

# Economic Alert iQ



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International

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## Economic Alert: OPEC Production Cut Agreement Likely

- Oil prices jumped more than 7% on Wednesday as some of the world's largest oil producers gathered in Vienna to agree on a production cut that could be bigger than expected.
- As early this morning, Brent crude futures were up USD\$3.33 at USD\$49.71 per barrel, on course for their biggest one-day move in nine months. U.S. West Texas Intermediate (WTI) crude futures were USD\$2.95 higher at USD\$48.18 a barrel.
- A preliminary agreement struck in Algiers in September set an output cap at around 32.5-33 million barrels per day compared with the current 33.64 million barrels per day.
- The Iraqi delegate said that some form of agreement would be reached and Iran's oil minister also said he was optimistic.
- The group needs to resolve differences between its three biggest producers -- Saudi Arabia, Iran and Iraq -- at loggerheads over how to share the burden of a plan to reduce supply for the first time since 2008.
- Under an Algerian proposal put forward on Tuesday, the 14 members of OPEC would cut production to 32.5 million barrels per day from their October level of 33.6 million, according to two delegates familiar with the talks.
- A successful OPEC settlement is also crucial in getting non-OPEC producers such as Russia to slash production in a collective effort to lift global oil prices. Russia has said it wouldn't make any commitment until an agreement was forged by OPEC members.



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