MOTILAL OSWAL
WEALTH MANAGEMENT

Energy Weekly

Monday, November 11, 2024

Crude oil prices posted limited gains last week as recent economic stimulus measures from China did not significantly influence oil traders. Following Donald Trump's presidential election victory, the market entered a wait-and-see mode as uncertainties linger over the president-elect's approach toward Middle East policies and Iranian oil exports, contributing to increased volatility and reduced liquidity.

Nonetheless, U.S. refiners offered some price support, operating at over 90% capacity, driven by low inventories and rising demand for gasoline and diesel. Although there were increases in flat prices, time spreads weakened, indicating deteriorating market conditions.

In addition to the election dynamics, traders largely disregarded OPEC+'s decision to delay planned output hikes, a Gulf of Mexico production shutdown due to a storm, and a Federal Reserve interest rate cut. Even the U.S. Department of Energy's recent purchase of 2.4 million barrels for the Strategic Petroleum Reserve failed to capture market attention amid prevailing uncertainty.

Despite the Federal Reserve's 0.25-point rate cut, there are expectations that the central bank may slow its easing measures due to inflation risks stemming from Trump's anticipated policies, which include tax cuts and tariffs.

Prices retreated after Hurricane Rafael initially raised concerns about potential damage to Gulf oil platforms, but the storm subsequently weakened, reducing the anticipated impact. The storm had temporarily led to the shut-in of approximately 400,000 Bpd production, which briefly supported prices.

On the China front, crude oil imports fell for the sixth consecutive month, showing a 9% year-on-year decrease in October to 10.53 million barrels per day. This decline was partly due to a refinery

Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	6070	72.21	75.55
Close	5956	70.38	73.87
1 Week Chg.	-114	-1.83	-1.68
%change	-0.53%	1.28%	1.05%
OI	12266	221429	0
OI change	1814	-100077	0
Pivot	5984	70.87	74.31
Resistance	6053	71.76	75.17
Support	5887	69.50	73.00

	Natural Gas	
Exchange	**MCX**	**NYMEX-NG**
Open	227.3	2.694
Close	224.8	2.67
1 Week Chg.	-2.5	-0.02
%change	-1.10%	-0.93%
OI	22601	220757
OI change	4.11%	-21.91%
Pivot	226.9	2.69
Resistance	230.2	2.73
Support	221.5	2.63

Front Month Calendar Spread		
Exchange	**MCX**	**NYMEX($)**
1st month	-9	-0.53
2nd month	-23	-0.22

WTI-Brent spread$	
1st month	-0.26
2nd month	-0.22

closure and softer demand from independent refiners. China's recent stimulus package provided limited forward guidance, offering only modest support to housing and consumption sectors.

Additionally, China's reliance on cheaper Iranian oil—accounting for roughly 13% of its imports—could face challenges if Trump reinstates stringent sanctions on Iran.

Meanwhile, in the U.S., recent EIA data revealed a rise in crude oil stockpiles as exports dropped and fuel inventories grew due to weaker demand, even amid record product exports. Crude inventories increased by 2.1 Mbs, exceeding expectations of a 1.1 Mbs rise.

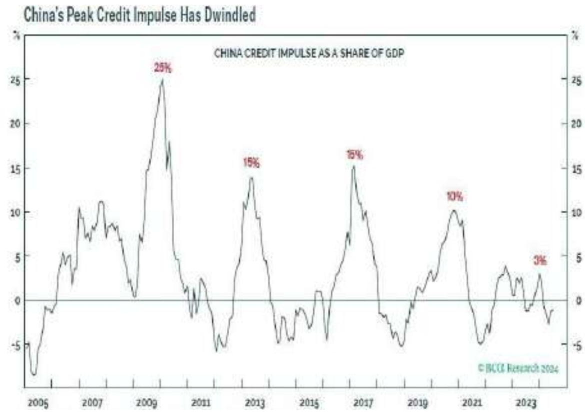
Product demand fell by 1.9 Mbpd to 19.7 million, and implied oil demand saw a drop after reaching a recent peak. Notably, Brent and WTI net long positions are at levels approximately 45% below the 2022-2024 average, signaling limited urgency around oil supply concerns and an increase in short positions.

Natural gas prices saw moderate declines last week due to mild autumn weather across the U.S., which tempered heating demand. However, prices received a boost early in the week as forecasts indicated colder weather ahead. The EIA's inventory report also reflected a bearish build of +69 Bcft, above expectations and higher than the five-year average of +32 bcf. Europe's natural gas storage continued its fast start to the withdrawal season, with recent drawdowns pushing inventory levels below those seen in 2019.

Outlook:

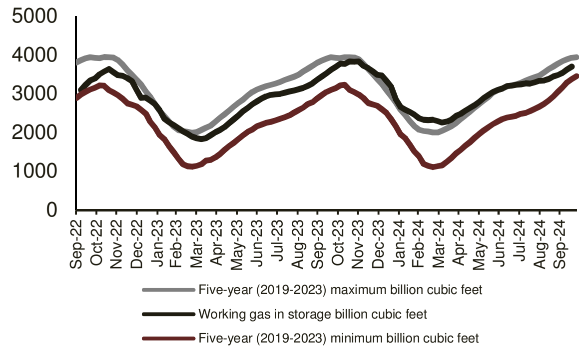
Near-term focus for participants centers on potential changes under the Trump administration, with expectations of policies supportive of crude production, weaker demand from potential tariffs, and a stronger U.S. dollar. Price movements will likely hinge on the stability of Middle Eastern supply and evolving demand trends, especially from China and the U.S.

Further, expectations that the next US administration will renew a clampdown on Iran via tighter sanctions has raised supply concerns in the short-term with tensions intensifying in the Middle East. Diplomatic efforts could help ease escalation fears and put a weight on oil prices. The market remains close to its lowest levels this year and could see more losses if the geopolitical conditions improve. However, a flare-up in tensions could push oil prices for a rebound.



Source:RTRS

Working Natural Gas in Underground Storage(Bcft)



Source:EIA

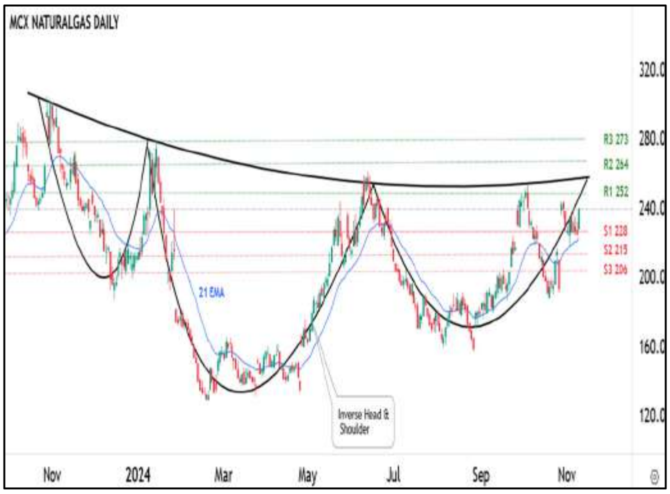
Technical Levels:

Crude oil:

Crude Oil on MCX closed flat last week, maintaining a range-bound structure between ₹5880 and ₹6150. A breakout from this range is necessary for a decisive directional move. From an Ichimoku standpoint, the bearish sentiment remains strong, with prices trading well below the Base line, reflecting sustained downside pressure. Additionally, the daily 14-period RSI has fallen below the critical 50 mark, reinforcing the bearish stance. A breakdown below ₹5880 could accelerate selling momentum, targeting lower levels around ₹5650. Key resistance is noted at ₹6180, and selling on rallies is advisable as long as this resistance holds on a closing basis.

Natural gas:

Natural gas on the MCX concluded the previous week with a flat close, forming four consecutive bullish candlesticks that mark a notable recovery, rallying approximately 19% from recent lows. The Ichimoku Cloud indicator is signaling a robust bullish trend, with prices consistently positioned above the Kijun-sen (base line), currently around the ₹215 level. This technical structure suggests sustained upward momentum, reinforcing a "buy on dips" strategy for traders. The immediate upside target is projected at ₹260; however, a daily close below the ₹215 support level would invalidate the bullish bias, potentially indicating a trend reversal and shifting market sentiment to the downside.



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