
**Monday, September 25, 2023**

Oil prices ended last week on lower note, easing off yearly highs despite news of Russia's recent decision to restrict its diesel and gasoline exports in an already stressed global fuel market. This news increased expectations for the Federal Reserve to keep borrowing costs higher for longer have cooled oil's rally.

U.S. Central bank decided to hold interest rates but increase the median projection for expected rates in 2024 by half a point, reiterating of its "higher for longer" interest rate policy, triggered the selling spree last week.

Russia is even able to dodge G7 price caps of $60 on most of its exports as not only is a higher proportion of Russian oil being sold outside the cap, but Russia's increasing independence as a seller has coincided with a strong rally in oil prices, which topped $95 a barrel for the first time in 13 months this week.

Along with this, diesel demand is weak but supply is weaker as the world's oil refiners are proving powerless to make enough diesel, opening a new inflationary front and depriving economies of a fuel that powers industry and transport alike. This would lead to a prices surge and hit flows to Turkey and Brazil the most. Currently, Russia has been exporting almost 1 million b/d of diesel this year, compared with gasoline flows of around 150,000 b/d, out of which Turkish imports have surged since late 2022, averaging 2, 80,000 Bpd this year from 65,000 b/d in the first half of 2022.

However, market consensus suggest that this ban might be temporary as Russia's has not announced about tenure of any guidance on how long the export ban will last has left market

| Crude Oil | | | |
|---|---|---|---|
| **Exchange** | **MCX** | **NYMEX-WTI** | **ICE-Brent** |
| **Open** | 7494 | 89.62 | 92.29 |
| **Close** | 7473 | 90.03 | 91.96 |
| **1 Week Chg.** | -21 | 0.41 | -0.33 |
| **%change** | 0.00% | 0.01% | -1.16% |
| **OI** | 6829 | 364112 | 588592 |
| **OI change** | 2588 | 39518 | 99538 |
| **Pivot** | 7491 | 90.22 | 92.31 |
| **Resistance** | 7562 | 91.14 | 93.02 |
| **Support** | 7402 | 89.12 | 91.24 |

| Natural Gas | | |
|---|---|---|
| **Exchange** | **MCX** | **NYMEX-NG** |
| **Open** | 218.7 | 2.624 |
| **Close** | 218.7 | 2.64 |
| **1 Week Chg.** | 0 | 0.01 |
| **%change** | 0.00% | 0.50% |
| **OI** | 15484 | 25403 |
| **OI change** | 53.79% | 76.69% |
| **Pivot** | 219.2 | 2.64 |
| **Resistance** | 222.2 | 2.68 |
| **Support** | 215.7 | 2.60 |

| Front Month Calendar Spread | | |
|---|---|---|
| **Exchange** | **MCX** | **NYMEX($)** |
| **1st month** | -105 | -3.27 |
| **2nd month** | -65 | -1.43 |

| WTI-Brent spread$ | |
|---|---|
| **1st month** | -1.38 |
| **2nd month** | -1.24 |

watchers guessing at the scald. Along with this, Russia has limited storage capacity to accumulate supplies and will not want to miss out on strong margins globally.

On the inventory front, prices got some support after data showed a 2.135 Mbs drop in US crude inventories, aligning with market expectations. The API report indicated a more significant 5.25 Mbs barrel decrease. Gasoline stocks fell by 831 thousand barrels, while distillate stockpiles dropped by 2.867 million barrels, contrary to expectations.

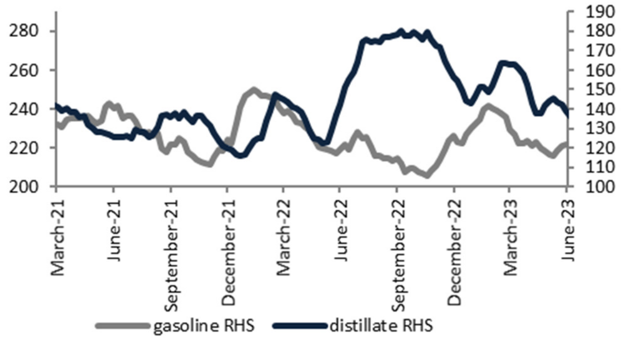
US oil production from key shale regions is also set to decrease for the third consecutive month in October, hitting 9.393 million barrels per day, the lowest level since May. Even reports of a decline in crude in floating storage is bullish for prices.

Data from Vortexa showed that the amount of crude oil held worldwide on tankers that have been stationary for at least a week fell -8.9% w/w to 83.89 Mbbl as of Sep 15. All this suggests tightening of oil inventories across the globe, which will support oil prices. On the rigs front, U.S. oil rigs fell by eight to 507 this week, their lowest since Feb 2022, while gas rigs dropped by three to 118. But this has failed to boost oil and gas production, as even though energy companies were on track to boost spending for a third year in a row in 2023, mostly to cover rising inflation-related costs for labour and equipment, many firms were still more focused on returning money to investors and paying down debt.

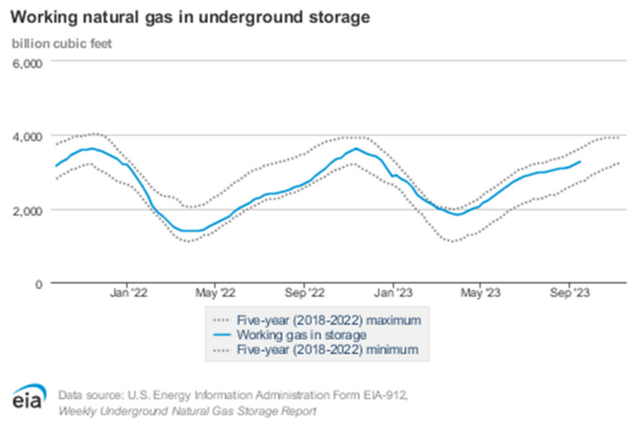
Natural gas prices declined last week despite the EIA showing a build-up of 64 Bcf, almost in line with the anticipated 67 bcf increase. In September, gas production dipped to 102.1 billion cubic feet per day (bcfd), reaching a 10-week low of 100.6 bcfd. Prices saw further pressure from news of maintenance at the Cove Point LNG facility in Maryland and reduced operations at Cheniere Energy's LNG Sabine Pass in Louisiana.

The weather remained subdued, which goes against the bulls waiting for a good start to winter to hit the U.S. market. Prices did get some support from the LNG export facilities, which are increasing, particularly with the return of Freeport LNG's Texas facility to near full capacity. However, daily feed gas experienced a drop to a three-week low of 11.6 bcfd due to maintenance and reductions at certain LNG facilities.

**US Product Stock(million barrels)**




Source: Reuters




Source: EIA

## Outlook:

Oil prices are expected to stay positive this week with market participants' attention moving more towards Central bank's meeting starting with Federal Reserve policy makers, which began their two-day meeting Tuesday, while Bank of England and Bank of Japan officials also are scheduled to confer this week. Rising prices also pose a political challenge for the Biden administration, with average retail gasoline prices already at a seasonal record in data going back to 2004.

## Technical Levels:

### Crude oil:


In the previous week, Crude Oil prices witnessed volatile sessions. Prices recorded the high of Rs. 7796 and low of Rs. 7353 to settle with weekly loss of nearly 1%. The current trend for MCX Crude oil is positive, and it is anticipated to persist in its ongoing uptrend as prices have recently breached above a bull flag pattern on daily chart. The major support level is observed at Rs. 7050, and as long as prices remain above this level, the overall outlook will continue to be bullish. It is likely that prices may reach the range of Rs. 8000 to Rs. 8100 in the medium term according to the measured move.

### Natural gas:


During the previous week, there was a decrease of approximately 6 rupees, or 2.50%, in the price of natural gas. However, prices have been experiencing high fluctuations and are currently trading within a broad range of Rs. 220 to Rs. 260. The key immediate support is now placed at Rs. 232 level after which Rs. 220 will act as critical support. However, key immediate resistance is observed at Rs. 248 level. A break above this level could push prices towards Rs. 260 and extend further towards Rs. 267 level. The 14-period RSI has fallen near 50 mark which signals that counter has lost momentum on the higher side. Buy on dips is suggested in the counter as long as prices sustain above Rs. 220 level on closing basis.

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