwinds to be aware of would be global oil demand, especially in the US and China, which has been pretty strong so far this year, while we expect it to be strong throughout the year.

On the downside, one of the risks would be that Russia or Saudi Arabia increases production significantly as well as Iran, especially as demand picks up in summer.

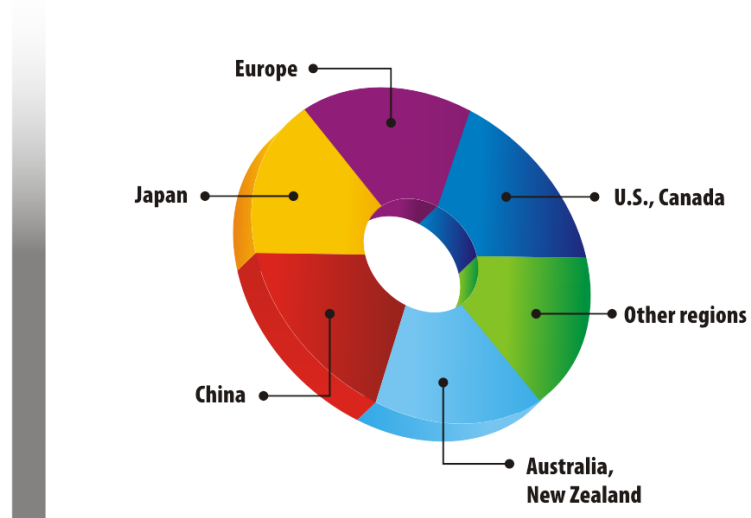
As concerns the forecast, we see prices finishing this year at about \$45 a barrel - about where they are now.

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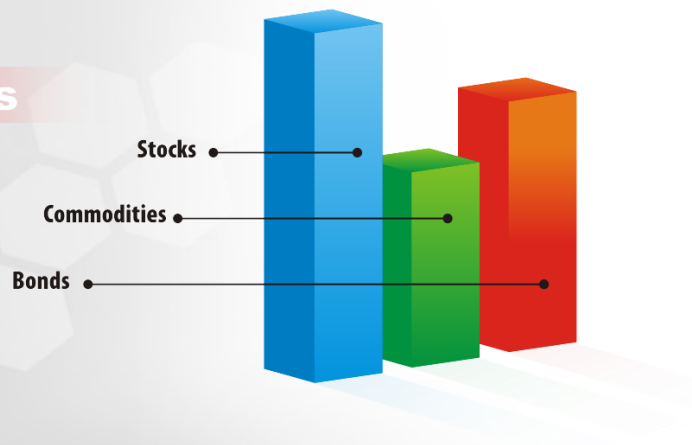
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