Monday, December 16, 2024

Oil prices ended the previous week with some hefty gains, on optimism around China's fresh stimulus measures as well as the potential for additional sanctions on Russia.

China announced plans to boost its budget deficit, increase debt issuance, and ease monetary policy to sustain economic growth amid anticipated trade tensions with the U.S., as highlighted in a state media readout from the Central Economic Work Conference held on Dec. 11-12.

China's industrial production was in line with expectations for November, and was slightly higher compared to last year's growth, as the country's stimulus measures supported business activity However, retail sales for November were sharply lower than expectations as private spending remained weak. Other data showed China's Unemployment data remained unchanged at 5%. China's slowing economy remains a critical concern for oil traders. Markets have witnessed weaker-than-expected demand growth in China, traditionally a key driver for global oil consumption.

On top of this, US Treasury Secretary Janet Yellen stated that a weaker global oil market could present a chance for additional action against Russia's energy sector, as the U.S. continues to work to hinder Moscow's ability to wage war against Ukraine.

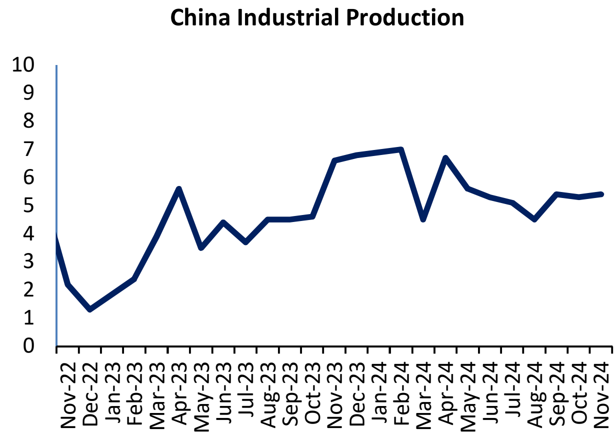
Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	5947	70.06	73.33
Close	6042	71.29	74.49
1 Week Chg.	95	1.23	1.16
%change	5.52%	6.09%	4.74%
OI	8546	116249	0
OI change	5232	-152254	0
Pivot	6010	70.86	74.13
Resistance	6081	71.85	74.95
Support	5972	70.30	73.66

	Natural Gas	
Exchange	**MCX**	**NYMEX-NG**
Open	297.7	3.458
Close	279.2	3.28
1 Week Chg.	-18.5	-0.18
%change	-6.21%	-5.15%
OI	14715	127993
OI change	23.37%	-50.66%
Pivot	284.8	3.34
Resistance	292.1	3.42
Support	271.9	3.20

Front Month Calendar Spread		
Exchange	**MCX**	**NYMEX($)**
1st month	-19	-0.90
2nd month	-10	-0.37

WTI-Brent spread$	
1st month	-0.40
2nd month	-0.40

On forecast front IEA maintained its projection that the oil market will remain adequately supplied, despite a slight rise in its demand forecast for next yesr. OPEC lowered its forecasts for oil demand growth in 2024 and 2025, last week, its fifth consecutive cut. The cartel had also recently extended its run of supply cuts. These factors collectively heightened bearish sentiment, as oversupply risks coincide with softer demand expectations.



Source: - Reuters

Natural gas prices ended last week on a positive note, posting a 2-1/2 week high as larger-than-expected draw in weekly natural gas supplies propelled prices higher after the EIA reported nat-gas inventories for the week ended December 6 fell -190 bcf, a bigger draw than expectations of -168 bcf. Also, the outlook for colder US temperatures to boost heating demand for nat-gas is boosting prices after the Commodity Weather Group said forecasts shifted colder for the eastern half of the US for December 17-21.

Outlook: Crude prices are expected to stay range bound as markets remained cautious ahead of the U.S. Federal Reserve's policy meeting later this week, while investors assessed a barrage of Chinese economic data for more cues on demand.

Technical Levels:

Crude Oil prices on MCX experienced heightened volatility last week, culminating in a sharp rally of ₹315, or 5.50%. The daily chart shows a breakout above a descending supply trend line, signalling a continuation of the bullish trend. Prices are firmly trading above both the conversion and base lines, further reinforcing the bullish momentum. Moreover, the 14-period RSI has crossed above the critical 50 level, providing additional confirmation of upward momentum. Given these technical indicators, a "buy on dips" strategy is recommended, with an upside target of ₹6280. However, a sustained close below ₹5780 would negate the bullish outlook.

Natural Gas on the MCX wrapped up the previous week with a robust gain of 6.55%, and is currently testing the inverted Head & Shoulders neckline support zone. The Ichimoku Cloud indicator supports the bullish outlook, with price action staying above the Base Line, which is currently at ₹265. Additionally, the 14-period RSI on the daily chart has crossed above the 50 level, signalling increasing bullish momentum. This setup suggests a continuation of upward price action, making a "buy-on-dips" strategy favourable. The immediate resistance target is seen at ₹325, indicating potential for further upside. However, a decisive daily close below the key support level of ₹255 would negate the current bullish structure, suggesting a possible trend reversal and a shift to a bearish bias.

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