Monday, August 19, 2024

Weekly Energy Market Overview

Oil prices ended on a lower note last week as traders navigated a complex landscape of global economic concerns and geopolitical risks. The market's focus was divided between the economic slowdown in China and the potential threat of an attack by Iran or its proxies on Israel. Despite these concerns, disruption risks eased after the completion of maintenance on the pipeline linking Libya's Waha oilfield to the Es-Sider port, allowing oil production to return to normal levels.

On the geopolitical front, while the risk premium tied to Middle East tensions persists, the threat to crude supply remains largely overstated. Analysts believe that only a significant escalation involving Saudi Arabia, Iran, and the United States—such as a blockade or closure of the Strait of Hormuz—would materially affect global crude oil and natural gas supplies. Nonetheless, fears of a broader conflict are likely to keep Brent crude prices from falling below $70 per barrel.

Market Dynamics:

Oil prices faced additional pressure from a surprise build in U.S. stockpiles, signaling a possible easing in the summer-travel-fueled demand. Gasoline inventories fell by 2.9 million barrels, while distillate inventories dropped by 1.7 million barrels, compared with expectations for smaller declines. These figures, coupled with OPEC and the IEA trimming their 2024 demand forecasts- citing weaker expectations for China- added to the bearish sentiment.

Despite this, global economic indicators presented a mixed outlook. Stronger-than-expected data from the U.S. and China contrasted with weaker signals from Europe. In the U.S., resilient employment data and a modest increase in the CPI fueled expectations that the Federal Reserve might cut interest rates, potentially boosting economic activity and energy demand. However, ongoing concerns

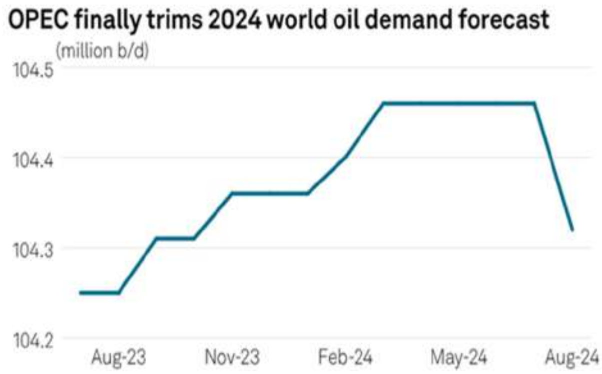
Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	6455	76.81	79.99
Close	6355	75.54	78.87
1 Week Chg.	-100	-1.27	-1.12
%change	-0.06%	-0.09%	-0.06%
OI	5109	354973	0
OI change	2811	72216	0
Pivot	6365	75.68	78.96
Resistance	6458	76.84	80.03
Support	6263	74.38	77.79

	Natural Gas	
Exchange	MCX	NYMEX-NG
Open	185	2.205
Close	179.2	2.12
1 Week Chg.	-5.8	-0.08
%change	-3.14%	-3.72%
OI	39738	125571
OI change	6.86%	-48.72%
Pivot	181.3	2.15
Resistance	184.4	2.19
Support	176.1	2.08

Front Month Calendar Spread		
Exchange	MCX	NYMEX($)
1st month	-35	-1.53
2nd month	-89	-0.51

WTI-Brent spread$	
1st month	-0.58
2nd month	-0.45

over China's economic slowdown have kept a lid on oil price gains. China's oil imports fell for the second consecutive month in July, and economic readings indicated a loss of momentum. In response, China's Premier Li Qiang emphasized the need for significant efforts to stimulate consumption and boost the economy.



Source: Platts

Forecast:

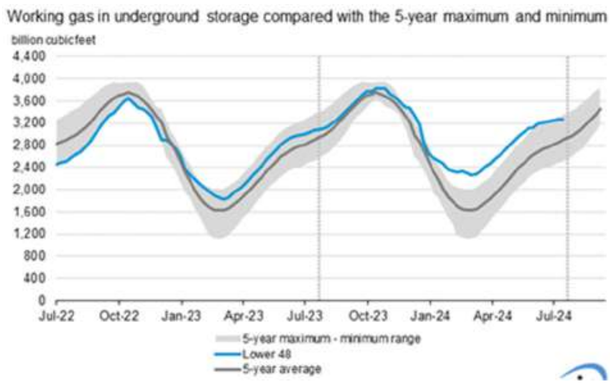
OPEC:

Demand Forecast: OPEC slightly downgraded its global oil demand growth forecast for 2024, citing weaker-than-expected economic performance in China, the world's largest oil importer. The report highlighted concerns over China's ongoing economic slowdown, which has impacted industrial activity and oil consumption.

Supply Outlook: Despite the demand downgrade, OPEC+ maintained its current production cuts to support prices. However, the report noted increased production from some member countries, particularly Iraq, which produced 400,000 barrels per day (bpd) above its quota. Overall, OPEC production increased by 130,000 bpd in July.

Market Balance: The report emphasized that while the market remains balanced, there are potential risks from both the supply and demand sides. The organization continues to monitor geopolitical developments and their potential impact on global oil markets.

IEA (International Energy Agency):



Source: EIA

Demand Forecast: The IEA maintained its global oil demand growth forecast for 2024 but revised down its estimate for 2025. The revision was primarily due to expectations of reduced oil consumption in China, reflecting the country's economic challenges and slower-than-anticipated recovery.

Supply Dynamics: IEA report pointed to a stable global supply situation, with OPEC+ production cuts helping to keep the market in balance. However, the report highlighted concerns over rising output from non-OPEC producers, particularly in U.S. and Brazil, which could lead to potential oversupply.

Natural Gas Market Overview

Natural gas prices experienced high volatility last week, driven by changing weather forecasts and shifts in market sentiment. Early in the week, prices surged as updated forecasts predicted a prolonged heatwave across key regions, likely increasing demand for cooling and, consequently, natural gas consumption. However, as the week progressed, the forecast shifted to milder temperatures towards the weekend, leading to a rapid reversal in market sentiment. This left traders balancing between bullish storage data and the potential for

Inventory d\ata provided some support to prices, with a reported 6 Bcf withdrawal from Lower 48 storage. This was the first summer draw since July 2016 and the first August decrease since 2006. Working natural gas stocks totaled 3,264 Bcf, which is 375 Bcf (13%) more than the five-year average and 209 Bcf (7%) more than at this time last year.

Total U.S. consumption of natural gas fell by 8.1% (6.4 Bcf/d) compared with the previous report week. Natural gas consumption for power generation declined by 11.8% (5.8 Bcf/d) WoW, driven by below-average temperatures in most of the northern United States. Industrial sector consumption saw a slight increase of 0.1% (less than 0.1 Bcf/d), while residential and commercial sector consumption declined by 7.1% (0.6 Bcf/d).

Outlook:

Oil prices are expected to remain positive as Middle East tensions continue to support prices. This week, the spotlight will be on inflation readings from major economies, particularly the U.S. CPI, which is anticipated to show signs of cooling inflation for July, reinforcing the possibility of interest rate cuts in September.

Technical Levels:

Crude oil:

In the previous week, Crude Oil witnessed a sharp upside but failed to sustain the momentum after recording the high of Rs. 6602. On daily chart, prices have breached below the 20-days moving average which is observed at Rs. 6370 level. The 14-period RSI on daily chart has fallen below 45 mark which signals that the counter has lost momentum on the upside. Key resistance is placed at Rs. 6650 level. However, key support is observed at Rs. 6070 level. Sell on rise is suggested in the counter for medium term. If prices close above Rs. 6650, our view will be invalidated.

Natural gas:

During the recent week, natural gas witnessed a decline of more than 1 rupee, reflecting a 0.72% decrease. Natural Gas prices are trading in a broader range since last few trading sessions. The 14-period RSI on daily chart has fallen near 14 mark which signals consolidation on the lower side. Prices are likely to test the lower bound of the consolidation range which is observed near Rs. 160 level. Key resistance is observed at Rs. 190 level on closing basis. Sell on rise is suggested in the counter for medium term.

Navneet Damani	**Research-Head**	**navneetdamani@motilaloswal.com**
Shweta Shah	**Analyst- Energy**	**shweta.vshah@motilaloswal.com**

For any details contact:
Commodities Advisory Desk - +91 22 3958 3600
commoditiesresearch@motilaloswal.com

Commodity Disclosure & Disclaimer:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

Terms & Conditions:

1. This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.
2. This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it.
3. This report is not to be construed as an offer to sell or solicitation of an offer to buy any commodity or commodity derivative to any person in any jurisdiction where such an offer or solicitation would be illegal.
4. It is for the general information of clients of MOFSL. It doesn't constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.
5. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL.
6. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate.
7. All such information and opinions are subject to change without notice.
8. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.
9. We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed.
10. Neither MOFSL, nor any person connected with it, accepts any liability arising from the use of this document.
11. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the commodity referred to in this material may go up or down. Past performance is not a guide for future performance.
12. Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors.
13. Reports based on technical analysis centers on studying charts of a commodity's price movement and trading volume as opposed to focusing on a commodity's fundamentals and as such may not match with a report on a commodity's fundamentals.
14. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject commodity for which Research Team have expressed their views.
15. MOFSL or its associates or Research Analyst or his relatives may have Open Position in subject commodity.
16. A graph of daily closing prices of commodities is available at http://www.moneyline.co.in/
17. Opinions expressed are our current opinions as of the date appearing on this material only. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.
18. The commodities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.
19. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.
20. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the commodities mentioned in this document.
21. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein.
22. The commodities described herein may or may not be eligible for trade in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.
23. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.
24. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may (a) from time to time, have long or short positions in, and buy or sell the commodities mentioned herein or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodity/ (ies) discussed herein or have other potential conflict of interest with respect to any recommendation and related information and opinions. However the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the commodities mentioned in the research report.
25. MOFSL and it's associates and Research Analyst have not received any compensation or other benefits in connection with the research report. Compensation of Research Analysts is not based on any brokerage transactions generated by broking activities under Motilal Oswal group.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.