



Oil eked out a small gain for the week, snapping a seven-week losing streak, propelled by broader risk-on sentiment after Chairman Jerome Powell indicated the central bank is turning its focus to when to cut borrowing costs as inflation continues to drop. Dollar Index weakness was an additional boost with the greenback falling to a four-month low after the U.S. Federal Reserve signalled lower borrowing costs for 2024.

Market participants remained sceptical about OPEC+ compliance along with a surge in exports from non-OPEC countries, including the US which has bought back supply side issues back, in the market. However, news from Russia, reporting to deepen oil export cuts in December by potentially 50,000 barrels per day or more, earlier than promised, as the world's biggest exporters try to support global. Dovish signals from the Fed have been a key support for commodity markets including energy this week, as the central bank signalled deeper-than-expected rate cuts in 2024.

Added to this, the IEA report was an additional boost to the sentiment as it slightly lifted its oil demand forecast for 2024. But the IEA's forecast for demand was still much lower than that suggested by OPEC+. OPEC reiterated its optimism for 2024 oil demand \growth of 2.46Mbpd and blamed the recent drop in oil prices on exaggerated demand concerns impacting market sentiment. However, the IEA reported that world oil consumption will rise by 1.1 Mbpd in 2024, up 130,000 bpd from its previous forecast, citing an improvement in the outlook for the U.S. and lower oil prices. This is significantly lower than the demand growth rate that OPEC has forecast for 2024, which stands at 2.2 Mbpd, but still a substantial number.

Disruption risk still remains in the market with Egypt's Suez Canal Authority said it's closely following" tensions in the Red Sea after the US said it shot down 14 drones launched from Iran-backed Houthi-controlled areas of Yemen. Major shippers MSC Mediterranean Shipping Co. and CMA CGM SA were the latest to announce over the weekend that they won't send their vessels through the chokepoint in the face of rising threats, while Maersk Tankers A/S said it would

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	6004	71.61	76.66
Close	5952	71.43	76.55
1 Week Chg.	-52	-0.18	-0.11
%change	-2.33%	-1.66%	-1.01%
OI	2126	19064	0
OI change	9488	-186275	0
Pivot	5932	71.32	76.36
Resistance	6024	72.33	77.42
Support	5859	70.41	75.48

Natural Gas		
Exchange	MCX	NYMEX-NG
Open	200.8	2.408
Close	210.4	2.49
1 Week Chg.	9.6	0.08
%change	4.78%	3.45%
OI	23355	105314
OI change	32.41%	-48.02%
Pivot	206.8	2.47
Resistance	215.4	2.56
Support	201.9	2.40

Front Month Calendar Spread		
Exchange	MCX	NYMEX(\$)
1st month	58	0.62
2nd month	53	-0.03

WTI-Brent spread\$	
1st month	0.21
2nd month	-0.15

insist its vessels have the option to avoid the route. Houthi militants have been attacking more and more merchant ships in the Red Sea — especially vessels that they claim are connected to Israel — in response to the war in Gaza.

U.S. oil production is serving a fresh blow to oil bulls and OPEC, just as the cartel was trying to push benchmarks higher by adopting deeper production cuts. The EIA reported last week that average daily production in September had remained unchanged from August when it hit the record-high rate of 13.24Mbs. This is happening despite cost inflation and lower international oil prices. And U.S. shale drillers have no plans to drill less. U.S. inventories saw a bigger-than-expected drawdown, although fuel demand in the country remained weak, with gasoline inventories seeing a mild build. The U.S. EIA reported an inventory draw of 4.3Mbs, compared with a draw of 4.6 million barrels for the previous week, which, however, combined with builds in gasoline and middle distillate inventories to put a lid on prices. Gasoline inventory saw a modest build of 400,000 barrels, with production averaging 9.5 Mbpd, a slight increase on the week. In middle distillates, the EIA reported an inventory increase of 1.5 Mbs, with production averaging 5Mbpd.

China, the largest importer of crude, continues to face a bumpy economic recovery as data showed consumer and investment spending increased at a slower than expected pace. The ongoing struggles have fueled concerns that Beijing has to roll out further stimulus to keep its economic recovery on track. For 2024, oil demand in China is the biggest unknown, as an additional 600,000 bpd oil demand is going to come out of China next year. But the bulk of that depends on how the economy performs

Natural gas prices ended last week on a negative note amid warm forecasts, speculative ETF loss selling, oversupply and a delay on new LNG facilities. We have seen contract lows as both the GFS & ECMWF models trended significantly warmer. EIA inventory data also failed to cheer up sentiments with data showing a drawdown of -55 Bcf in storage last week gave no surprises when the consensus was for a draw of -55Bcf. For perspective, in the same week last year, stocks were -46Bcf, with a five-year (2017-2021) average of -81Bcf. Along with this, natural gas production is back at record levels. That rise in gas output is due primarily to increased interest in oil drilling in shale basins that also produce a lot of associated gas like the Permian in West Texas and eastern New Mexico. The No. 2 U.S. oil producer, Chevron, has said that it plans to raise capital expenditures in the Permian by 25% in 2024 from its annual guidance and aims for record output despite a more modest rig count plan for the largest U.S. oilfield. CVX expects to average 13 to 14 company-operated rigs in 2024 in the basin, up from 2022 but fewer than previously anticipated.

US Crude Oil Production (mbpd)



Source: Reuters

Outlook:

Crude is catching a bid with the rest of risk assets as dovish tone will continue to push oil prices higher but a sustained rally will come from strengthening time spreads and inventory draws. Time spreads are also still flashing signs of weakness, with Brent and WTI both in bearish contango — when later contracts trade at premiums to prompt ones — until the middle of next year.

Technical Levels:

Crude oil:

In November 2023, MCX Crudeoil hit a five-month low at Rs. 5658. In the past week, it has experienced an increase of approximately 17 rupees or 0.29%. This marks the first week of gains following seven consecutive weeks of declines. The current prices are recovering from the support range of Rs. 5500 to 5600. As long as this support zone remains intact, there is an anticipation of a price rebound towards the levels of Rs. 6200 to 6300. It is suggested to consider buying on dips around Rs. 5700.



Natural gas:

During the recent week, natural gas witnessed a decline of 6.8 rupees, reflecting a 3.13% decrease. This extends a trend of seven consecutive weeks of declines. While the overall trend for natural gas remains negative, there are indications of a potential retracement in prices, with a possibility of testing the range of Rs. 225 to 235 in the upcoming week. The initial support level is now at Rs. 190, followed by a robust support at Rs. 180. It is recommended to consider buying on dips in the range of Rs. 205 to 200.



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