

Tuesday 12<sup>th</sup> January 2016 – 4:30pm

International

Prepared by: Kris Sookdeo, Analyst II, First Citizens Research and Analytics

[kris.sookdeo@firstcitizenstt.com](mailto:kris.sookdeo@firstcitizenstt.com)

## U.S. Energy Information Administration reduces price forecasts for 2016

- The U.S. Energy Information Administration has lowered its forecasts for prices of crude oil and natural gas in 2016.
- WTI crude oil spot price forecasts were reduced for all four quarters by an average of 24% to end the year at US\$40.00, down from US\$52.33 previously.
- Brent crude oil spot price forecasts were similarly reduced, falling on average 27.9% to end the year at US\$42.34, down from US\$57.33 previously.
- Forecasts for total world supply of crude is little changed from earlier forecasts, and is expected to increase from 95.07 million barrels per day in the first quarter of 2016 to 96.33 million barrels per day.
- As such, the spread between Brent and WTI is expected to decline from US\$5.43 in Q1 2015 to US\$2.34 by Q4 2016.
- In terms of natural gas, the forecast for the Henry Hub spot price was reduced by an average of 8% throughout 2016, with the price expected to end the year at US\$2.98 from US\$3.17% previously.
- In 2017, the price of WTI crude is expected to increase to US\$53.29 while Brent crude is expected to increase to US\$56.29. Natural Gas at Henry Hub is expected to average \$3.41 by the end of 2017.
- The price of WTI crude oil dropped below US\$30.00 today for the first time since 2003, falling to US\$29.93 before recovering slightly.

## Summary of U.S. Energy Information Administration January 2016 Forecasts

### WTI spot (\$/barrel)

	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Current	48.48	57.85	46.55	41.94	36.36	38.02	39.69	40.00	41.03	44.72	49.00	53.29
Previous	48.48	57.85	46.55	43.59	45.61	51.38	54.00	52.33	-	-	-	-

### Brent spot average (\$/barrel)

	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Current	53.91	61.65	50.43	43.53	36.36	40.02	41.69	42.34	44.03	47.72	52.00	56.29
Previous	53.91	61.65	50.43	45.95	50.15	56.38	59.00	57.33	-	-	-	-

### WTI/Brent Spread

5.43	3.80	3.88	1.59	0.00	2.00	2.00	2.34	3.00	3.00	3.00	3.00
------	------	------	------	------	------	------	------	------	------	------	------

Source: U.S. Energy Information Administration

### Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.