



Crude oil prices ended last week on a negative note, posting its first weekly drop since the conflict began as bearish market sentiment and earlier signs of Israel rethinking the scope of its ground invasion undercut the war's risk premiums. Prices, however, did spike sharply early on Friday morning following U.S. airstrikes on Syrian territory. There are also concerns about the conflict spreading more broadly after Israel's military reported expanding ground activity in Gaza.

Prices also got supported by news of the U.S. Military striking Iranian targets in Syria, but saw some retrace after Al-Jazeera reported that Qatari mediation on a cease-fire was moving quickly. Currently, prices are at the mercy of the next headline and will continue to bring chopiness in coming days.

The main question remaining for the market is the extent of disruption to oil supplies because of the conflict and the focus remains on the risk of supply disruptions that have been hanging over the market since Hamas's attack. Up to 20mb/d of oil is at risk either directly or through obstructed logistics if other Middle East oil producers become involved. History shows that during a similar event in 1973 Saudi Arabia responded to U.S. support for Israel's military with an oil embargo. Looking at today, if Iran's production is disrupted, or shipments in the Strait of Hormuz or the Suez Canal (5% percent of oil trade) is disrupted, prices will definitely rise. However, this looks like a distant reality as Iran regularly threatens to close the Strait of Hormuz in times of heightened tensions with the U.S. or its regional neighbors, it has never fully blockaded this strategic chokepoint of global trade.

However, the fundamentals of oil are not looking lucrative as the Middle East war premium in futures is partially masking a recent slump in prices of some physical barrels, suggesting demand may be weakening. EIA data showed that US stockpiles rose by 1.37 Mbs last week with inventories at the Cushing, Oklahoma, storage hub expanded by 213,000 barrels. Physical oil markets across the world are also seeing a slump in prices as profits from making fuels such as gasoline dip ahead of the winter season.

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	7031	83.53	88.4
Close	7128	85.54	90.48
1 Week Chg.	97	2.01	2.08
%change	-3.23%	1.21%	-1.82%
OI	4013	318516	206585
OI change	292	-121699	-141926
Pivot	7071	84.85	89.69
Resistance	7211	86.59	91.54
Support	6989	83.79	88.62

Natural Gas		
Exchange	MCX	NYMEX-NG
Open	293	3.511
Close	295.4	3.48
1 Week Chg.	2.4	-0.03
%change	0.82%	-0.80%
OI	13594	163061
OI change	52.99%	-54.03%
Pivot	297.5	3.52
Resistance	301.9	3.61
Support	290.9	3.40

Front Month Calendar Spread		
Exchange	MCX	NYMEX(\$)
1st month	-44	-0.84
2nd month	-213	-0.86

WTI-Brent spread\$	
1st month	-1.28
2nd month	-0.87

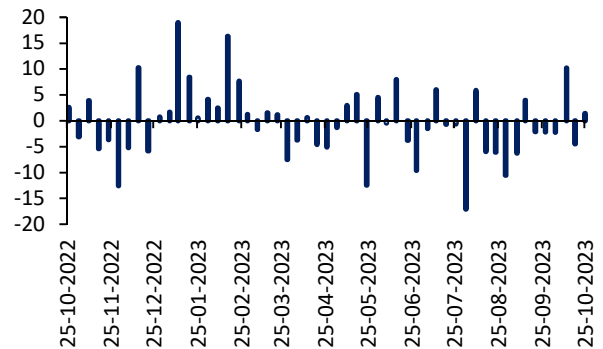
On the economic data front, market participants will remain largely on edge before a Federal Reserve meeting, with any hawkish signals from the central bank presenting more headwinds for crude demand. Higher interest rates will weigh on prices, somewhat offsetting the efforts by OPEC+ members to go for production cuts. Focus is also on the key PMI numbers from China which will shed some light on business activity in the world's biggest oil importer. China's economy is trying to revive with a number of liquidity measures and has shown signs of stabilization in recent months after seeing a sharp decline in growth this year. The country's aviation regulator recently said it will increase domestic flights to 34% above pre-pandemic levels- a positive sign for oil demand, although air travel still makes up a small portion of China's overall fuel consumption.

For natural gas, prices remained under pressure on warm weather forecast with the EIA indicating that net injections into storage totaled 74 Bcf for the week ending October 20, compared with the five-year (2018–2022) average net injections of 66 Bcf and last year's net injections of 61 Bcf during the same week. Working natural gas stocks totaled 3,700 Bcf, which is 183 Bcf (5%) more than the five-year average and 313 Bcf (9%) more than last year at this time. On the demand front, total U.S. consumption of natural gas fell by 1.6% (1.1 Bcf/d) compared with the previous week's report, driven by a decline in the residential and commercial sectors. Natural gas consumed for power generation rose by 2.5% (0.8 Bcf/d) week over week. Industrial sector consumption decreased by 1.1% (0.2 Bcf/d) week over week. In the residential and commercial sectors, consumption declined by 10.2% (1.7 Bcf/d) as warmer temperatures in most consuming regions decreased demand for space heating. Natural gas exports to Mexico increased 2.5% (0.2 Bcf/d). Natural gas deliveries to U.S. LNG export facilities (LNG pipeline receipts) averaged 13.7 Bcf/d, or 0.6 Bcf/d lower than last week.

### **Outlook:**

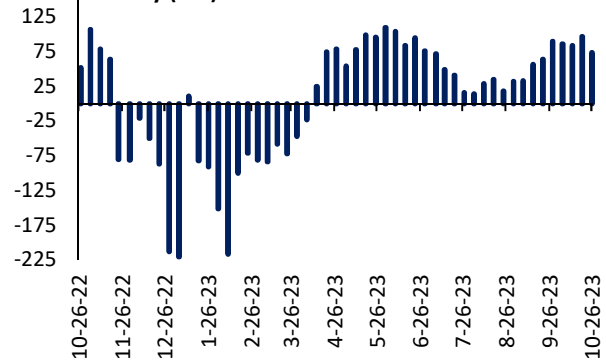
Oil prices are expected to remain sideways as fears that Israel-Hamas war on one side while FED meet along with a bunch of economic data will continue to bring volatility to the prices. Any further escalations or headlines will push prices higher while the risk of higher interest rates continues to put pressure on prices to rally quickly.

**Crude Inventories (Millions)**



Source: Reuters

**NG Inventory (mb)**



Source: Reuters

### Technical Levels:

#### **Crude oil:**

Last week, crude oil prices saw a drop of over 3%, equating to a decline of around 200 rupees. Presently, MCX Crude is exhibiting a range-bound pattern, with prices fluctuating within the range of 6880 to 7350. For a clearer trend direction, a sustained break above or below this range is required. Once a breakout or breakdown occurs, investors can anticipate a move of at least 300 to 400 rupees, making a "buy above" or "sell below" strategy potentially effective.



#### **Natural gas:**

In the week prior, natural gas prices surged by about 25 rupees, marking a substantial 10% increase. The price chart displayed a distinctive cup & handle pattern, and there was a recent correction that retraced towards the breakout level, presenting a favourable buying opportunity. It is recommended to consider purchasing on price declines, particularly in the range of Rs. 280 to 285, while maintaining a stop loss at Rs. 270. The anticipated target price ranges from Rs. 315 to Rs. 325.



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