



Oil prices traded ~3% higher, gaining for a second consecutive week as optimism grew on the overall demand outlook along with the onset of hurricane season in the US, improving demand figures that are corroborated by shrinking crude and product inventories, adding to the overall positive sentiment. Following the OPEC+ meeting earlier this month, reassurances from OPEC+ that a plan to raise supplies from the fourth quarter of this year could be paused or reversed based on market conditions also helped prices firm. Tensions in the Middle East have also added to the up move in prices, with the Houthis sinking another bulker reminding markets of the Red Sea navigation disruption.

Israeli Foreign Minister Israel Katz warned of an approaching "all-out war" with Lebanon's Hezbollah, as the US sought to avoid a larger battle between Israel and Iran-backed Hezbollah. Nonetheless Iran-backed Houthi rebels have stepped up missile and drone attacks on commercial vessels in the southern Red Sea, the key Bab el-Mandeb chokepoint, and the Gulf of Aden. The rebels have even threatened to extend their reach into the Mediterranean Sea. The recent drowning of the Tutor dry-bulk freighter by a kamikaze drone boat is a dramatic escalation. The continuous turbulence has driven up containerized freight costs, as well as insurance costs. In addition to the rising insurance costs, the diversion of vessels from the Red Sea around the Cape of Good Hope is causing containerized shipping costs to skyrocket. It was also the first time a ship was sunk by a drone boat in the ongoing attack campaign by Houthis.

Recent economic figures from the US indicate a cooling job market that fueled hopes of a potential Federal Reserve rate cut. Lower interest rates could bolster oil prices, but recent Fed officials comments have made it unclear as to when the rate cut cycle may begin.

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	6795	81.27	85.66
Close	6746	80.73	85.24
1 Week Chg.	-49	-0.54	-0.42
%change	2.98%	3.43%	3.17%
OI	4470	340999	0
OI change	2057	1883	0
Pivot	6772	80.96	85.44
Resistance	6813	81.56	86.04
Support	6705	80.12	84.64

Natural Gas		
Exchange	MCX	NYMEX-NG
Open	228.2	2.725
Close	225.9	2.71
1 Week Chg.	-2.3	-0.02
%change	-1.01%	-0.73%
OI	5103	24159
OI change	68.99%	-75.39%
Pivot	226.9	2.72
Resistance	230.5	2.76
Support	222.3	2.66

Front Month Calendar Spread		
Exchange	MCX	NYMEX(\$)
1st month	-36	-0.77
2nd month	11	-0.81

WTI-Brent spread\$	
1st month	-0.91
2nd month	-0.77



In China, PBoC left benchmark lending rates unchanged, in line with market expectations and continue accommodative stance in an effort to boost China's economy. The one-year loan prime rate was unchanged for the 10th consecutive time at 3.45% whereas the 5-year loan prime rate was kept unchanged at 3.95% which was lowered in February by 25bps in an attempt to support weak housing market. Weaker global economic conditions supported the dollar, which kept further gains capped for oil.

Crude oil stockpiles declined by 2.547mb, confirming a draw in inventory. Gasoline stocks shed 2.3 million barrels in the week to June 14 signaling a strong start to summer driving season that would inevitably affect oil market sentiment. Gasoline production averaged 10.2 million barrels daily, which compared with 10.1 million barrels daily for the previous week. Distillates reported a decline of 1.7 million barrels for the week to June 14. This compared with a build of 900,000 barrels for the previous week.

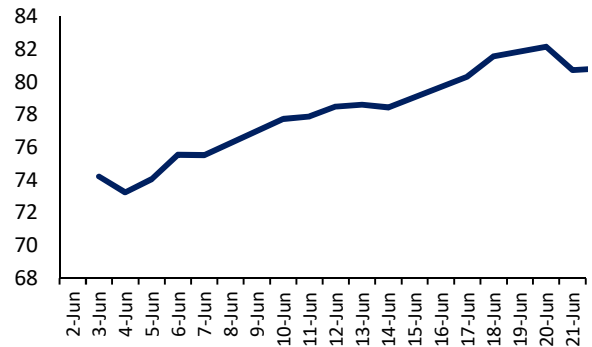
Natural gas prices declined ~7% lower, for second consecutive week despite hotter than expected temperatures forecasted earlier. This was caused due to producers, including EQT and Chesapeake Energy, slowly increasing output to meet higher demand as power generators burn more gas to meet rising air conditioning use. A storm which dumped rain on Mexico and other parts of Texas slightly cooled off hotter than expected weather conditions and brought about cooler temperatures.

U.S. National Hurricane Center (NHC) projected a 50% chance a tropical cyclone would form in the Gulf of Mexico near Mexico's east coast over the next week and a 40% chance a cyclone would form in the Atlantic Ocean off the coasts of Florida and Georgia. The NHC also said Tropical Storm Alberto weakened into a depression as it moved inland over central Mexico from the Gulf of Mexico. Meteorologists projected weather across the Lower 48 states, meanwhile, would remain hotter than normal through at least July 5.

Traders are monitoring tropical storms forming in the Atlantic Ocean, the first of the hurricane season. There are fears that the storm activity could impact the Gulf of Mexico's energy production, and a new storm could diminish demand.

Inventories showed a slight buildup in inventories, although almost in line with expectations. Inventories surged 71 billion cubic feet for the week ending June 14. This was slightly down from the previous week's build of 74 billion cubic feet and a bit higher than the consensus projection of 69 billion cubic feet. Most of the supply injection was concentrated in the East (28 bcf) and the Midwest (24 bcf).

WTI Crude Oil



Source: Reuters

Natural gas spot prices (Henry Hub)
dollars per million British thermal units



Data source: Natural Gas Intelligence

Outlook:

Continued developments in geopolitical tensions are adding risk premium to prices, while a stronger dollar is capping further gains. It will be important to watch out for any other developments that may impact prices and also keep an eye out for Fed's preferred gauge of inflation i.e., Core PCE Index this week along with comments from Fed officials for an outlook on the dollar's move and influence on rate cut decisions and overall impact on commodities.

Technical Levels:

Crude oil:

MCX Crudeoil prices rose by more than 2.50% in the previous week while recording the high of Rs. 6839 and low of Rs. 6541 throughout the week. The MCX Crude Oil daily chart indicates a bullish trend, with the price trading above both the 20-day and 100-day moving averages, which themselves show a bullish trend. Key resistance levels are at 6820, 6980, and 7120, while support levels are at 6620, 6480, and 6330. The 14-period RSI on daily chart is hovering above 60 mark which signals that counter is poised for a upside move. A decisive break above Rs. 6820 is likely to push prices towards RS. 6980 and Rs. 7120 levels. However, critical support is observed at Rs. 6480 level. Buy on dips is suggested as long as this level is not breached on closing basis.



Natural gas:

MCX Natural Gas prices lost by more than 6% in the recent week while recording the high of Rs. 245.40 and low of Rs. 223.30 levels. The MCX Natural Gas daily chart shows a recent uptrend with prices moving above both the 20-day and 100-day moving averages, suggesting a bullish momentum. However, the price faced resistance near descending trendline placed near Rs. 250 level which has historically acted as a barrier. The RSI is in a neutral zone, indicating that the market is not currently overbought or oversold. The price is currently experiencing a pullback after a strong rally, finding support near the 225 level. A break above the 250 resistance could signal a continuation of the upward trend, while a failure to hold above the 225 support might lead to further declines, with the next significant support around the 200 level.



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