Monday, January 27, 2025

Crude Oil Market Overview

Oil prices ended last week on negative note, ending a four weak winning streak on expectations of increased U.S. production under President Trump's pro-drilling policies and easing geopolitical stress in Gaza, lifting fears of further de- escalation in supply disruption from key producing regions. Along with this, news of President Trump pursuing to ramp up U.S. shale production and the pressure on OPEC to lower prices, tying it to potential resolution for Russia Ukraine war. The president also urged OPEC’s de facto leader, Saudi Arabia, to take action during the World Economic Forum earlier in the week.

However, OPEC+ members will continue to remain dedicated to their existing plan and will avoid to alter its policy unless market fundamental shifts and the need be to bring output back into the market. Meanwhile, OPEC is set to modestly increase production from April, gradually reversing output cuts implemented over past two years. These cuts have offered only brief support to oil prices. In reality, plan of Trump to sanction Iran and Russia, might hinder the efforts to keep prices lower in U.S. and fill up SPR reserves sooner.

President Trump also announced national energy emergency and rollbacks on environmental restrictions aim to maximize domestic oil and gas production. Chevron’s $48 billion Tengiz oilfield expansion, projected to add approximately 1% to global crude supply, underscores the growing potential for oversupply.

On demand front, Trump’s threats to impose tariffs on China, the European Union, Canada, and Mexico add uncertainty to global growth prospects and cast down on demand recovery which is already struggling due to slowdown. Markets were further unsettled by his imposition of tariffs on Colombia. President Trump imposed 25% import tariffs on all Colombian goods after Bogota refused to allow two U.S. military planes carrying migrants to land in the country. This move heightened concerns over potential trade tariffs on other key economies, including Canada, Mexico, and China. While Colombia exports oil to the U.S., its shipments represent only a small fraction of

Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	6443	74.3	77.86
Close	6427	74.66	78.50
1 Week Chg.	-16	0.36	0.64
%change	-4.36%	-3.53%	-2.83%
OI	8041	334740	0
OI change	783	-38751	0
Pivot	6441	74.63	78.36
Resistance	6485	75.24	79.13
Support	6383	74.04	77.74

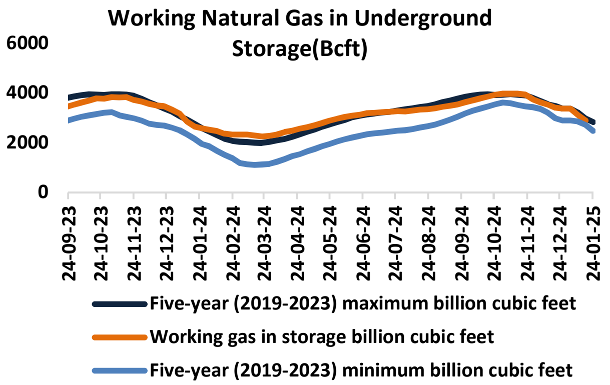
	Natural Gas	
Exchange	**MCX**	**NYMEX-NG**
Open	340.1	3.933
Close	340.5	4.03
1 Week Chg.	0.4	0.09
%change	0.12%	2.39%
OI	7805	26051
OI change	29.34%	-68.33%
Pivot	336.8	3.96
Resistance	346.1	4.12
Support	331.3	3.87

Front Month Calendar Spread		
Exchange	**MCX**	**NYMEX($)**
1st month	-38	-0.50
2nd month	43	-0.65

WTI-Brent spread$	
1st month	-0.95
2nd month	-0.76

U.S. oil consumption. Weak purchasing managers index PMI data from China, the world's largest oil importer, also weighed on sentiment, indicating that local business activity remains under pressure. The weak economic indicators came shortly after Trump threatened to impose 10% tariffs on China, a move that could add further strain to the Chinese economy and its crude oil demand. China remains a critical player in global oil markets due to its status as the largest oil importer, but its steadily slowing economic growth over recent years has been a persistent concern for crude markets.

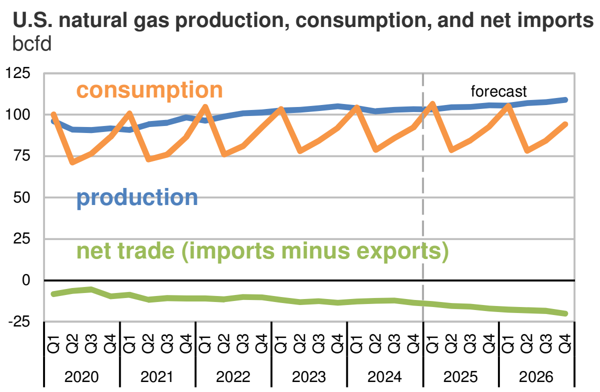
Meanwhile, EIA inventory data continue to remain mixed with data showing that EIA reported a decline of 1 Mbs in crude oil inventories. This was a smaller draw compared to the previous week's decline of 2 Mbs, which had also been accompanied by notable increases in fuel inventories. For gasoline, the EIA reported a build of 2.3 Mbs during the week ending January 17, with daily production averaging 9.2 Mbs. This was a smaller increase compared to the prior week's inventory build of 5.9Mbs, when production averaged 9.3Mbpd.Middle distillates saw an inventory drop of 3.1 million barrels for the week, with daily production averaging 4.7 Mbs. In contrast, the previous week had experienced a stock increase of 3.1 Mbs, alongside a higher production average of 5.2 Mbpd. These mixed inventory and production changes highlight ongoing shifts in supply and demand dynamics within the U.S. energy market.



Source: - Reuters

Natural gas prices ended last week on lower note after forecasts shifted to warm patterns for the central part of the country for January 28-February 1. EIA inventory data also remained neutral with with inventories falling by -223 bcf, a smaller draw than the expectations of -247 bcf. As of January 17, gas inventories were up +1.3% y/y and were +0.7% above their 5-year seasonal average, signalling ample nat-gas supplies. In Europe, gas storage was 59% full as of January 20, below the 5-year seasonal average of 67% full for this time of year.

Dry natural gas production decreased by 1.5% (1.5 Bcf/d) to average 100.9 Bcf/d, with total U.S. consumption of natural gas rose by 7.9% (9.3 Bcf/d) compared with the previous report week. Natural gas consumed for power generation rose by 8.5% (3.1 Bcf/d), and consumption in industrial sector increased by 1.9% (0.5 Bcf/d)WoW



Outlook:

Oil prices are expected to stay rangebound this week, weighed by Trump's domestic production policies, geopolitical uncertainties, and global growth risks. While sanctions and falling inventories offer intermittent support, the overhang of potential oversupply and lackluster demand could keep prices confined to a narrow range. Traders should monitor developments in OPEC policy and U.S. energy actions as key market drivers in the week ahead.

Technical Levels:

Crude Oil:

In the previous week, crude oil declined by approximately ₹350, or over 5%, marking the first week of a drop after four consecutive weeks of gains. Despite this correction, the broader view remains bullish as long as the key support at ₹6,280 is held. Immediate resistance levels are at ₹6,530, ₹6,640, and ₹6,720, while further downside could target ₹6,140 and ₹6,030 if ₹6,280 is breached.

Natural Gas:

Last week, natural gas prices declined by approximately ₹12 or 3.80%, despite the recent price rise shown on the chart. The RSI is falling, creating a bearish divergence and signaling weakening momentum. With prices breaking below key resistance at ₹290, further selloffs could test support levels at ₹272 and ₹255. This technical setup indicates the potential for continued bearish pressure in the coming sessions.

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

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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

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