
**Monday, November 25, 2024**

Oil prices ended last week on a positive note after marking their biggest weekly gain in almost two months, as geopolitical risks in Ukraine and the Middle East kept investors on edge. The Russia-Ukraine war has intensified following months of stagnation, with the use of long-range missiles heightening tensions.

Notably, Russia has deployed a new type of ballistic missile, typically designed to carry nuclear warheads, raising concerns about potential changes in Russia's approach to nuclear weapons. These developments suggest the war has entered a new and more dangerous phase, increasing fears of supply disruptions.

Meanwhile, some bullish signals for crude emerged last week. The nearest WTI time spread strengthened to 46 cents, indicating tighter supplies after briefly flipping into a bearish contango structure for the first time since February

In a parallel development, Iran has reportedly increased its nuclear fuel-making capacity after being censured by the UN's International Atomic Energy Agency. The OPEC producer appears to be preparing for potential sanctions under a second Trump administration.

Oil prices have also been buoyed by signs of improving demand, with premiums for refined products over crude reaching multi-month highs. In the U.S., margins for converting crude into gasoline and diesel recently hit their highest level since August, as Gulf Coast refiners ramped up production to meet rising export demand.

Currently, geopolitical risks oscillate between the bullish potential of supply disruptions in the Middle East and Russia-Ukraine conflicts and the bearish implications of a possible Trump administration, which could introduce trade tariffs and deregulation.

| Crude Oil | | | |
|---|---|---|---|
| **Exchange** | **MCX** | **NYMEX-WTI** | **ICE-Brent** |
| **Open** | 5955 | 70.18 | 74.29 |
| **Close** | 6028 | 71.24 | 75.17 |
| **1 Week Chg.** | 73 | 1.06 | 0.88 |
| **%change** | 6.15% | 6.46% | 5.81% |
| **OI** | 11697 | 347536 | 0 |
| **OI change** | 942 | -1128 | 0 |
| **Pivot** | 5977 | 70.68 | 74.67 |
| **Resistance** | 6086 | 72.07 | 75.91 |
| **Support** | 5919 | 69.85 | 73.93 |

| | Natural Gas | |
|---|---|---|
| **Exchange** | **MCX** | **NYMEX-NG** |
| **Open** | 283 | 3.39 |
| **Close** | 263.9 | 3.13 |
| **1 Week Chg.** | -19.1 | -0.26 |
| **%change** | -6.75% | -7.70% |
| **OI** | 8407 | 24204 |
| **OI change** | 46.95% | -79.04% |
| **Pivot** | 272.6 | 3.25 |
| **Resistance** | 284.6 | 3.44 |
| **Support** | 251.8 | 2.95 |

| Front Month Calendar Spread | | |
|---|---|---|
| **Exchange** | **MCX** | **NYMEX($)** |
| **1st month** | -20 | -0.47 |
| **2nd month** | -126 | -0.37 |

| WTI-Brent spread$ | |
|---|---|
| **1st month** | -0.54 |
| **2nd month** | -0.40 |


Heightened global supply disruption risks have offset bearish U.S. inventory data from the EIA, which reported a crude oil build of approximately 545,000 barrels, alongside a 2.05-million-barrel increase in gasoline inventories. Distillate demand also declined by nearly 300,000 barrels per day to 3.775 million bpd.

On the economic front, Eurozone business activity saw a surprisingly sharp decline this month, with the bloc's dominant services sector contracting and manufacturing plunging deeper into recession. Market participants remain concerned about a demand slowdown in China, despite recent policy measures to support energy product imports, compounded by fears of U.S. President-elect Donald Trump's threats to impose tariffs.

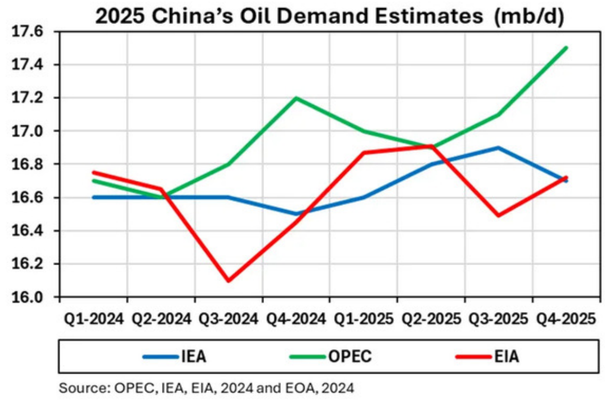
All eyes are now on the upcoming OPEC+ meeting on December 1st, where members face a difficult dilemma regarding production quotas. On the one hand, an output hike is critical, given weak oil demand projections for 2024-2025 and the impact of lower prices on producers' revenues.

On the other hand, further output restrictions could also hurt revenues, especially given the higher production potential of some member countries. These challenges are compounded by the prospect of Trump's policies, including oil fracking and deregulation, which could exert significant downward pressure on oil prices. Combined with China's economic contraction, these factors underscore the complexity of OPEC's decision-making process.

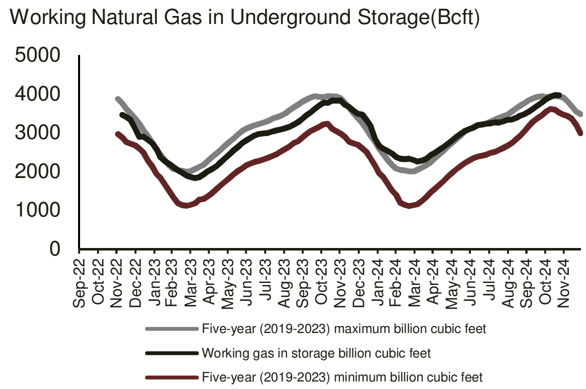
Natural gas prices rallied on the heels of lower production and sustained cold weather forecasts. The EIA's natural gas inventory report was bullish, showing a surprise drawdown of -3bcf, compared to expectations for a +1 bcf increase. Additionally, the outlook for sharply colder temperatures toward the end of the month, which is expected to boost heating demand, is driving prices higher.

European natural gas prices also surged to a one-year high following an escalation in the Ukraine-Russia conflict, with Russia launching long-range missiles into Ukraine. In response, the U.S. sanctioned Gazprombank, the last major Russian financial institution used by some Central European countries to pay for Russian gas. These sanctions increase the risk of supply cut-offs to a handful of nations.

EU natural gas storage sites are now being drawn down at the fastest rate in over five years. European storage levels have declined to 90% capacity, down from 95% two weeks ago. The imminent threat of supply cuts coincides with the onset of the heating season, further straining resources.




Source:X platform




Source:EIA

shut equivalent to almost 17% of US Gulf of Mexico gas production.

However, U.S. EIA natural gas inventory is still not showing a signs for withdrawal season to begin with Net injections into storage totaled 42 Bcf, compared with the five-year (2019–2023) average net injections of 29 Bcf and last year's net injections of 41 Bcf during the same week. Working natural gas stocks totalled 3,974 Bcf, which is 228 Bcf (6%) more than the 5yr average and 158 Bcf (4%) more than last year at this time. Total U.S. consumption rose by 4.9% (3.7 Bcf/d) compared with previous report week. Natural gas consumption in residential and commercial sector increased by 23.8% (4.3 Bcf/d) WoW

**Outlook**

Oil prices are expected to remain under pressure as absence of strong bullish catalyst limits the likelihood of a significant recovery. Prices are likely to trade within range, with bearish bias this week. Conversely, natural gas prices are expected to rally, supported by positive weather forecasts pointing to upward trend.

**Technical Levels:**

**Crude Oil** prices on the MCX demonstrated significant volatility over the past week, ultimately closing with a substantial gain of ₹359 or 6.33%. On the technical front, the daily chart highlights a breakout above the falling supply trendline, coupled with a strong price reversal from a critical support zone. This price action reflects a shift in market sentiment towards bullish dominance. The Ichimoku analysis further reinforces the strength of the ongoing uptrend, with prices holding firmly above the Conversion Line and the Base Line (indicating sustained upside momentum. Moreover, the 14- period RSI on the daily timeframe has risen above the critical 50 mark, further affirming the bullish strength. A decisive breach above ₹6040 could serve as a catalyst for an extended rally, with potential upside targets around ₹6320. On the downside, immediate support is well-defined at ₹5750, and as long as prices sustain above this level on a closing basis, a "buy-on-dips" strategy remains favourable.


**Natural Gas** on the MCX concluded the previous week with a solid gain of 6.90%, marked by the formation of three consecutive bullish candlesticks, signaling strong bullish sentiment. The Ichimoku Cloud indicator aligns with this positive outlook, as prices remain consistently above the Conversion Line, which is currently positioned around ₹268. This technical setup highlights sustained upward momentum, reinforcing a "buy-on-dips" strategy for market participants. The immediate upside target is identified at ₹335, offering further potential gains in the near term. However, a decisive daily close below the critical ₹265 support level would invalidate the prevailing bullish bias, indicating a potential shift toward bearish market sentiment and possible trend reversal.

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