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 reserves—stored by the Strategic Petroleum Reserves17 to be added to the oil supply when prices get too high. A tap on the reserves by one of the oil-reserving countries will lead the traders to bid the price up.

Saudi Arabia, as one of the petroleum-exporting countries with a large reserve capacity, is much in the spotlight when a price is hiked.

The Supply for crude oil: Supply The Organisation of Petroleum Exporting Countries (OPEC20) produces more than 30% of the world's supply. Any changes in OPEC's production policy contribute to a major effect on the crude oil price market. The years from 2005 to 2007 witnessed the reductions of OPEC oil production from 34.82 million barrels per day in 2005 to 34.18 million barrels per day in 2007. The OPEC oil production reductions, amongst other factors, caused drastic increases in oil prices in 2005 to 2007 hitting a peak price of USD147.27 on July 2008. OPEC gradually increased oil production in 2008 with an increase of 35.49 million barrels of production per day. Although OPEC plays a major role in determining the oil price in the market, there are 10 other oil-producing countries that supply more than 63% of production to the world [15]. Table 1.1 shows the production of these oil-producing countries with their share of world based on [16]. Russia, the US and China top the list by producing almost 40% of the world's production.