Press release

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Expect extremes from oil and gas in 2010, says RCM

Chris Wheaton, a Director of RCM, gives his outlook for oil and gas in 2010.

"In 2009 the oil price hit lows of $40 per barrel very early on, although it did seem at the time that a price as low as $25 per barrel was possible. Looking into 2010, it is worth considering the best and worst scenarios.

Oil Armageddon or heaven?

"We believe the worst that could happen in 2010 is for oil prices to return to levels below $50 per barrel. This would imply that the energy crisis doesn't exist, that energy is cheap, and that there is no need to worry about the sustainability of energy supplies. We believe this would also be the same complacent and dangerous thinking that led the world into two decades of under investment, which culminated in the oil price spike of 2008. Oil prices this low in 2010 would mean that companies delay their investment plans for what would be the third year in a row. We see this resulting in the oil industry finding it very hard to maintain global oil supply, outside of OPEC, at the levels it is producing now. Whilst economies remain weak this may not be a problem, but leaves the industry unable to fulfil the growth in demand that will surely come once economies recover.

"In my view, the best that 2010 could bring is a continuation of oil prices at the present levels of around the $70 per barrel mark. The extreme oil price swings of 2007-2009 damaged the confidence of the industry, just as the credit crunch has hurt consumer and economic confidence. Stability in oil prices would allow the industry to plan ahead with confidence, and to restart major investment programmes.

Highs and lows are here to stay

"My best estimate for 2010 is that we'll stay in this period of extremes of sentiment. There will probably be points in 2010 when the economic recovery looks weak, and oil prices, along with stock markets, bonds, gold and everything else, will go down in value. This will no doubt cause some commentators to pronounce economies will never recover and that the oil price will remain low. However, we believe this extreme view, like the 'death of capitalism' predicted in October 2008, will prove far fetched.

"At the other extreme, I don't think oil prices will go back over $100 per barrel in 2010. Economies are still too weak to show oil demand growth rapid enough that the spare oil production capacity worldwide, created by the fall in demand in 2008, is used up. Oil prices will only rise above $100 per barrel once economies have proven that they are recovering, which we believe will probably be in 2011."

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Awards

- RCM named winner of Active North American Equity at Pensions & Investment Provider awards 2009. RCM US Large Cap Select Growth is managed by Scott Migliori, Co-CIO for US Equities, RCM.

- RCM named No.1 leading fund management firm for SRI Research by Thomson Reuters Extel 2009.

- Global CIO of RCM, Andreas Utermann, named CIO of the Year by Funds Europe magazine 2008.

- Winner of European Investment Trust of the Year by Investment Week magazine, 2008, for the RCM-managed Charter European Trust.

About RCM (all data source: RCM as at 30/09/09)

RCM is a global asset manager operating from six international offices - San Francisco, London, Frankfurt, Hong Kong, Tokyo and Sydney – with assets under management of over $130 billion worldwide. The firm provides a range of investment management solutions to institutions and individual clients. At RCM we believe that by generating and exploiting an information advantage, we will be able to deliver superior and consistent investment results for the benefit of our clients - a philosophy we call RCM informed. RCM is a company of Allianz Global Investors, a pre-eminent global asset management group committed to helping clients achieve sustainable success. As a company of Allianz Global Investors, RCM offers a distinctive investment philosophy and culture, while benefiting from the scale and substantial resources of our parent; including business support, industry best-practices and financial investment. This enhances our ability to attract and retain talent, and provide superior insight and investment performance.

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