

Goldman Sachs boosts 2021 oil forecast and recommends Brent as an 'effective' hedge against uncertainty for investors

[Shalini Nagarajan](#) 1 minute ago



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- **Goldman Sachs projected a bullish view for the oil market in 2021, as prices recover alongside a possible COVID-19 vaccine.**
- **Analysts expect benchmark Brent crude futures to rally to \$65 per barrel from \$45 per barrel in the third quarter of 2021, before settling at \$58 by the end of next year.**
- **US oil benchmark West Texas Intermediate is**

now expected to hit \$55.88 from \$51.38 in 2021, Goldman Sachs said in a note dated August 30.

- "There is a growing likelihood that vaccines will become widely available starting next spring, helping support global growth and oil demand, especially jet," analysts said.
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Goldman Sachs expects the oil market to gain momentum in 2021 as the coronavirus-induced slump in demand is mitigated by the "rising likelihood of widely available vaccines" next spring.

Analysts at the bank forecast [international benchmark Brent](#) will rally to \$65 per barrel from \$45 per barrel by the third quarter of 2021 and settle at \$58 by end-2021. [West Texas Intermediate](#) crude is now forecast to hit \$55.88 from \$51.38 next year.

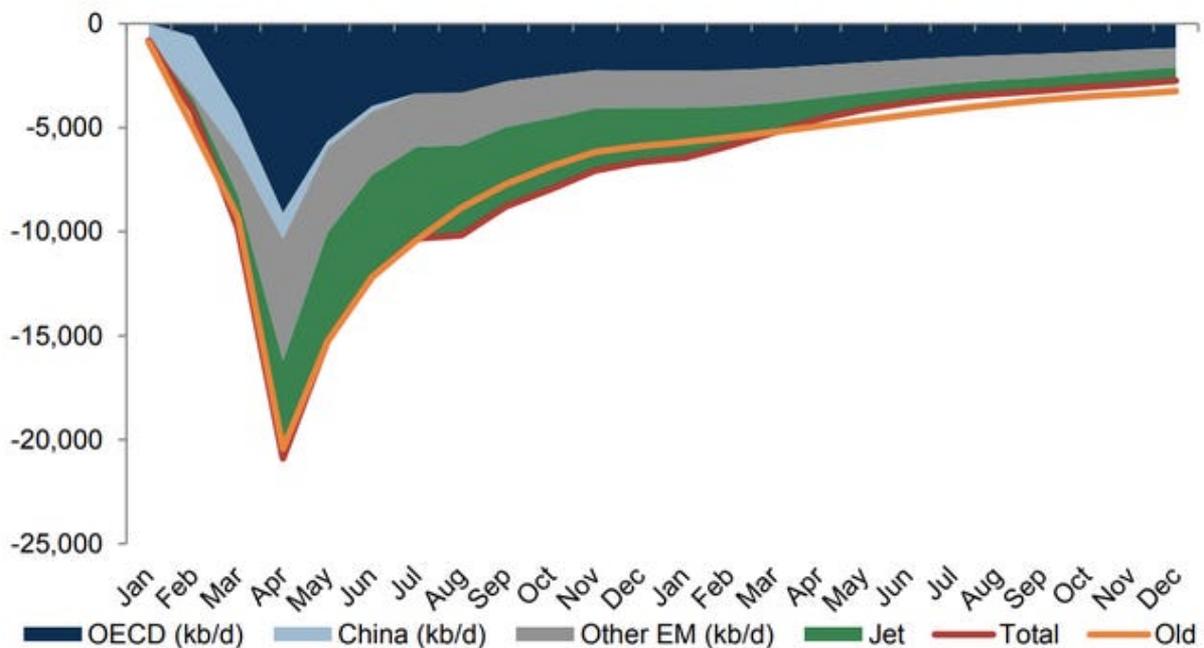
"Key to the resilience of spot prices, despite stalling inventory draws this summer, has been the steady rally in long-dated prices," Goldman Sachs said in a note dated August 30.

Going long on deferred Brent prices would result in an improved risk-reward for investors looking towards an "effective portfolio hedge" against uncertainty, analysts said in the note.

"There is a growing likelihood that vaccines will become widely available starting next spring, helping support global growth and oil demand, especially jet," the note said.

Exhibit 6: We expect a slower global oil demand recovery in 2H20 but an acceleration in 2021 as vaccines likely become available

Impact on global oil demand from Covid-19 (kb/d)



Source: IEA, OAG, Goldman Sachs Global Investment Research

Goldman Sachs

Analysts said they expect oil demand to rise by 3.7 million barrels per day from January to August next year.

Expecting a shallower recovery in global oil production outside of OPEC and its partners and North America through the end of 2020, the bank believes crude supply will be tighter in 2021, as the so-called OPEC+ group sticks to its production quota in the second half of this

year.

A rebound in US shale activity remains limited for next year, analysts said.

[Brent prices for September delivery](#) fell sharply after a gloomy economic outlook from a number of Federal Reserve officials, as new outbreaks threatened another wave of COVID-19 cases.

OPEC+ members have [eased production cuts](#) by agreeing to reduce output by 7.7 million barrels per day, versus a record of 9.7 million barrels, or 10.7% of global demand, up until August.

Compliance with the cuts stood around 95% to 97% in July, according to Reuters.



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