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**MOTILAL OSWAL**

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## **“Oil : Bears in Forefront”**

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# Crude oil Fundamental Update



- Crude prices tumbled as China-led optimism cooled off and demand concerns persists
- Participants shrugged of off initial euphoria over China's announcement of a slew of stimulus measures due to their unclear impact on demand
- Reports suggested that Saudi Arabia is weighing in to increase output, and abandon unofficial price target of \$100 barrels to gain market share
- Supply disruption risk eased with Libya initiating steps to a "compromise" on leadership for the central bank
- The persistent growth of U.S. shale production contributed to bearish outlook
- Geo political tensions eased as the US, European Union and Saudi Arabia and Qatar have proposed a three-week cease-fire between Israel and Hezbollah in Lebanon, part of a bid to clear the way for negotiations
- Mixed purchasing managers index readings from the US, Eurozone, and more recently, Japan, raised concerns over slowing manufacturing activity
- The anticipated easing of OPEC+ production cuts by end of 2024 indicates likelihood of a supply surplus into the next year
- Prices are expected to remain under pressure and settle lower by 8% in coming weeks.

# MCX Crude oil Technical Update



- MCX daily Crude Oil chart shows a descending triangle pattern, with lower highs since April along with supports near 6,000 level. Recent break down signals a potential bearish continuation.
- Breakdown was followed by a retest of ₹6,000, which failed, further confirming the downward momentum.
- We recommend initiating a sell position at current price of ₹5,745, with additional selling opportunities around ₹5,900 on any rise.
- Based on the pattern formation, first target is expected at ₹5,300, followed by ₹5,000. This outlook will be negated if the price closes above ₹6,100 on a daily basis.

# NYMEX Crude Oil Technical Update



- The NYMEX Crude Oil daily chart shows a descending triangle pattern, with lower highs since April along with supports near \$72.50. Recent break down signals a potential bearish continuation.
- Breakdown was followed by a retest of \$72.50 level but, failed to recover, confirming the downward trend.
- We recommend selling at current level of \$68.25 and adding more positions around \$70.
- Based on the pattern, the first target is \$63, followed by \$59.30. This outlook will be negated if the price closes above \$72.50 on a daily basis



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