



Crude oil prices ended the week on a lower note, falling almost 3% on the back of worries regarding strong U.S. economic data that would keep interest rates elevated for a longer period, curbing fuel demand and cooling off geopolitical risk premium. The weak demand scenario was further fueled by surprise build ups in inventories according to the API and the IEA.

Prices witnessed some profit booking on the possibility of political unrest and of foul play in major oil producing nation over death of Iranian President Raisi and Finance Minister, earlier this month which shocked markets. However, gains were quickly given up, as not much of an escalation was seen in the matter.

Minutes of the Fed's most recent policy meeting revealed that members questioned whether interest rates were high enough to control stubborn inflation. Some officials were inclined to hike borrowing prices again if inflation increased. Fed Governor Powell and other policymakers have since stated that they believe additional rises are unlikely. Higher interest rates raise the cost of borrowing, slowing economic activity and leading to reduced demand for oil and energy products.

API showed U.S. oil stocks increased by 2.5 mb in the week ending May 17, above estimates of a draw of 3.1 mb. Gasoline stockpiles increased by 2.1 million barrels, while distillate inventories decreased by 320,000 barrels. The surprise increase in stockpiles raised concerns about weak US oil demand, particularly in terms of fuel usage. On the other hand, data from IEA also showed a buildup in inventories increasing by 1.8 million barrels from the previous week. Total motor gasoline inventories decreased by 0.9 million barrels from last week and are about 2% below the five year average for this time of year. Distillate fuel inventories increased by 0.4 million barrels last week and are about 7% below the five year average for this time of year.

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	6414	77.04	81.11
Close	6471	77.72	81.84
1 Week Chg.	57	0.68	0.73
%change	-2.35%	-2.34%	-2.14%
OI	7191	403143	0
OI change	2538	20877	0
Pivot	6432	77.31	81.48
Resistance	6519	78.46	82.52
Support	6384	76.56	80.80

Natural Gas		
Exchange	MCX	NYMEX-NG
Open	219.6	2.676
Close	213	2.52
1 Week Chg.	-6.6	-0.16
%change	-3.01%	-5.83%
OI	12764	29091
OI change	40.66%	-72.97%
Pivot	216.4	2.57
Resistance	221.9	2.66
Support	207.6	2.44

Front Month Calendar Spread		
Exchange	MCX	NYMEX(\$)
1st month	0	-0.49
2nd month	-16	-0.52

WTI-Brent spread\$	
1st month	0.00
2nd month	-0.44



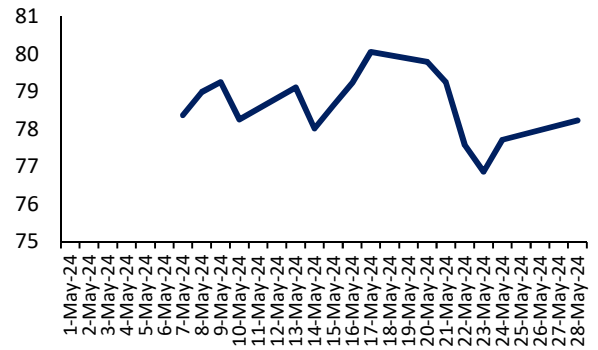
Focus now shifts to the upcoming OPEC+ meeting to be held online on 2nd June, 2024. Markets will keep a lookout for whether the cartel will prolong voluntary production cuts totaling approximately 2.2 mbpd beyond an end-of-June deadline. Extended production cuts and a potential improvement in demand could spell tighter oil markets in the near-term, which could support prices on lower end.

Natural gas prices fell by ~2% on slight profit booking after a sharp rally, since the beginning of this month. Prices were buoyant aided by warmer weather temperatures prompting a surge in gas consumption as power generators gear up to meet the increased electricity demand for air conditioning. Natural gas storage was up by 78B against an expectation of 84B, working gas in storage across the US amounted to 2,711 bcf, in the week ending May 17.

Outlook:

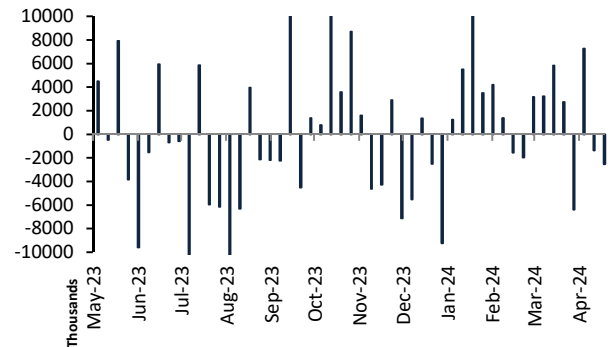
The OPEC meeting will be important to watch for demand and supply cues from the cartel as well as a few economic indicators from the US providing more cues on the Fed interest rate and policy path further ahead coupled with manufacturing and services PMI from China, which if stay in an expansionary zone it may bode well for prices. We maintain a sell on rise view.

WTI Crude Oil



Source: Reuters

EIA US Crude stock weekly Change



Source: Reuters

Technical Levels:

Crude oil:

In the previous week, there was a decrease of more than 190 rupees, which accounted for a fall of nearly 3%, in the price of crude oil. Prices recorded the low of Rs. 6345 and high of Rs. 6480 throughout the week. The 14-period RSI on daily chart is hovering above 40 mark which signals that counter has lost momentum for the medium term. The key immediate resistance is observed at Rs. 6580 level. However, key support is observed at Rs. 6400 level on closing basis. Sell on rise is suggested in the counter as long as key resistance of Rs. 6700 is not breached on the higher side.



Natural gas:

After rising by more than 30% in the month of May, Natural gas prices witnessed a slowdown in momentum in the last two trading sessions. Prices retraced near the key support zone of Rs. 199 which was earlier observed as a key breakout level. The 14-period RSI on daily chart is still above 60 mark which indicates that momentum is likely to continue on the higher side. Next critical support is observed at Rs. 218 level. Buy on dips is suggested in the counter as long as this level is not breached on the lower side on closing basis.



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