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## Crude Oil price to be sustained below \$60?

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Unlike spot contracts or futures of several months ahead, near-term futures generally have low liquidity and for that reason the price movement is smaller with less short-term speculation involved. The same is true with the oil futures. The spot price for WTI, a representative price index of US crude oil, recorded \$44.02 for the lowest price of the year and \$61.36 for the highest. The difference between them is \$17.34. Compared to this, the lowest price for longer-term futures (due December 2017) was \$60.19 and the highest \$68.04 with a difference of \$7.85.

As can be seen from the chart, the price of the longer-term futures has been stabilizing at around \$65 (\$64.5 for an average of the year). Even when the spot price fell to the order of \$40, the price for the longer-term futures did not fall below \$61. It proved that the easing of supply-demand gap in the futures market was transient and market participants had in common a forecast of moderately rising crude oil price.

However, there was a change last week. Although the spot price still remained in the order of \$50 level, the longer-term futures dropped to the order of \$60 level, failing to recover the level of previous average of \$65 by July 13 even after the Greece had reached a tentative agreement to quiet down the risk-off attitude of the investors. This seems to be only a small change, but there is a possibility that a change in the medium-term demand-supply balance started to push down the forecast of long-term price of crude oil against the backdrop of slowdown of the Chinese economy and the final stretch in the Iran nuclear deal. We should carefully watch the development.

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