Monday, April 22, 2024

Crude Oil prices ended the week on a lower note despite the volley of attacks between Israel and Iran that threaten to plunge the oil-rich region i.e., Iran into further turmoil. This week had many ingredients for a big surge in prices but it did not happen. Iran and Israel were in a hostile 'tit for tat' situation and that seemed to be the end of it for no sign that hostilities will de-escalate and which is why the Iran-Israel conflict has not impacted the flow of oil in the Middle East, which is why oil price reactions to the recent military escalation have been relatively muted.

Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	6980	82.62	87.04
Close	6981	83.14	87.29
1 Week Chg.	1	0.52	0.25
%change	-2.87%	-2.94%	-3.49%
OI	1421	23607	0
OI change	2677	-133982	0
Pivot	7214	83.74	88.08
Resistance	7295	85.68	89.96
Support	7107	81.20	85.40

Tensions were high following the attack by Israel on Iran's consulate in Damascus, with Brent crude reaching an intraday high of over $90 on April 12, the most since October, just before of Iran's drone and missile attack on Israel the next day. Iran launched about 300 drones and missiles at Israel that day, with US sources reporting that the vast majority were shot down by Israeli, American, and other ally forces before they reached Israeli soil.

Israel was suspected to have launched retaliatory attacks on Iran's Isfahan nuclear sites after several news agencies reported explosions in the country. The strikes came just one day after Iranian officials warned Israel against any retaliatory strikes, notably on Tehran's nuclear installations. But prices quickly reacted and retraced lower after Iran declared no explosion had taken place in their Isfahan sitr and their nuclear sites remain unharmed. Market absorbed this back and forth of attacks as a job done, even though the alleged attack was denied by Iran and oil prices retraced lower in reaction. Oil markets were more or less stable because these attacks did not block The Strait of Hormuz, a sea passage between the Persian Gulf and the Gulf of Oman, which is considered the world's most important oil-transit chokepoint.

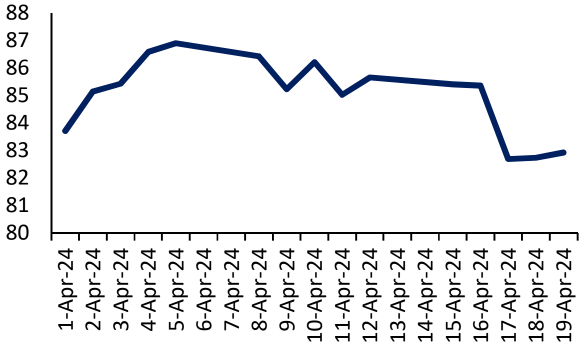
	Natural Gas	
Exchange	MCX	NYMEX-NG
Open	148.8	1.741
Close	146.8	1.75
1 Week Chg.	-2	0.01
%change	-1.34%	0.63%
OI	43488	65772
OI change	27.12%	-62.99%
Pivot	147.3	1.76
Resistance	150.3	1.80
Support	143.8	1.72

Front Month Calendar Spread		
Exchange	MCX	NYMEX($)
1st month	-84	-1.56
2nd month	-26	-0.70

WTI-Brent spread$	
1st month	-0.78
2nd month	-0.76

Inventories this week were a mixed picture, with U.S. commercial crude oil inventories increased by 2.7 million barrels from the previous week. At 460.0 million barrels, U.S. crude oil inventories are about 1% below the five-year average for this time of year. Total motor gasoline inventories decreased by 1.2 million barrels from last week and are about 4% below the five-year average for this time of year. Distillate fuel inventories decreased by 2.8 million barrels last week.

WTI Crude Oil

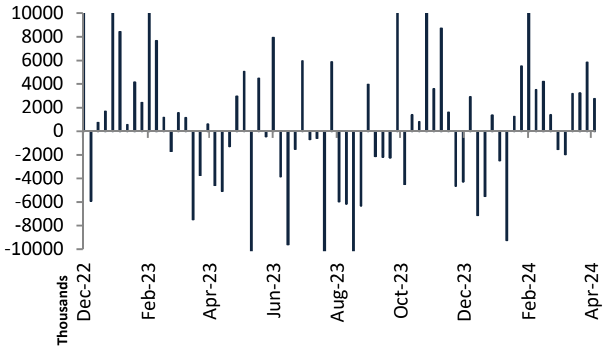


Source: Reuters

Prices were lending some support from reimposed sanctions by US officials after President Nicolas Maduro failed to keep early promises to organize national elections and stated that they will not renew a license allowing Venezuela to export oil. Venezuela's oil exports increased by 12% in 2023 to approximately 700,000 barrels per day after the United States relaxed some sanctions on the country's oil industry. While Venezuela no longer produces oil, it does have a large pool of reserves.

Over the weekend, the United States House of Representatives passed an aid package for Ukraine and Israel that included provisions allowing the federal government to tighten sanctions against Iran and its oil production. However, markets shrugged off the news, citing that the impact of the measures, if passed, will be determined by how they are understood and implemented. The Senate's discussion of the bill will begin this week.

EIA US Crude stock weekly Change



Source: Reuters

Natural gas prices inched almost 1% lower, marking second week of consecutive downfall, due to low spot electricity and gas prices, as well as an excess of gas in storage. Many areas, including Texas, California, and Arizona, have witnessed electricity and gas rates dip to zero multiple times this spring, owing to low demand, ample renewable energy sources, and pipeline maintenance that trapped gas in Texas. According to the most recent EIA report, US utilities injected 50bcf of gas into storage last week, which provided some support. Although, US gas production is expected to fall by 10% in 2024, as energy companies such as EQT and Chesapeake Energy delay well completions and reduce drilling efforts

<u>Outlook:</u>

The oil market remains well-supplied and less sensitive to newer attacks as long as no trade routes and supply is disrupted. The war premium is well absorbed by the market in the past weeks, along with a strengthening dollar, crude oil prices continue to remain under pressure and we maintain a sell on rise view.

Technical Levels:

Crude oil:

In the previous week, MCX Crude Oil fell by more than 200 rupees, which is equivalent to a loss of 2.90%. Prices recorded the high of Rs. 7192 and low of Rs. 6818 throughout the week. Prices have breached below the 20-day moving average which is observed at Rs. 7030 level. Key immediate support is observed at Rs. 6680 level. A break below this level is likely to drag prices further lower towards Rs. 6500 level. The 14-period RSI on daily chart has fallen near 44 mark which signals that counter is likely to consolidate on the lower side for the medium term. Sell on rise is suggested as long as prices are trading below the key resistance of Rs. 7030 on closing basis.

Natural gas:

During the recent week, Natural Gas recorded the high of Rs. 150.80 but failed to sustain at higher levels and settled the week with a loss of more than 1%. Natural Gas prices are trading in a broader range since last few weeks. The key immediate support is observed at Rs. 138 level. A break below this level is likely to drag prices further lower towards Rs. 130 and extend the fall towards Rs. 125 level. However, critical resistance is observed at Rs. 162 level. The 14-period RSI is showing the signs of weak momentum which is likely to drag prices further lower. Sell on rise is suggested in the counter as long as Rs. 162 is not breached on closing basis.

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