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IDEATION ON CRUDE OIL PREDICTION

The Price of the crude oil always fluctuates in the market which depends on the factors which affect the supply and demand. So, finding the factors which affect the price and making them as most valuable data to predict.

Example: The peak price hike occurring between 2007 and 2008, the price hike was due to rapidly emerging economies in China and India becoming among the biggest oil consumers in the world.

With the data from the factors which affect the price we can mostly find the accurate value with the respective algorithm. The Factor is:

The factor of Oil demand—it is hard to actually anticipate demands. The estimate demands of oil-exporting countries, like the US, are easily accessed from the Energy Information Agency (EIA) [10]. Other demands can be estimated by way of weather forecasts as well as the population of a country. For example, in summer, the weather increases the consumption of petrol by vehicle drivers who head for vacations; likewise, during winter, weather forecasts are used to estimate the consumption of heating oil used in homes. When these factors are examined by traders who are also the market's regulators and opportunists, they will take this opportunity to bid the price up for profit-gaining.

The World crisis—Crises in oil-producing countries affect oil prices by pushing the price up, and, given the fact that most oil-producing countries are prone to crisis, markets shift easily. When a crisis is anticipated, traders/suppliers will shift their productions down. This will trigger inflation21 in the world economy which results in a higher oil price. Increases in oil price between November 2011 and January 2012 were due to Iran threatening to close the Straits of Hormuz after proof was discovered regarding their nuclear weapons program [17]. This would have disrupted the world's oil supply as the Straits are a major shipping route for exporting and importing. As Iran is one of the OPEC countries that contribute to more than 40% of production to the world, this threat significantly impacted investors which thus affected oil prices. Other world turmoil in 2011 also impacted the market when investors were concerned about the unrest in Arab countries. As the Middle East sits atop two-thirds of the world's reserves, this situation caused the price to increase to a peak of USD113 per barrel in April. Moreover, violence in Nigeria, Africa's top oil producer, had also caused the reduction of production by a quarter. The price went down to USD100 per barrel by June when the investors' concerns on supply disruptions disappeared.