
**Monday, June 10, 2024**

Oil prices fell 2% lower for the third consecutive month, influenced by various factors like, low demand, OPEC+ deciding to gradually phase out voluntary cuts from eight member countries and uncertainty regarding Fed interest rate cuts. Even as summer driving season has begun, demand woes were constant, coupled with growing inventories.

**OPEC+ meeting and decision**

In its 37th meeting, OPEC+ decided to extend the majority of its deep oil output cuts until 2025, as the group strives to shore up the market amid sluggish demand growth, high interest rates, and surging competitor US supply. OPEC+ members agreed to extend current ongoing cuts of 5.86 million barrels per day, or about 5.7% of global demand, these include 3.66 million bpd of cuts, which were due to expire at the end of 2024, and voluntary cuts by eight members of 2.2 million bpd, (mbpd) expiring at the end of June 2024. Now, the cuts of 3.66 mbpd will be extended by a year until the end of 2025 and the cuts of 2.2 mbpd have been extended by three months i.e. until the end of September 2024. OPEC+ will gradually phase out the cuts of 2.2 mbpd over the course of a year from October 2024 onwards till September 2025. The voluntary cuts are only being implemented by eight member countries and fall outside of the group's formal production quotas. They were designed to allow for flexibility and to maintain cohesiveness among the alliance given that some members were already producing well below their official quotas.

| Crude Oil | | | |
|---|---|---|---|
| Exchange | MCX | NYMEX-WTI | ICE-Brent |
| Open | 6318 | 75.67 | 80.05 |
| Close | 6323 | 75.53 | 79.62 |
| 1 Week Chg. | 5 | -0.14 | -0.43 |
| %change | -2.01% | -1.90% | -1.84% |
| OI | 8527 | 269810 | 0 |
| OI change | 1850 | -91881 | 0 |
| Pivot | 6326 | 75.66 | 79.77 |
| Resistance | 6367 | 76.12 | 80.23 |
| Support | 6281 | 75.08 | 79.17 |

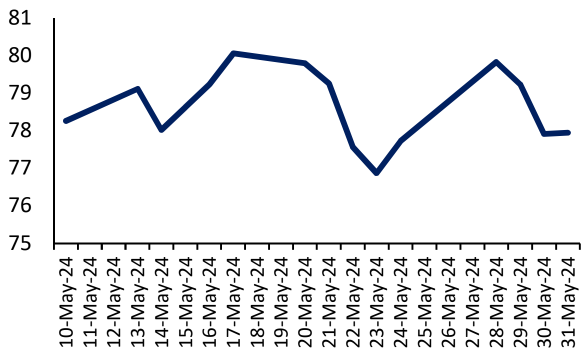
| | Natural Gas | |
|---|---|---|
| Exchange | MCX | NYMEX-NG |
| Open | 236 | 2.814 |
| Close | 246.5 | 2.92 |
| 1 Week Chg. | 10.5 | 0.10 |
| %change | 4.45% | 3.70% |
| OI | 16464 | 237200 |
| OI change | 16.70% | -19.48% |
| Pivot | 242.6 | 2.89 |
| Resistance | 251.8 | 2.99 |
| Support | 237.3 | 2.82 |

| Front Month Calendar Spread | | |
|---|---|---|
| Exchange | MCX | NYMEX($) |
| 1st month | 0 | -0.31 |
| 2nd month | -2 | -0.42 |

| WTI-Brent spread$ | |
|---|---|
| 1st month | 0.00 |
| 2nd month | -0.28 |

Demand for crude is expected to average 43.65 mbpd in the second half of 2024, implying stocks drawdown of 2.63 mbpd if the group maintains output at April's rate of 41.02 mbpd. The extension of ongoing cuts poses well for prices but the gradual phasing out of cuts weighed on prices. In a response to the selloff, seeking to reassure and calm market concerns about oversupply, energy ministers of OPEC+ said that the oil production plans unveiled in the meeting could always be amended or reversed.

**WTI Crude Oil**




Source: Reuters

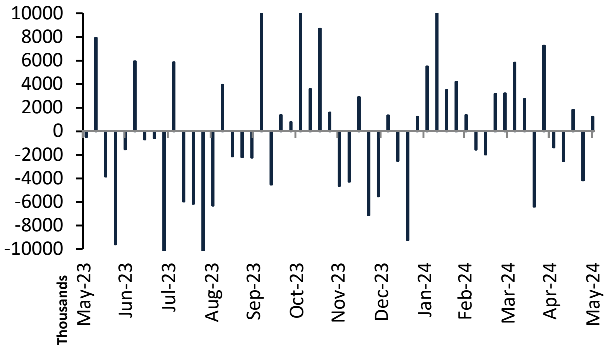
**Ceasefire uncertainty**

At the start of previous week, ceasefire agreements were taking up pace, proposed by the US which dialed down risk premium and aided to falling oil prices. However, this was interrupted after an Israeli airstrike in Gaza killed dozens of civilians at a UN school complex which was serving as a safe house for several displaced Palestinians. The uncertain and on-off nature in the Middle East continued to keep participants uncertain.

**Growing inventories**

Inventories for oil, gasoline and distillate all grew in the week ending May 31. U.S. commercial crude oil inventories increased by 1.2 million barrels. At 455.9 million barrels, U.S. crude oil inventories are about 4% below the five year average for this time of year. Total motor gasoline inventories increased by 2.1 million barrels from last week and are about 1% below the five year average for this time of year. Distillate fuel inventories increased by 3.2 million barrels last week and are about 7% below the five year average for this time of year.

**EIA US Crude stock weekly Change**




Source: Reuters

Natural gas prices rose by a whopping 15% after Norway's gas exports to Europe fell sharply as a shutdown of the offshore Sleipner hub halted operations at the Nyhamna onshore processing plant. The outage was caused by a crack discovered in a two-inch pipeline onboard Norway's offshore Sleipner Riser platform. Sleipner Riser is a connection point for the Langeled North and Langeled South pipelines connecting the Nyhamna plant on Norway's west coast with the Easington terminal in northeast England. Most Norway gas exports were halted to Britain and it was fixed by the weekend, easing supply crunch concerns. On the other hand, weekly natural gas inventories rose for the week ending May 31. Storage was up 98 bcf against an expectation of 89B. Working natural gas in storage across the US amounted to 2,893 bcf.

**Outlook:**

Inflation data from the US is set to release this week, followed by Fed interest rate decision. Any hawkish comments supporting the dollar index may pressurize oil prices. OPEC will be releasing its latest monthly oil market report, followed by the EIA's Short-Term Energy Outlook on the same day. IEA is also set to release its monthly report this week. It will be important to see how all three agencies perceive the market's outlook, especially given OPEC+'s recent actions.

**<u>Technical Levels:</u>**

**Crude oil:**

In the previous week, MCX Crude Oil recorded the multi-week low of Rs. 6073 but quickly managed to recover to settle near Rs. 6320 with weekly loss of more than 2%. On daily chart, Crude Oil prices have formed a Morning Star candlestick formation which signals bullish reversal in the counter. The key support is now placed at Rs. 6070 level on closing basis. However, key immediate resistance is observed at Rs. 6450 level. The 14-period RSI on daily chart has climbed above 40 mark after recovering from the lows of 30 mark which signals a short term bullish reversal in the counter. Buy on dips is suggested as long as Rs. 6070 is not breached on the lower side.


**Natural gas:**

During the recent week, Natural Gas prices increased by more than 14% while recording the high of Rs. 247.90 and low of Rs. 217 throughout the week. Natural Gas prices are sustaining above the 20-days moving average which is placed at Rs. 221 level. Prices have breached above the key resistance of Rs. 243 level which is likely to push prices further higher in the medium term. The 14-period RSI on daily chart has crossed above 70 mark which signals strength in momentum on the higher side. Buy on dips is suggested in the counter for potential upside up to Rs. 280 level in coming sessions. Our view will invalidate if prices close below Rs. 222 level on closing basis.

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