Forex Daily Analysis (2015.10.30) Source: [ACFX Forex Broker (Review and Forex Rebates up to 85%)]() After a continuous decline since the middle of last year, it seems the oil price has lost the downside momentum, giving some hopes for the price recovery. In March 2012, the Oil price has reached its peak after the financial crisis, with the Crude oil trading above 127.00 mark. Hereafter the price was gradually declining but was still trading above 115.00 level by June 2014. By the end of the summer, however, it took a sharp fall. In January 2015, Oil price reached a low of US $47.00 per barrel and some analysts were still calling it “a temporary bottom”. Forecasting of the oil price seems to be a quite complicated procedure. When the oil was trading at US$ 115.00 levels, the analysts were saying that there still a lot of space for the price to grow. When the price reached US$ 45.00 mark, many opinions saw a deep down to US$ 20.00 will follow. In fact, Brent recovered to US$ 67.00 and then collapsed to US$ 45.00, from where it is recovering once again. From a basic course in economics, we all know that the supply and demand are the forces which define the price of the product. Nevertheless, even by doing a basic shopping we do realise that it is not exactly the truth and there are more significant forces which could influence the market. Even though making any kind of forecasts seems to be not feasible at the moment, there are some fundamental factors defining the oil price which are worth looking at. The current markets are living in expectations, and an expectation of an event could sometimes have a stronger impact on the markets than the event itself, exceeding the classic supply and demand factors, which makes oil price highly volatile and unpredictable. Looking two years back, the high oil price was considered a good investment opportunity, worth to increase even the extraction of the hard reached types like a shale oil, since profitability there was almost guaranteed. As a result, the oil production has significantly increased during that time. As the usual market cycle goes, the oversupply causes the product price to drop, with the result of gradually decreasing investments. Reduction in the supply brings a deficit and a market cycle begins from the start. The oil industry is a quite monopolistic arena, with 10 largest oil producing countries delivering around 85% of the world's commodity. More than 40% of the extractions belong just to three countries. That, in turn, predetermines very harsh and painful competition. The extracted derivative supply of the oil also significantly depends on the price, as the US $30 per barrel will mean completely different amount of supply then the price of US $60. Therefore when the price decreased, a large number of a shale oil producers have either closed down or currently producing at a loss, waiting for the better times to come. The OPEC has recently delivered a research that the investments in the global oil production will diminish by 134 billion dollars in 2015, which accounts to 22% of the total investment. This could be a time for some price correction. One more factor, which currently affects the oil price, is the speculative actions in the market, as the oil is the world's main product open to manipulations. In 1998, 85 % of oil futures were bought by the traders with the scope to ensure the oil deliveries, in 2008 their number felt to mere 40%. Therefore, 60% of the futures were bought with speculative purposes and since then the oil speculators number only increasing. Since real value of the US treasuries at that time was bringing a negative return, investors were looking for the more profitable places to invest, with the black commodity being of a high appeal. The last year's oil price fall was firstly determined by the end of the quantitative easing program in the United States, as the economy began to recover from the recent crisis. As a result, the monetary infusion has also stopped to flow into the shale oil industry. The US oil production has break-even cost of US$ 60 per barrel, so for the US companies to be profitable the price should reach at least US$ 65. A few years ago the shale oil was very attractive and easy to enter market, with many small and medium businesses created during that time. Hence, by reducing the price, the world's largest producers of oil, and mainly the American monopolies removed the unwanted competition. Looking at the factors above, the decline in the oil price cannot last endlessly as operating at a loss is unnatural for the market- oriented economy. The removal of sanctions on Iran, disturbed a price recovery until US$ 67 per barrel last May, with the price once again heading lower. Nevertheless, the incentive for the higher prices has still remained with the oil recovering once again. The recently renewed military conflict in Syria could only support that direction. For now, analysts forecast the oil price to reach US$ 60-65 levels within a year. What will happen in the reality, we will soon see on our charts.