

Review
2024

Preview
2025



Commodities Market

Year of

2

Halves

0

Certainty

2

Directions

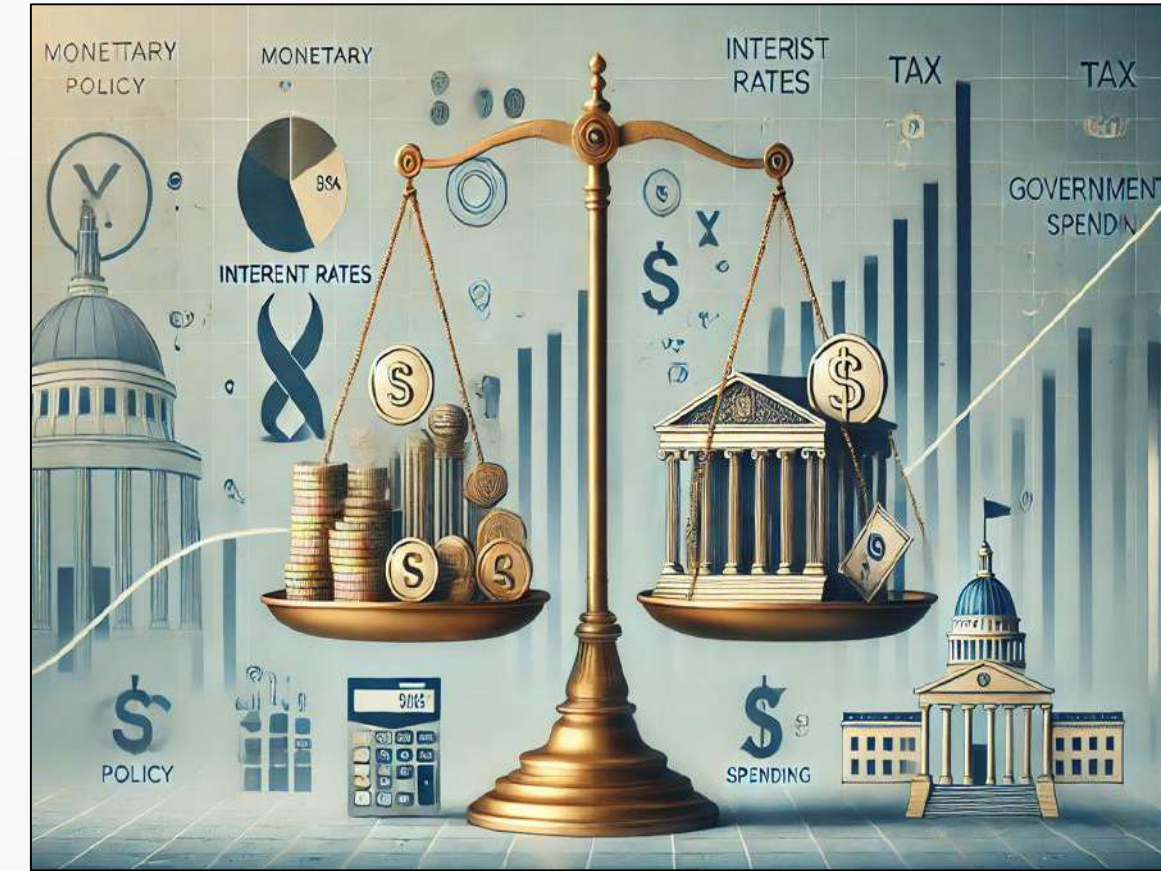
5

Major Themes

Themes for 2025



Trump 2.0



Monetary and Fiscal Policy



Rupee Depreciation

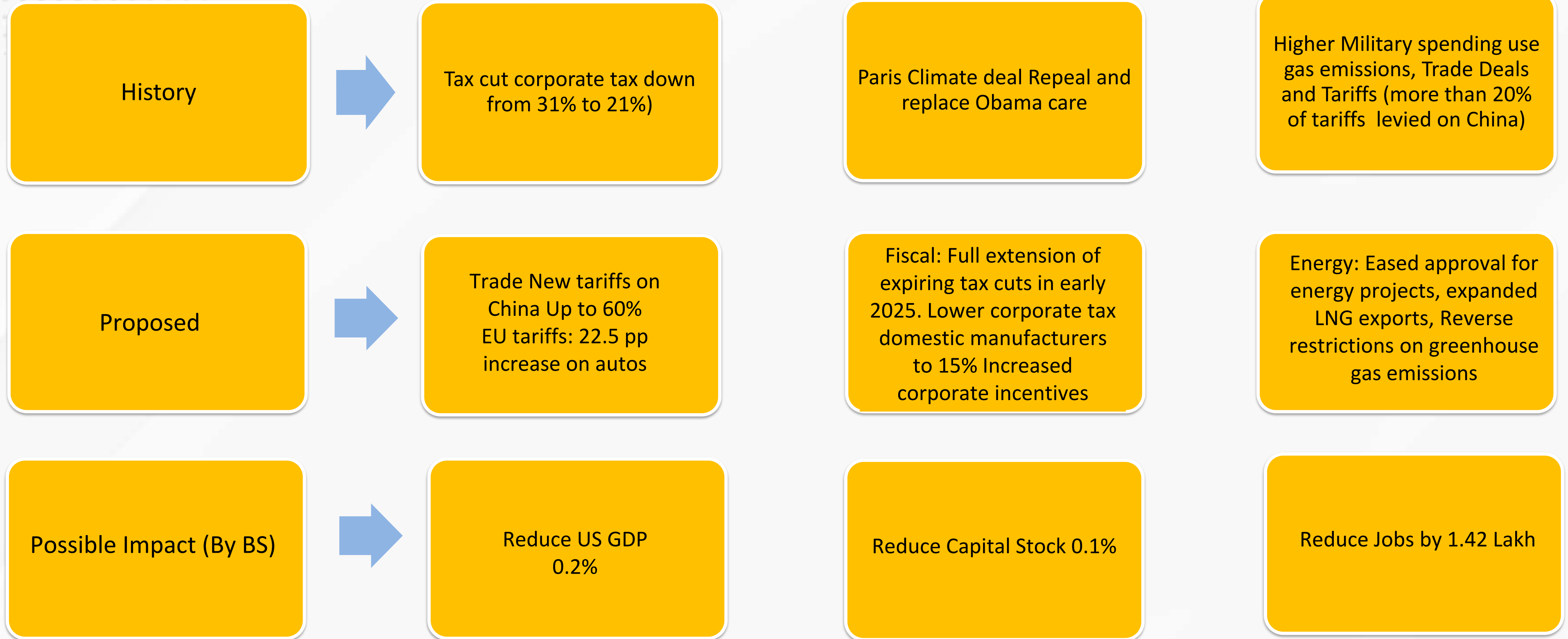


China: See-Saw



Geo-political Tensions

Trumponomics 2.0

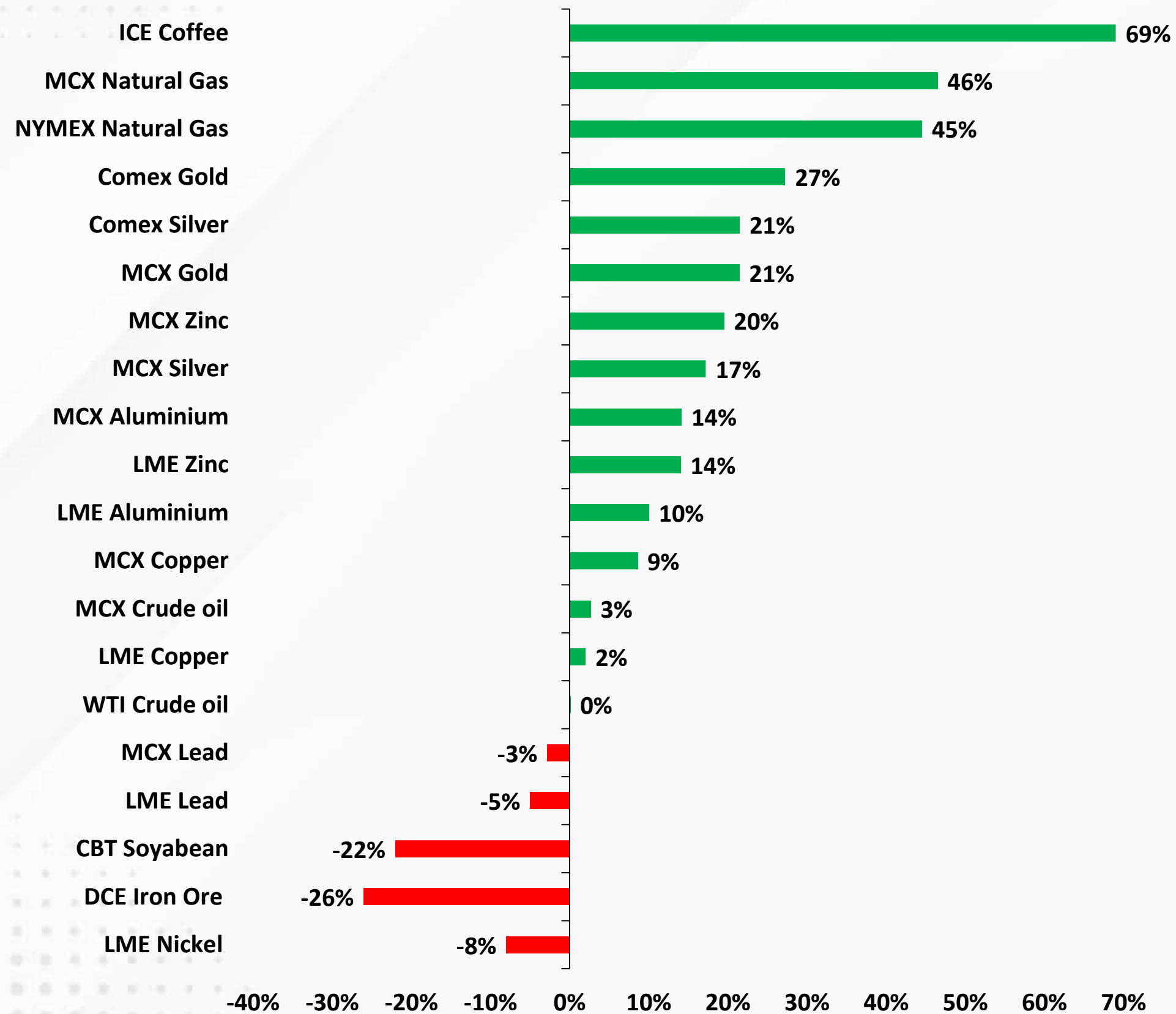


Performance at a Glance

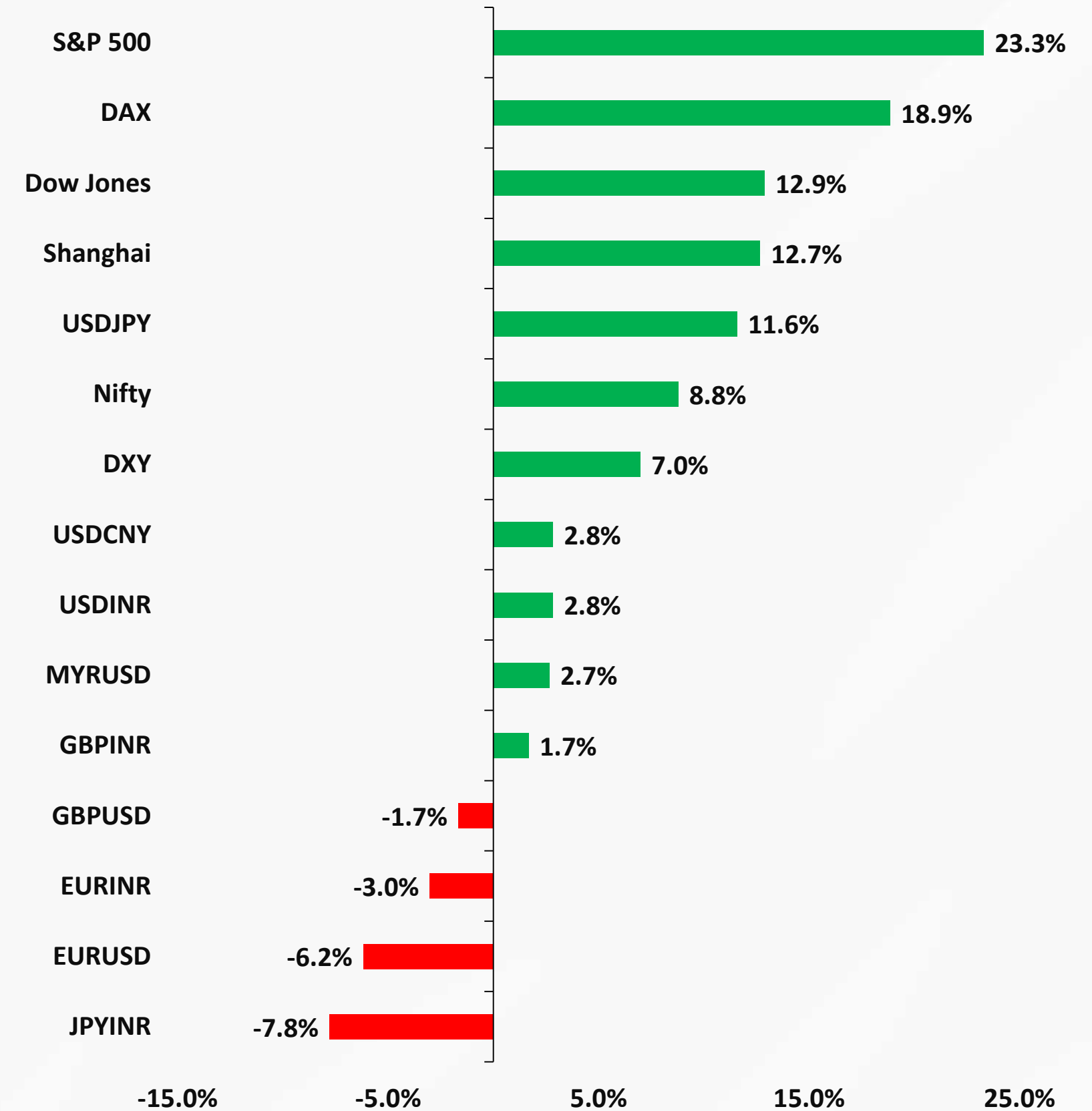


2024: Performance at a Glance

Global and Domestic Commodities



Global Indices and Major Currency Pairs



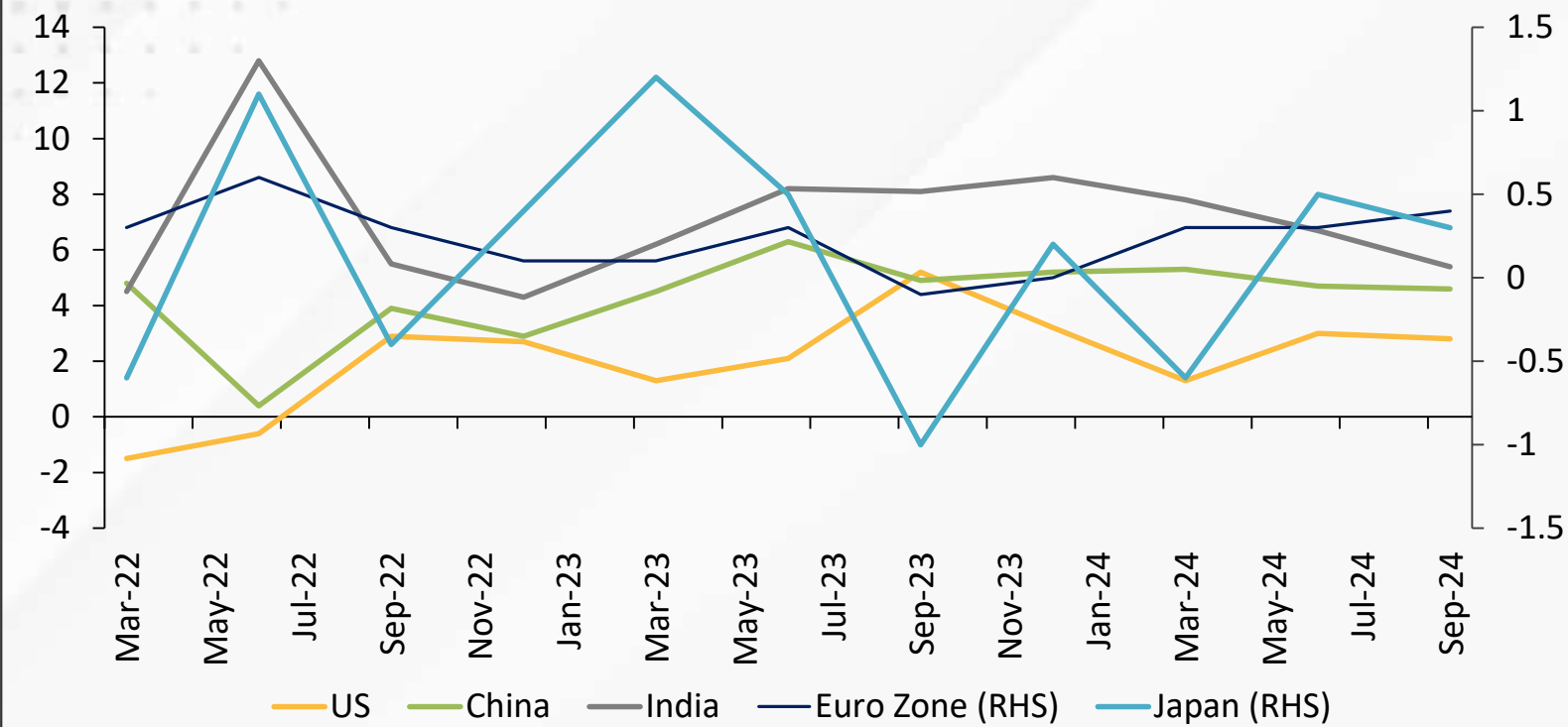
Macros

at a Glance



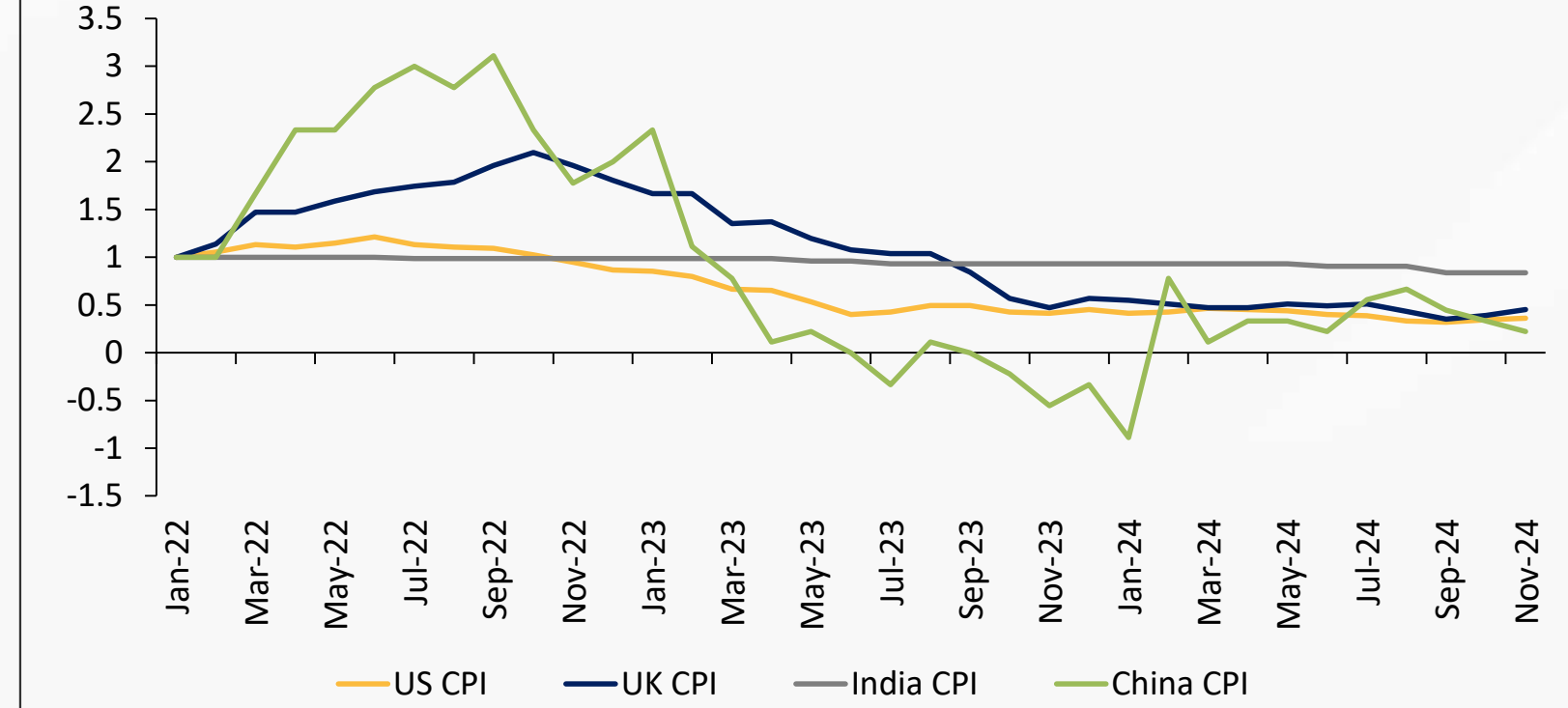
Macros at a Glance

Global growth fades off as COVID Recovery effects are behind us
Global Growth (%):



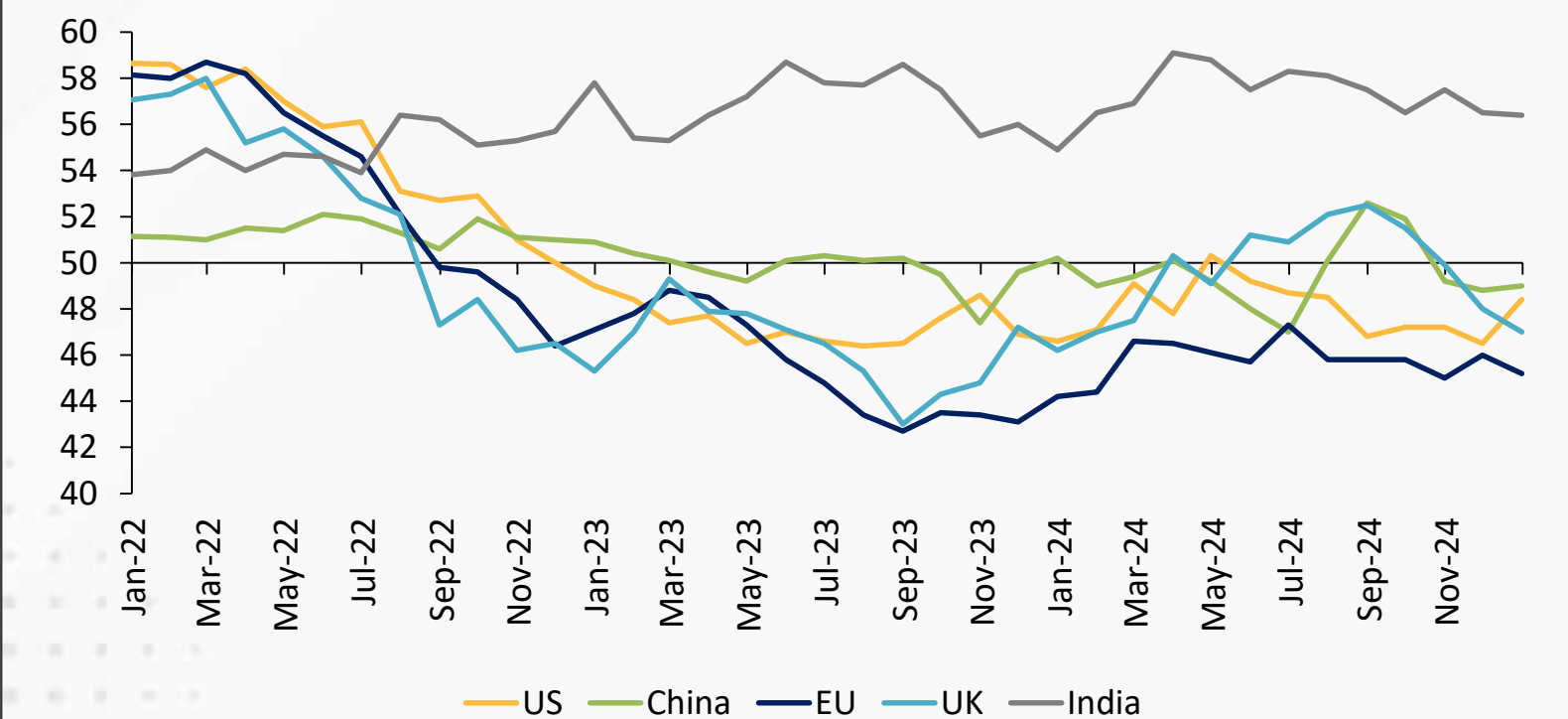
Source: Reuters

Inflation has eased off from the highs but still away from respective targets
Global Inflation Trend (Jan'20= 1):



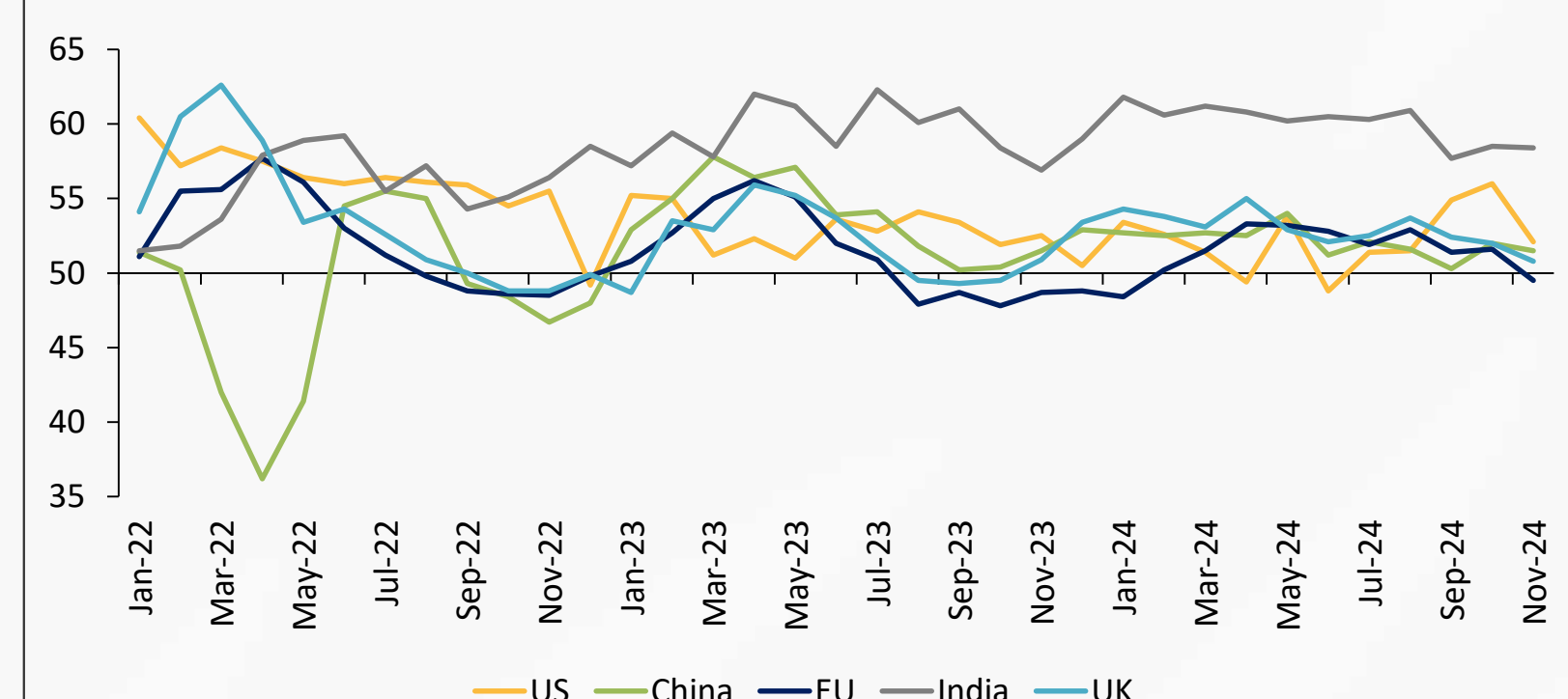
Source: Reuters

Manufacturing activity hovers around the important 50 mark; except India
Global Manufacturing PMI:



Source: Reuters

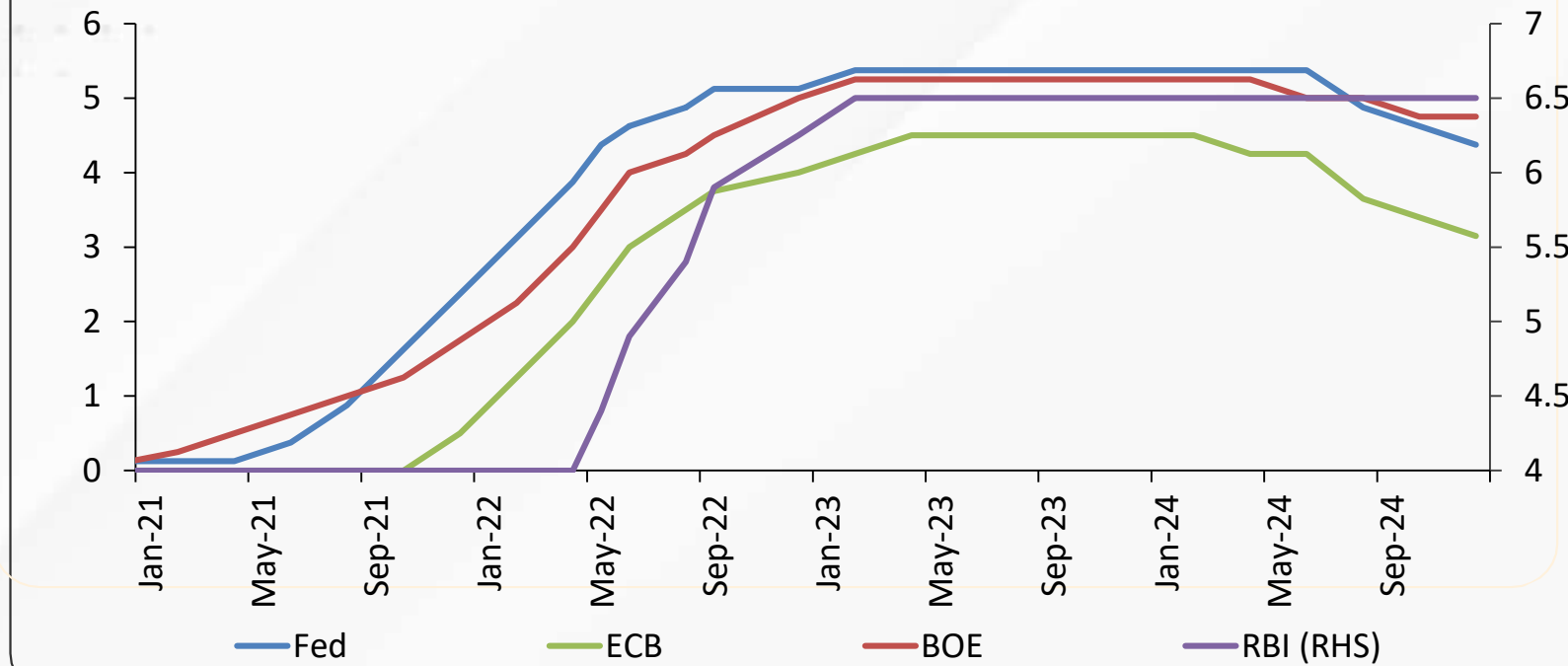
Service Sector holding well, needs more evidence for a rebound
Global Services PMI:



Source: Reuters

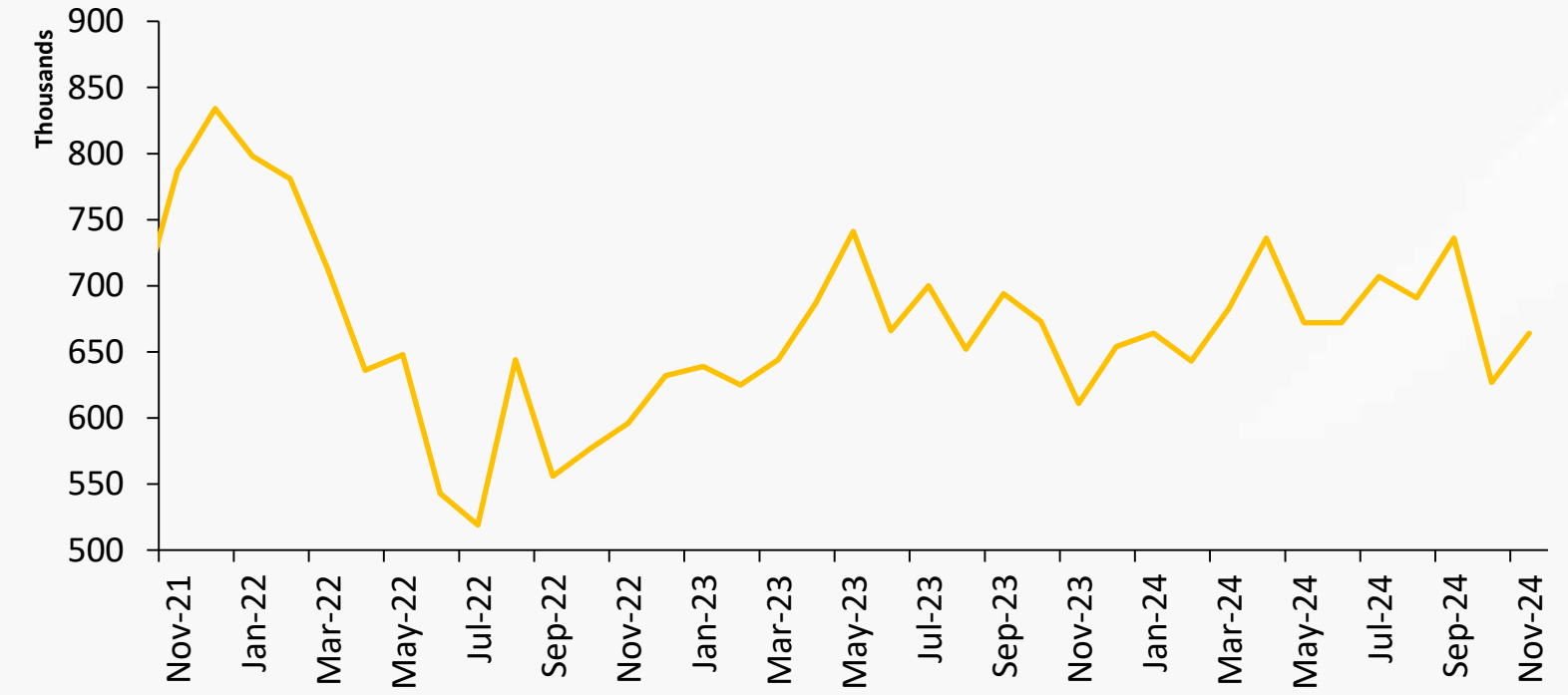
Macros at a Glance

After plateauing for several months, interest rates have started to fall
Global Central Banks Interest Rate (%):



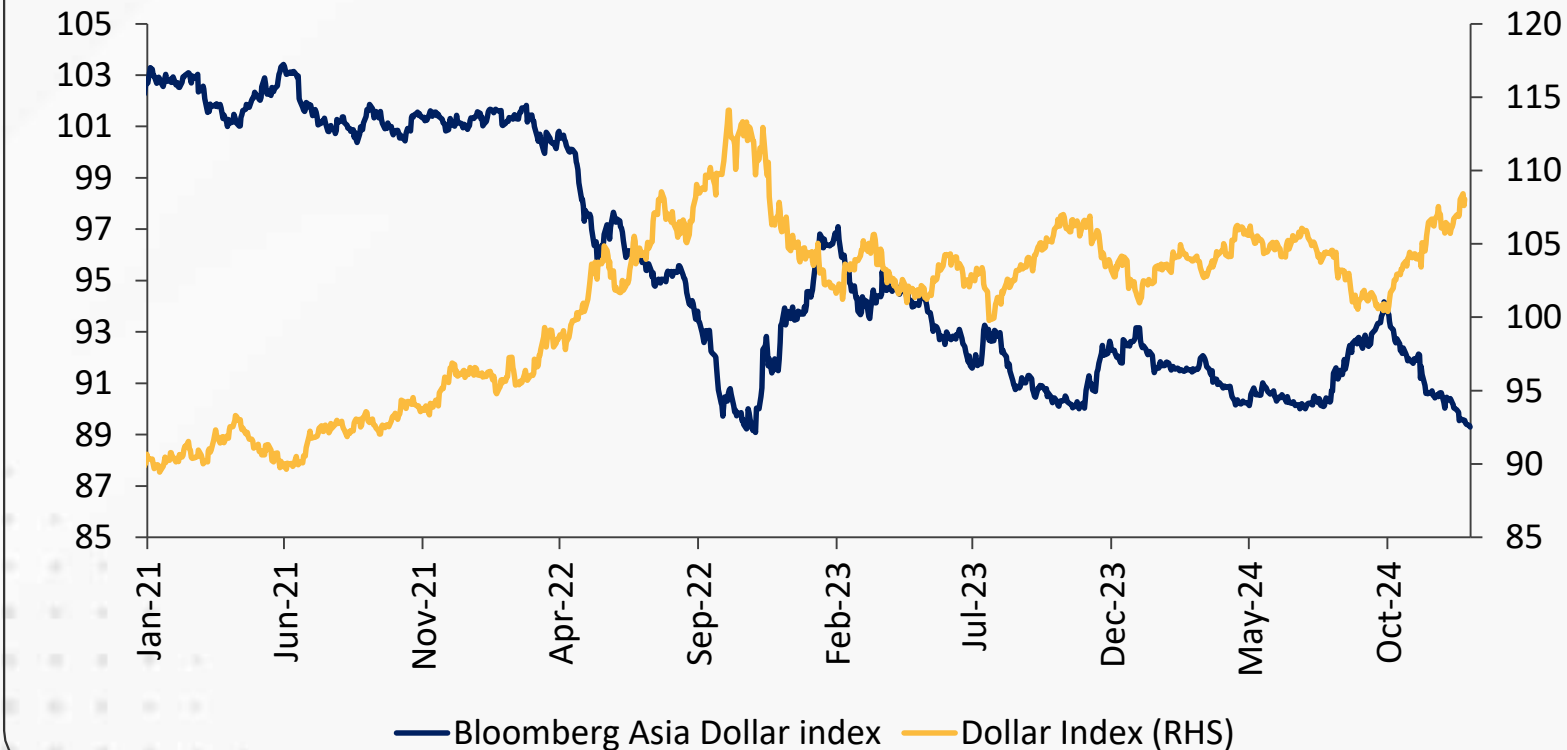
Source: Reuters

US housing numbers flattening; raising some flags
US Home sales:



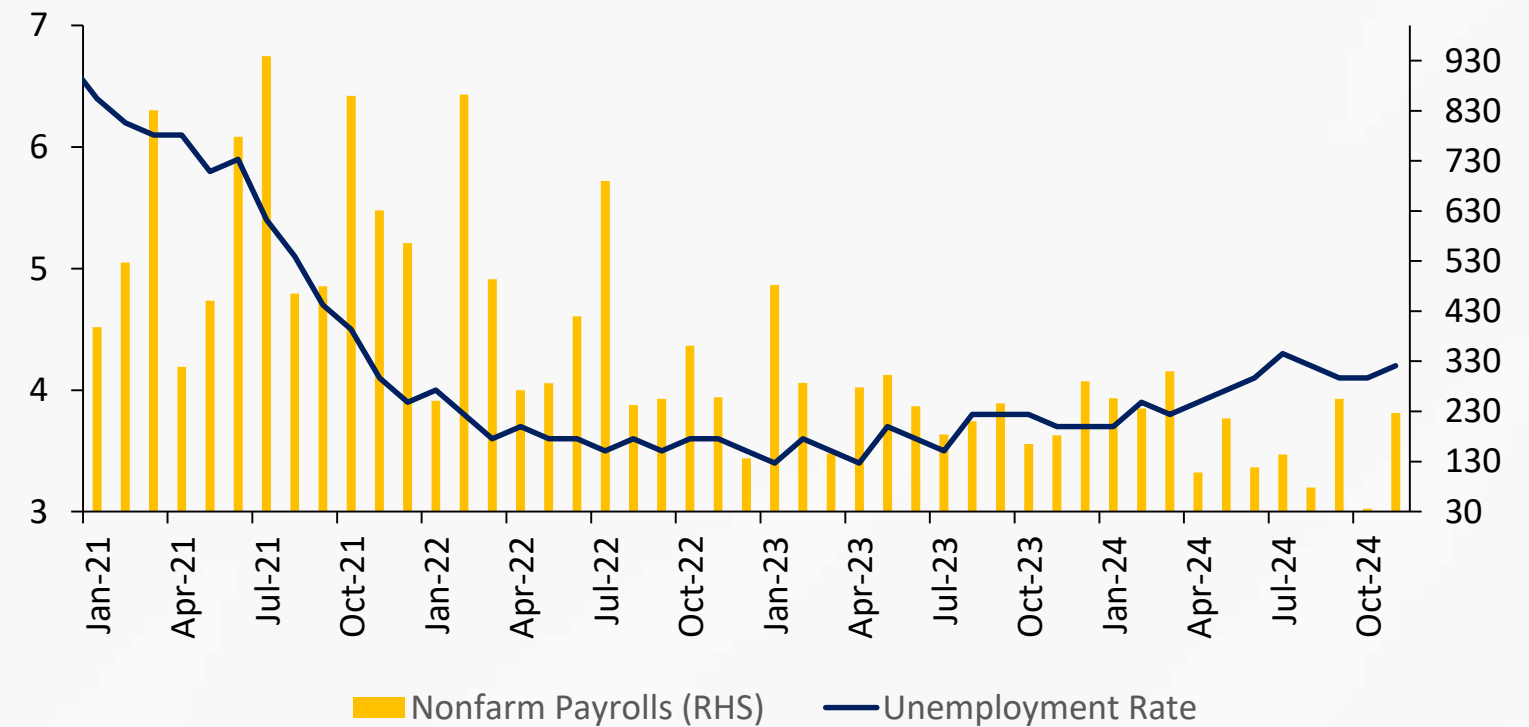
Source: Reuters

US Dollar outperformed against Asian Currencies
Dollar Index Vs Asian Index:



Source: Reuters

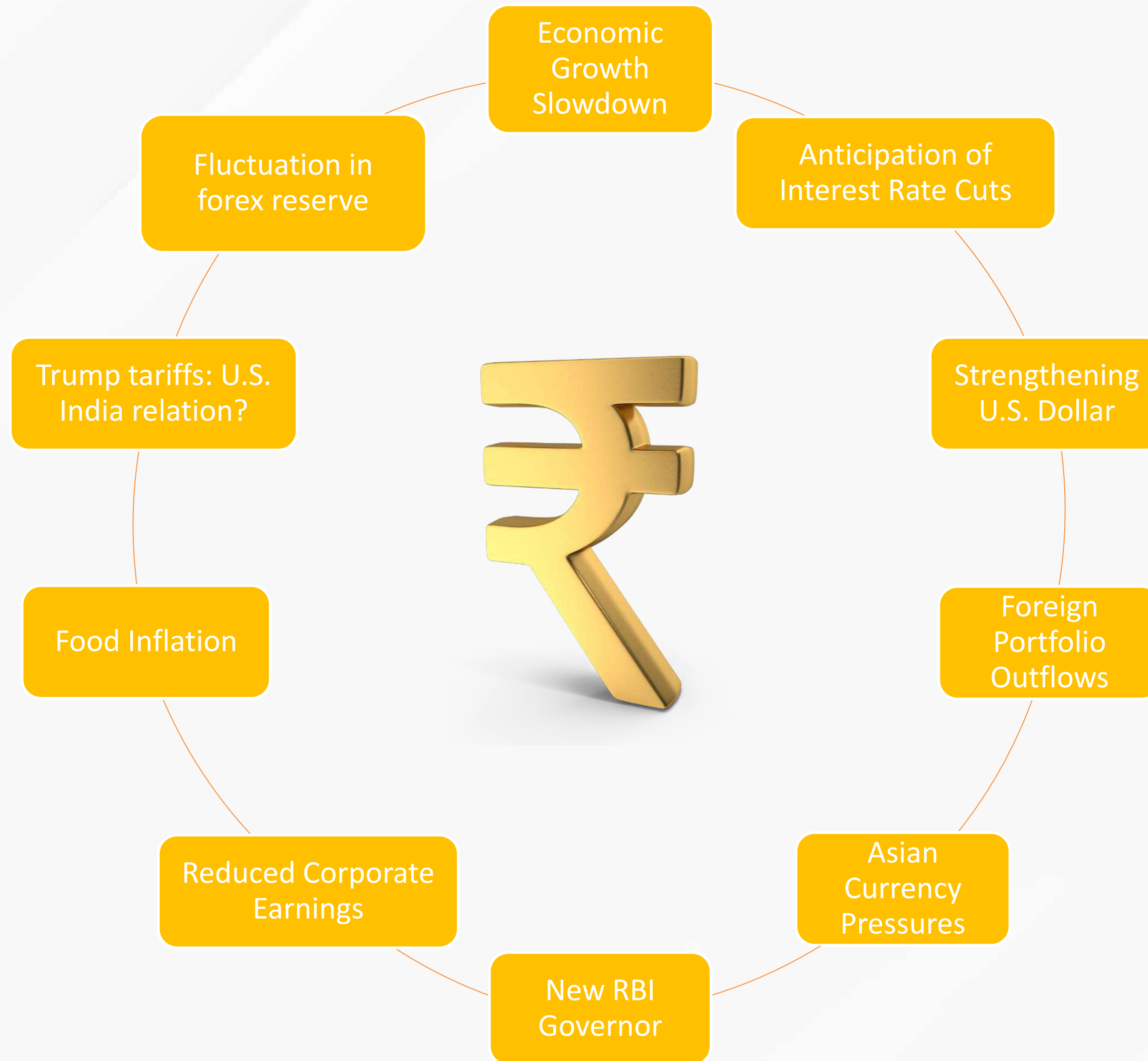
Job additions have reduced still labour market shows less sings of loosening
US Non farm payroll and unemployment:



Source: Reuters

Currencies



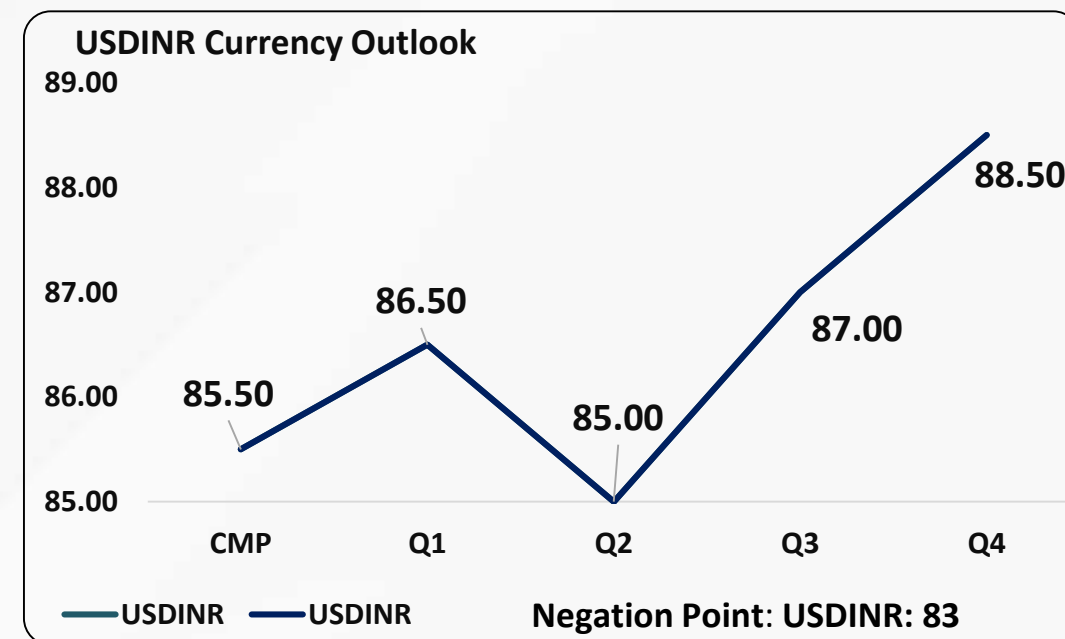




Technical Outlook: Currency

USDINR traded positively throughout the year, reaching an all-time low in 2024. Meanwhile, the DXY initially moved within a broad range but gained momentum later, closing the year on a strong note.

CURRENCY	VIEW	PURCHASE PRICE	TARGET (₹ / \$)	NEGATION
DXY	POSITIVE	-	\$114	\$104
USDINR	POSITIVE	-	₹88.50	\$83

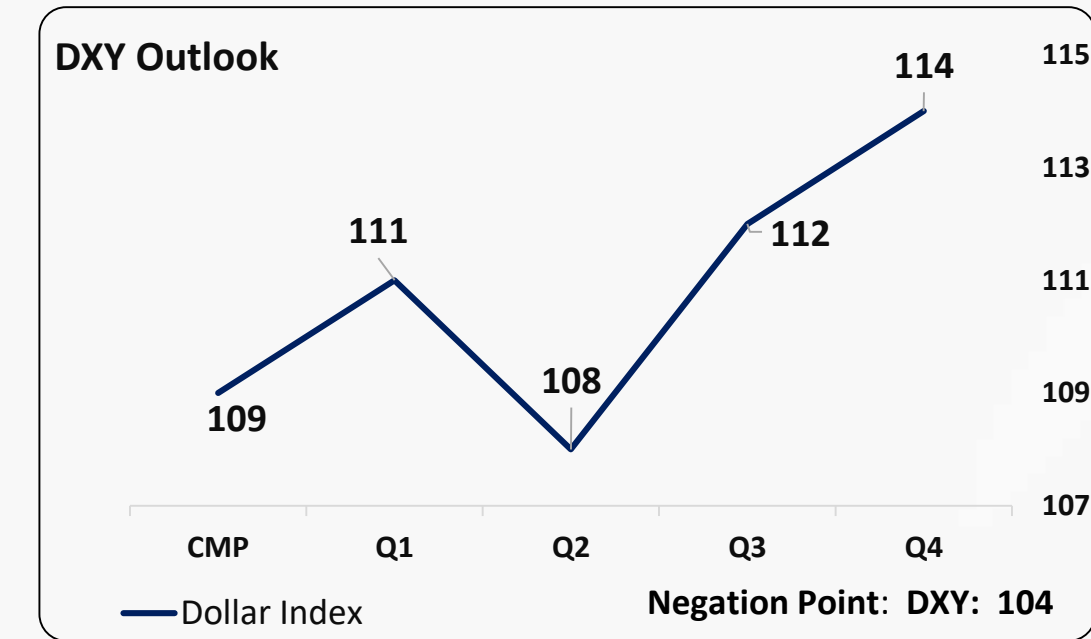


WHAT WE FORECASTED (IN 2024)

For 2024, we forecasted an annual target of 86 for USD/INR and 97 for the Dollar Index (DXY)

REALITY (IN 2024)

The target of 86 for USD/INR was achieved in the fourth quarter, while the Dollar Index (DXY) tested a low of 100.15 in the third quarter

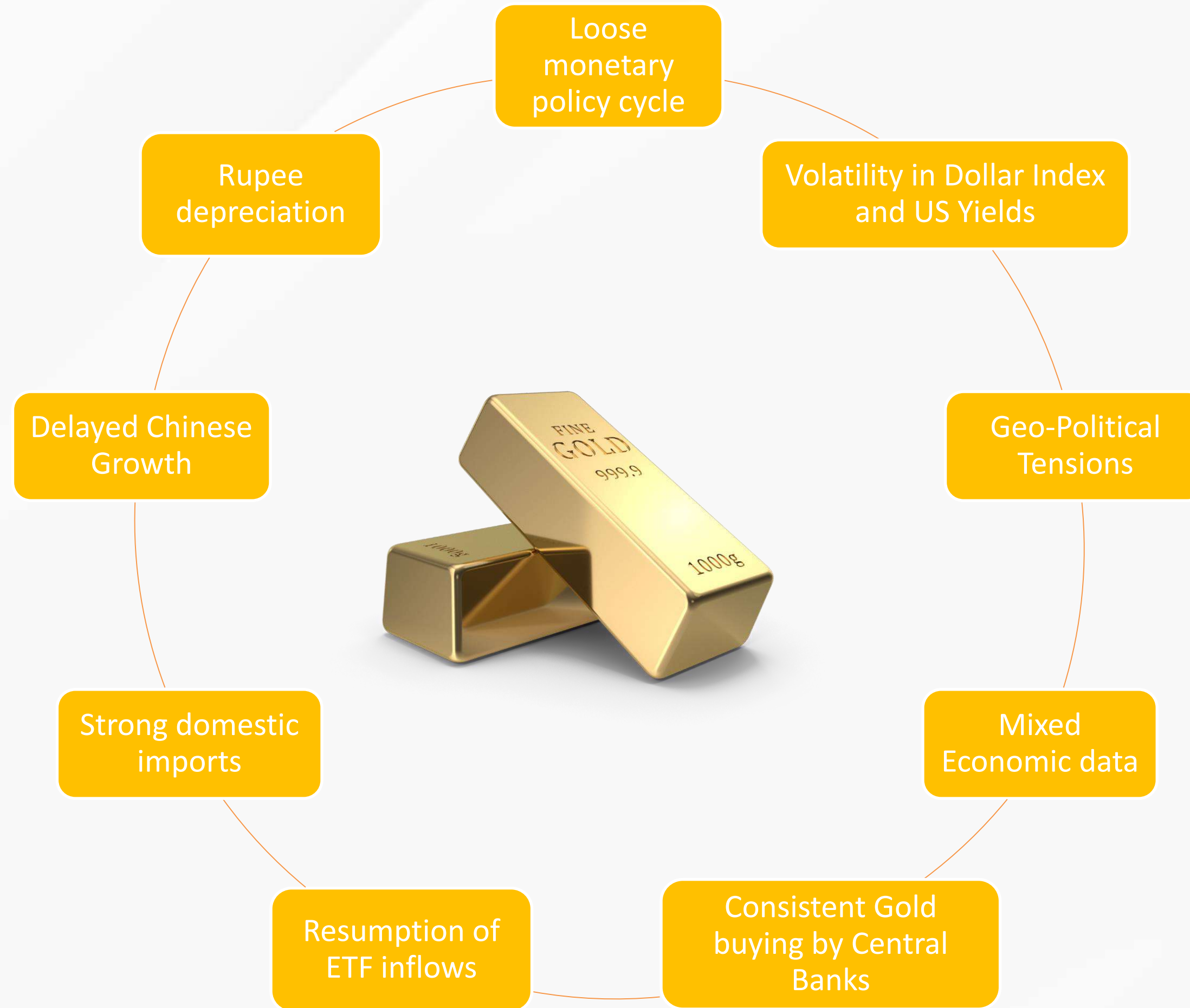


WHAT'S NEXT? (FOR 2025)

The outlook for 2025 suggests that both USDINR and the dollar index are expected to rise initially, followed by a small correction, and then a sharp rally as the year progresses.

Precious Metal

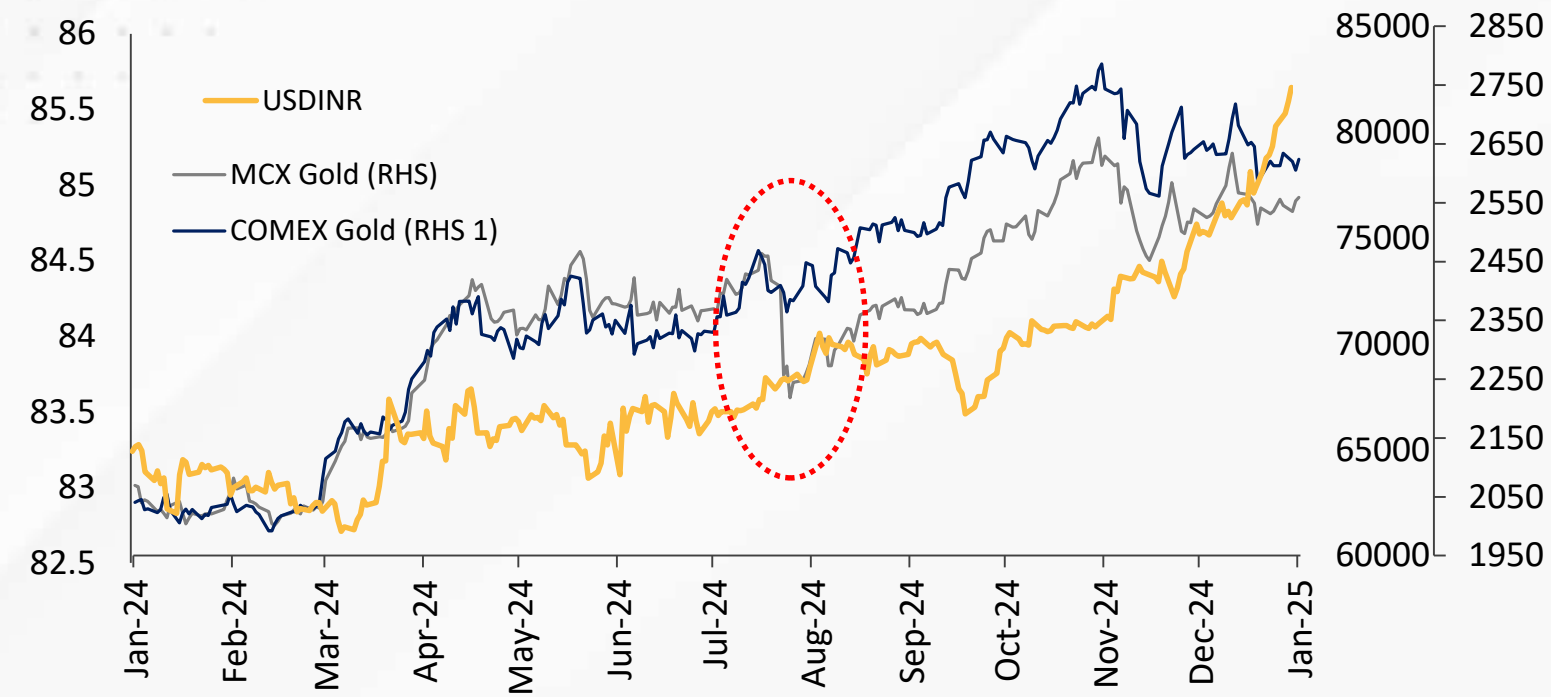




Gold against major Asset Classes

Import duty cut weighed on MCX prices; rupee depreciation offsets some impact

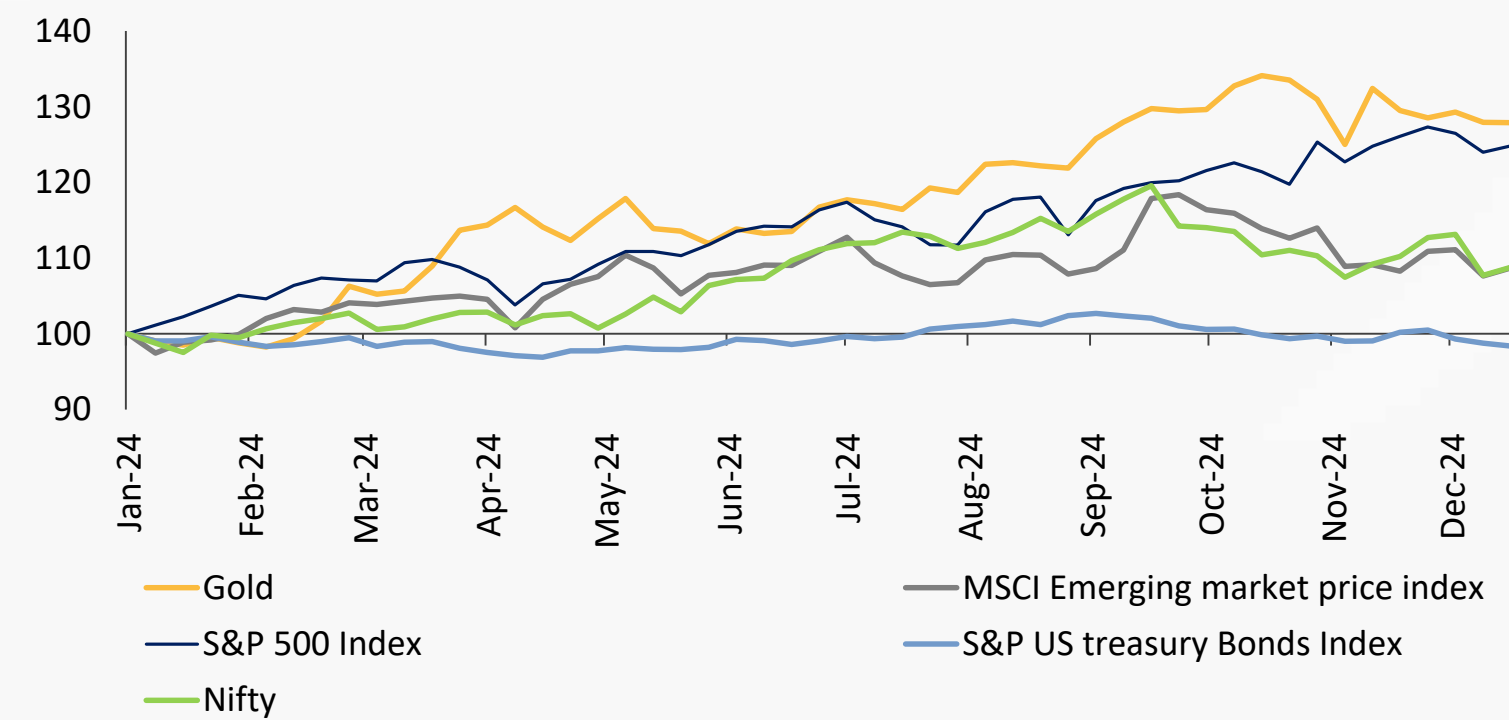
Gold price (\$) and (Rs.) v/s USDINR



Source: Reuters

Gold manages to hold its head high against major assets

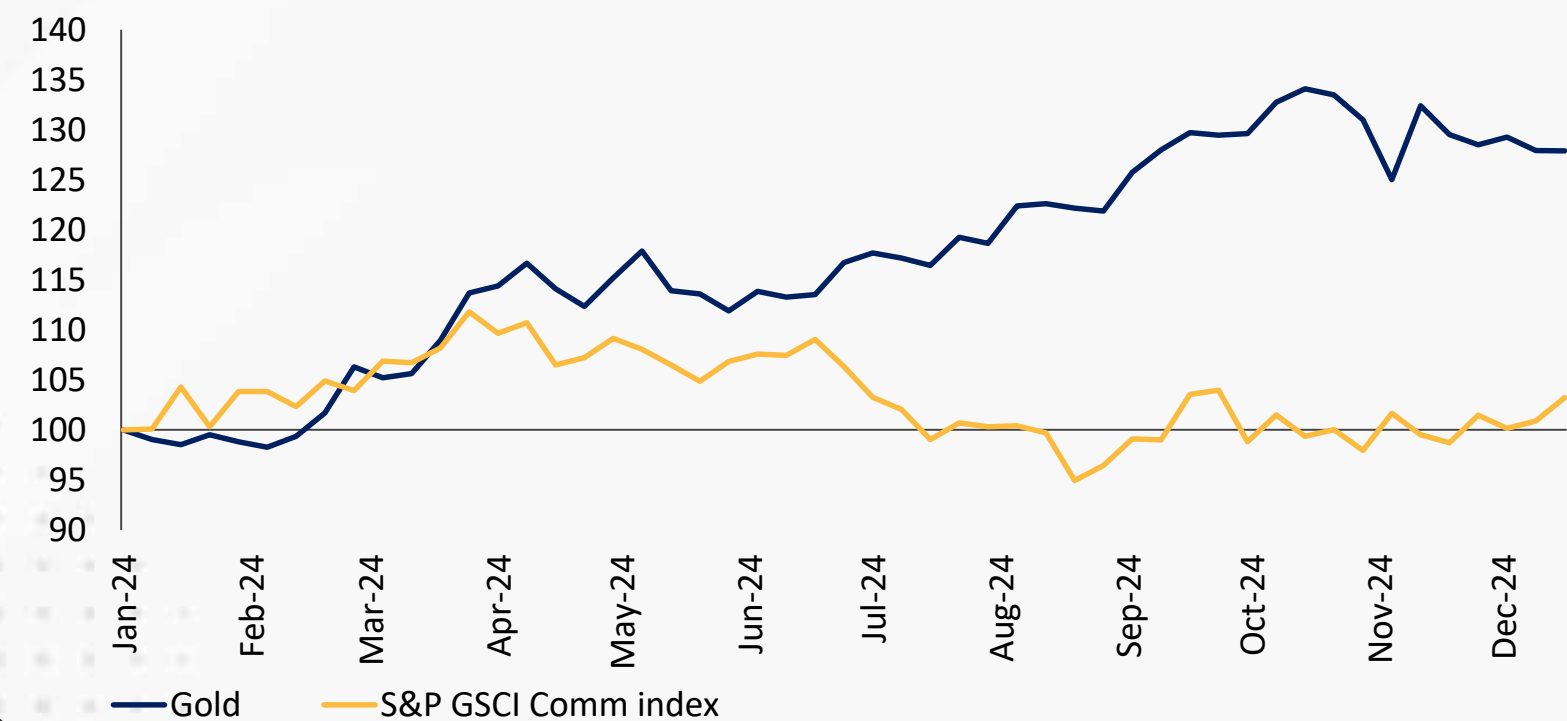
Gold (\$) against major asset classes (Jan'24= 100):



Source: Reuters

Yellow metal showcasing strength against other commodities

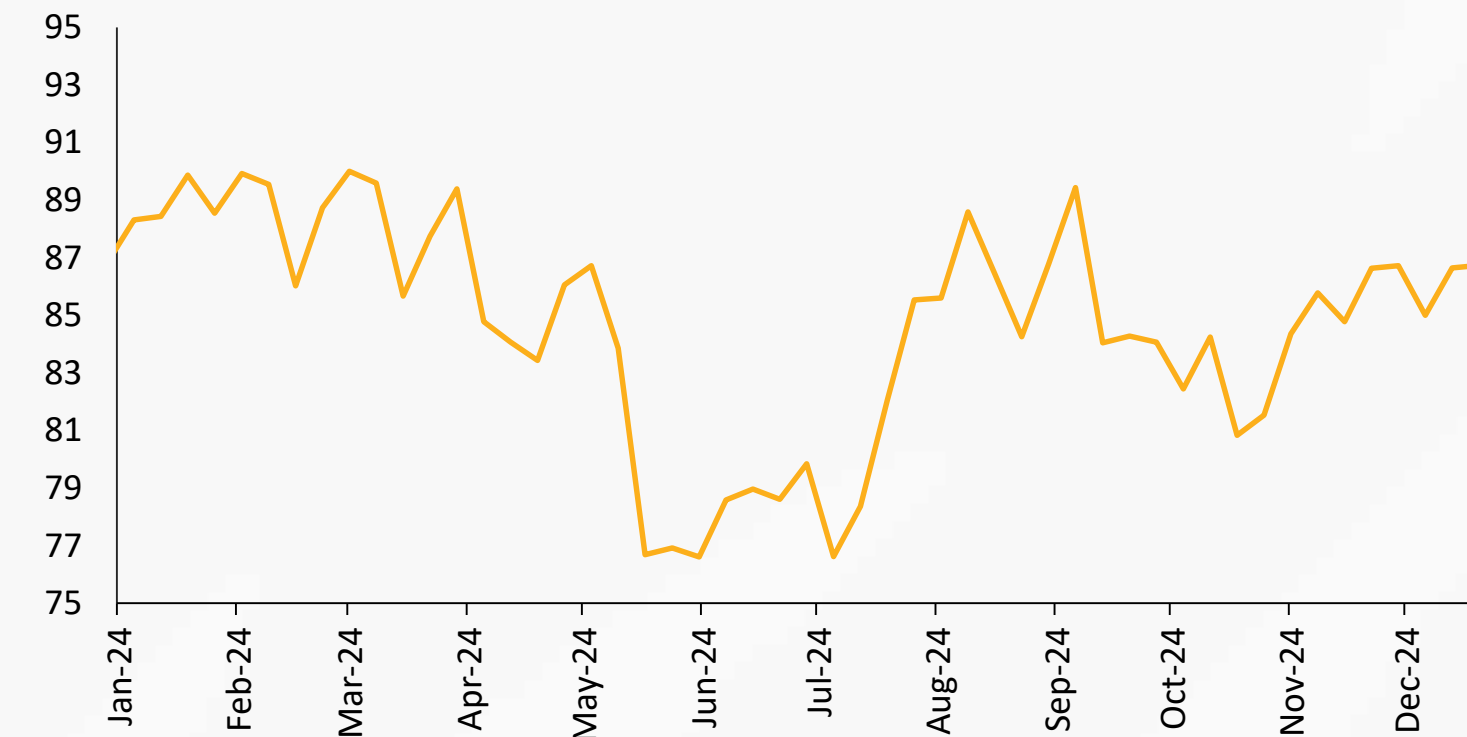
Gold (\$) against S&P Commodities Index (Jan'24= 100):



Source: Reuters

Gold/Silver hovers in a broad range between ~75-~90

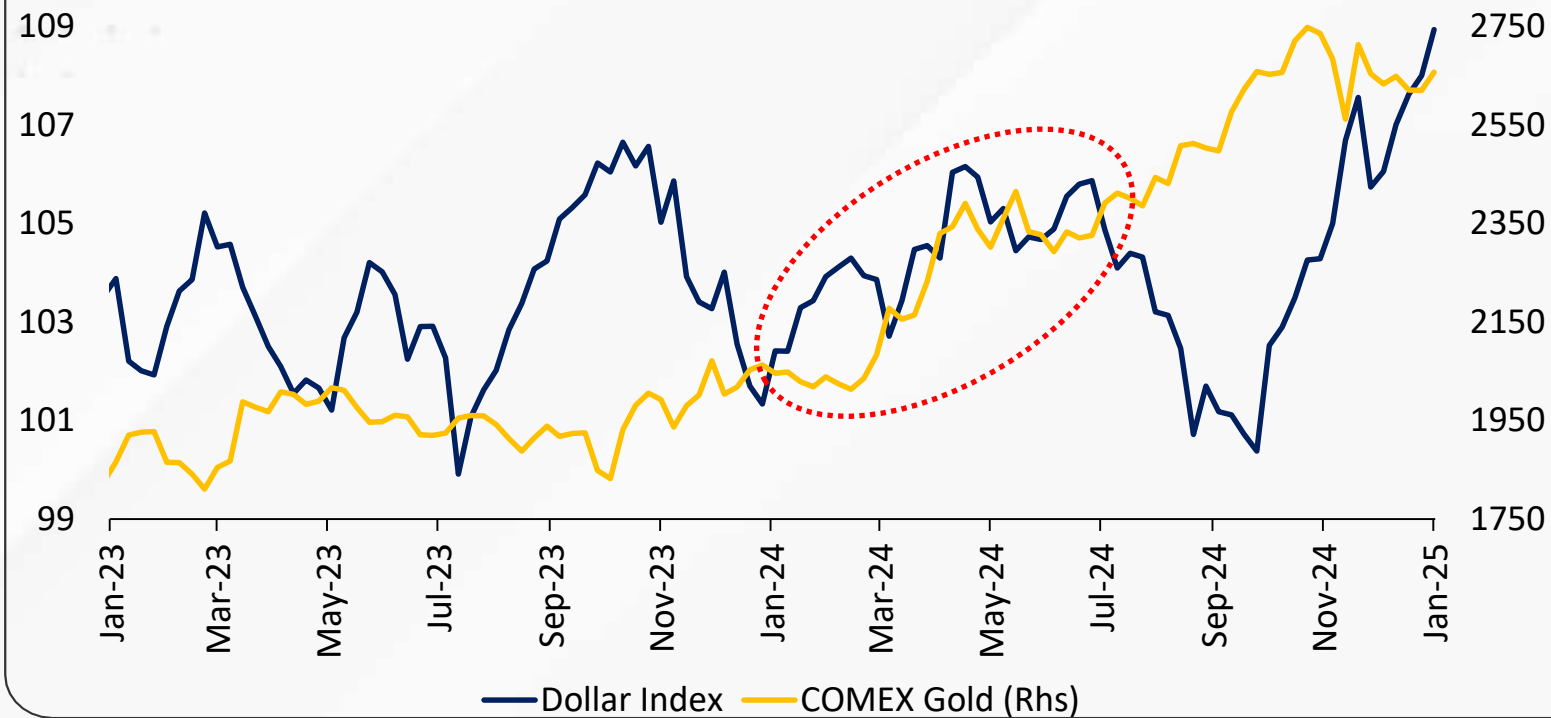
Gold/Silver Ratio:



Source: Reuters

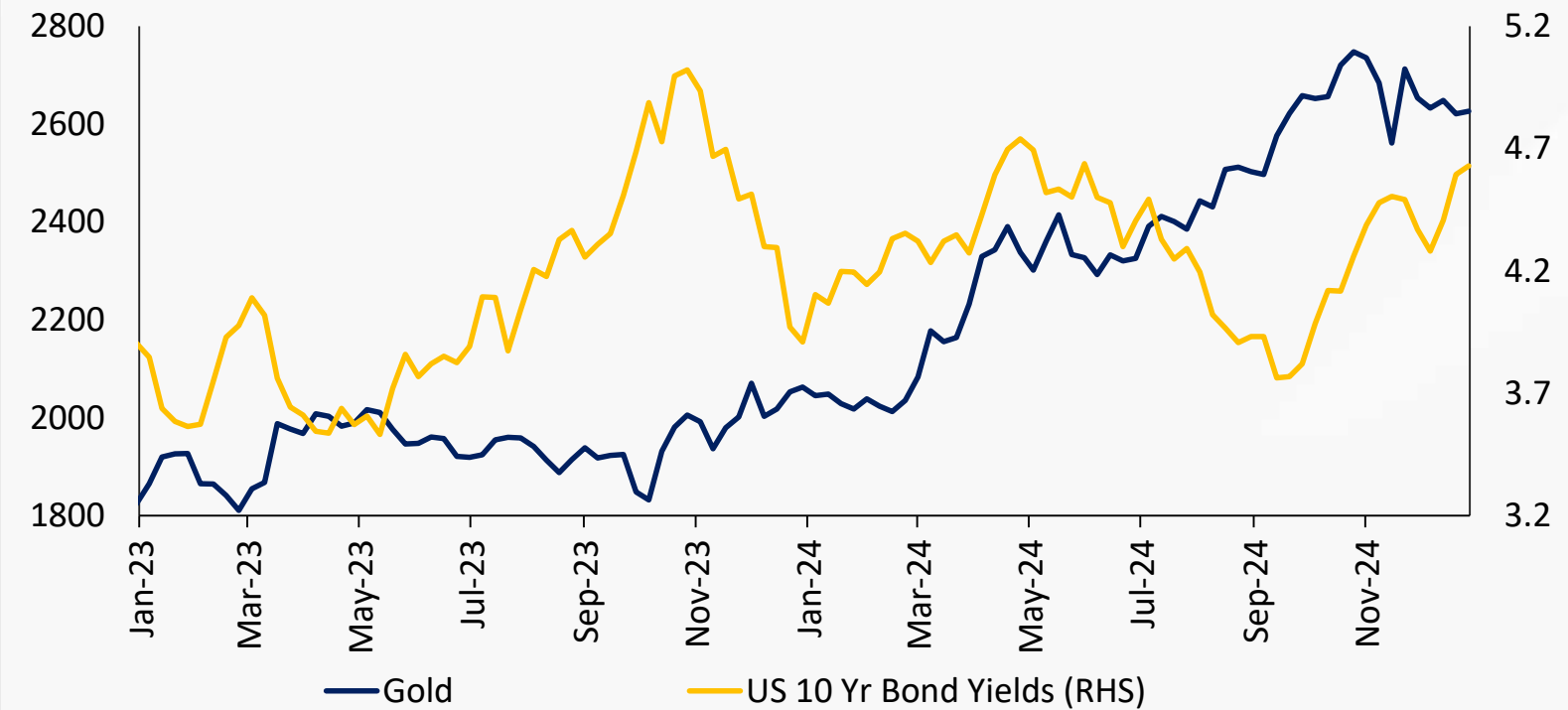
Gold- An Ultimate Safe Haven Asset

Direct correlation at certain intervals shows sense of panic in market
Gold (\$) against Dollar Index:



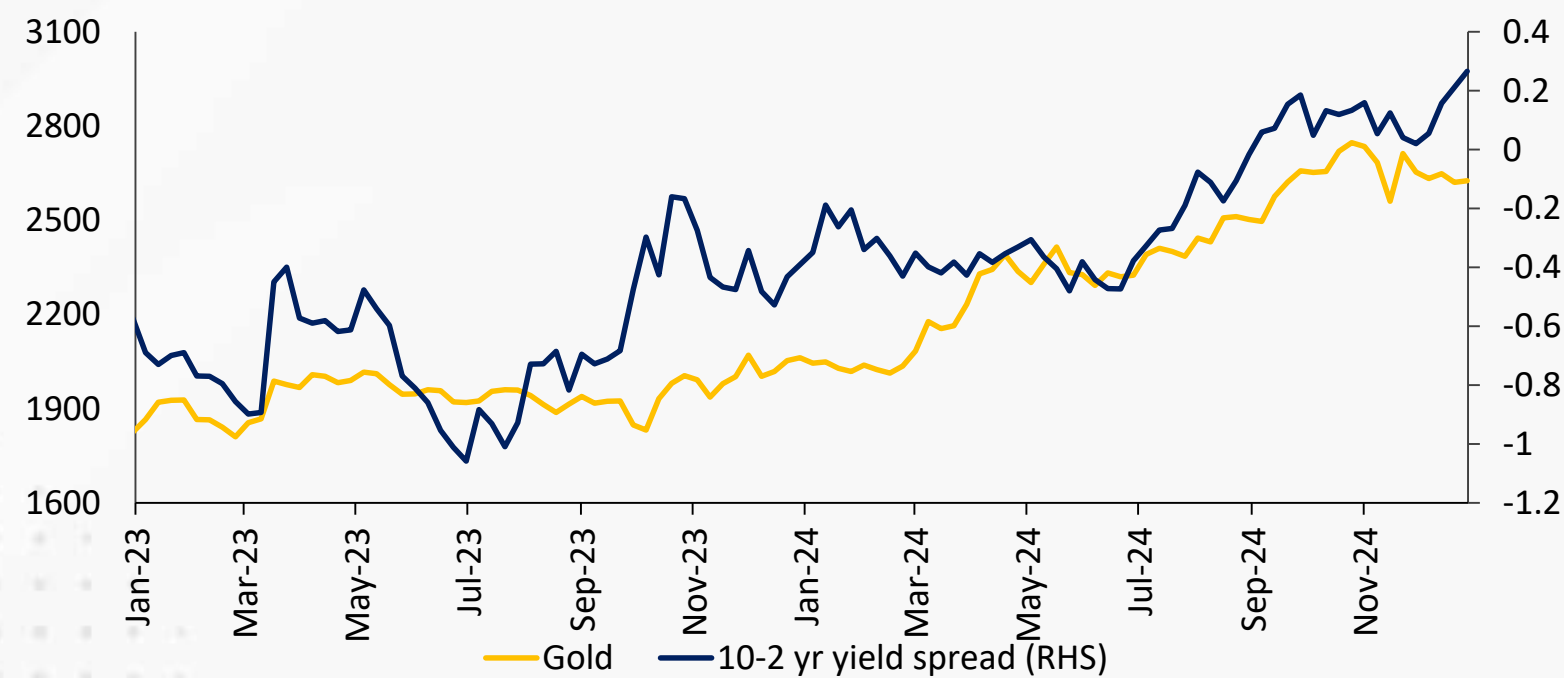
Source: Reuters

Smart recovery in US Yields; limited impact on Gold
Gold (\$) against US Yields (%):



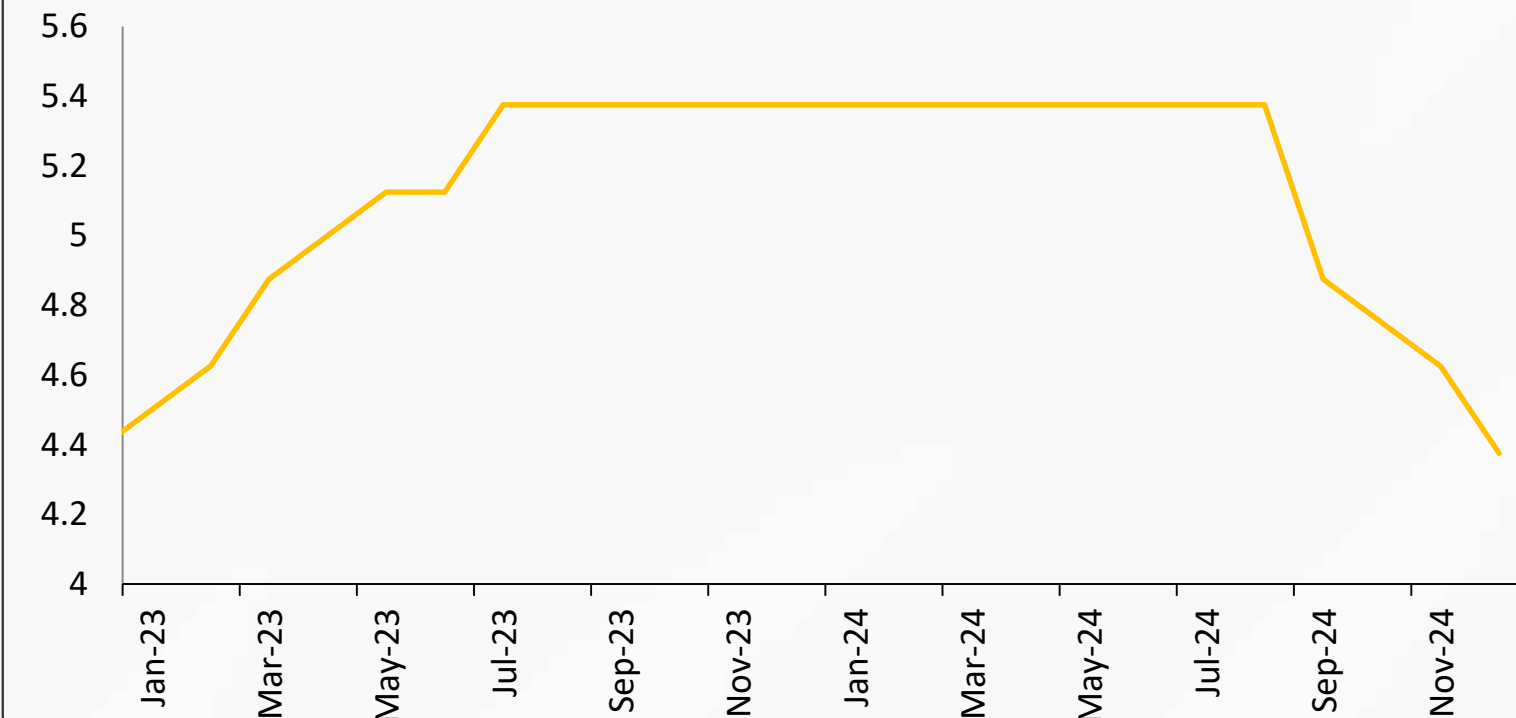
Source: Reuters

Gold and US 10-2Y yield rise signals mixed economic outlook
US 10-2 Year Yield Spread (%):



Source: Reuters

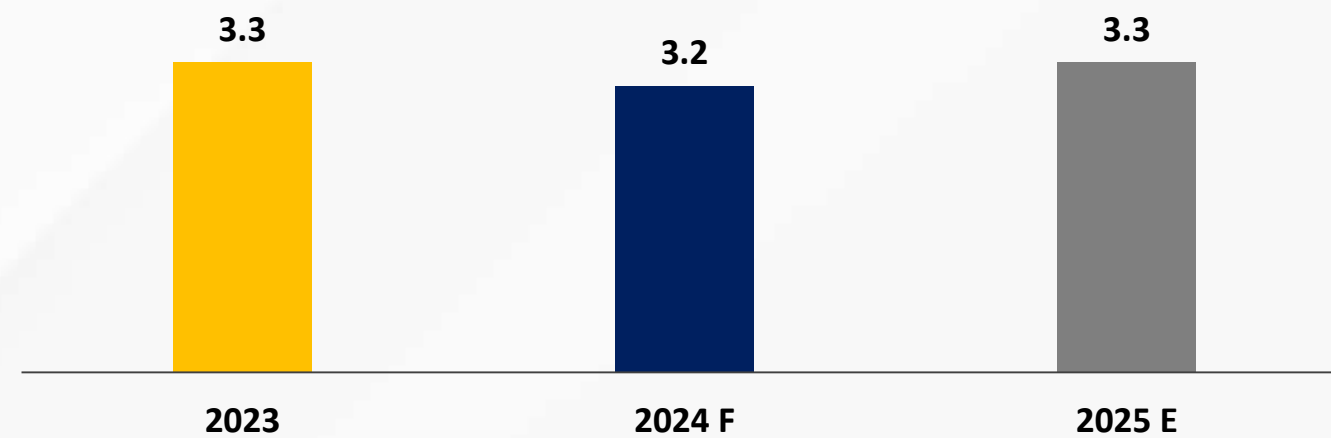
After plateauing for a year, Fed announced three interest cuts in 2024
Fed interest rate(%):



Source: Reuters

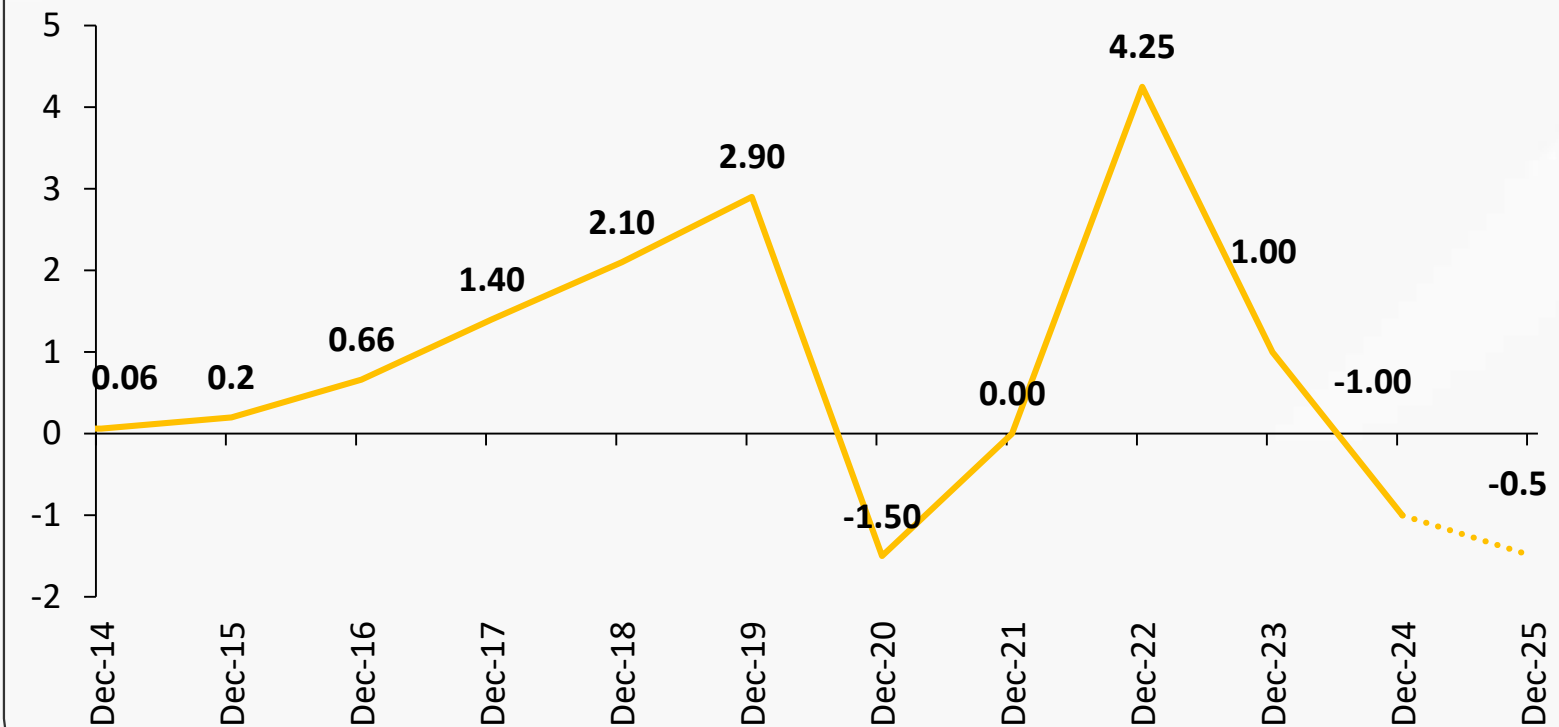
Forecasts

Global growth is expected to remain steady
IMF Global growth forecast (%)



Source: IMF

Two cuts of 25bps are expected in 2025
Trajectory of Fed interest rate expectations (%)



Source: federalreserve

Fed expects growth to slowdown and inflation to remain above target levels
Fed economic forecast

	Fed Projections (%)		
	2024	2025	2026
GDP	2.5	2.1	2.0
Unemployment rate	4.2	4.3	4.3
PCE inflation	2.4	2.5	2.1
Core PCE inflation	2.8	2.5	2.2
Fed funds rate	4.4	3.9	3.4

Source: federalreserve

Chinese Inflation is expected to rise, while growth remains in the abyss
China Growth

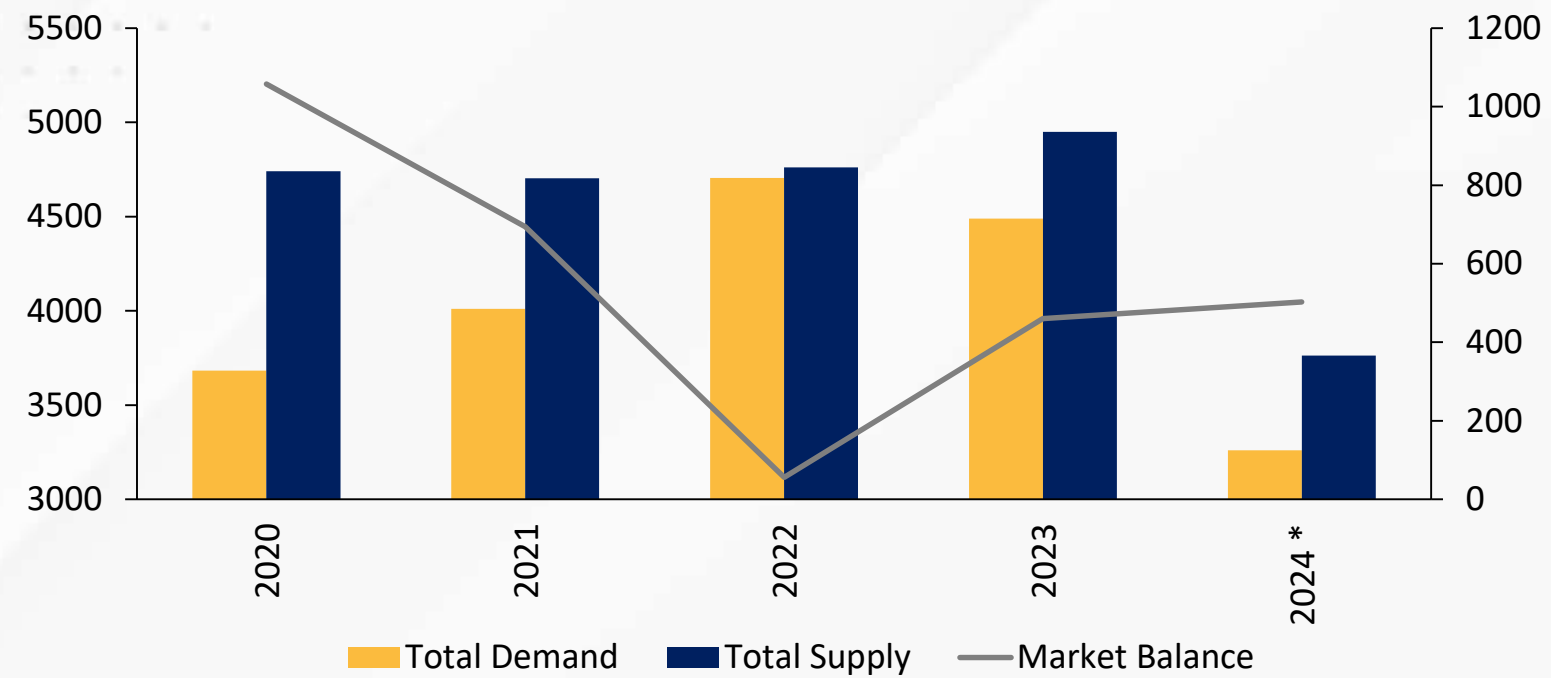
	Chinese Economic Outlook (%)			
	2023	2024f	2025f	2026f
Real GDP growth	5.2	4.9	4.5	4.0
CPI(%change, avg.)	0.2	0.4	1.1	1.6
Current account balance (% of GDP)	1.4	1.6	0.9	0.2
Consolidated fiscal balance (% of GDP)	-5.8	-6.0	-6.2	-5.8

Source: worldbank

Demand and Supply Analysis

Gold market balance remains in a sustained surplus

Gold Market Balance

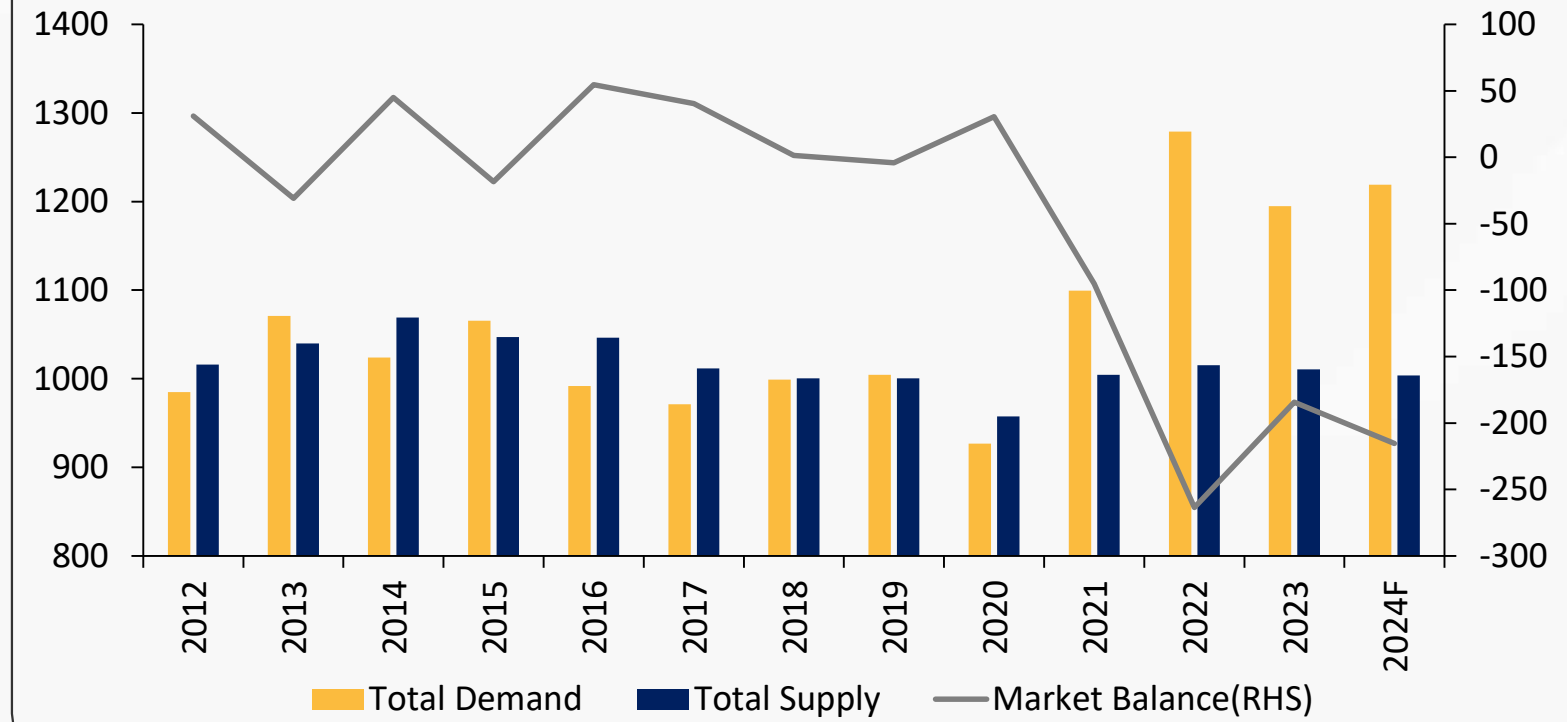


*2024 data is till Q3 only

Source: WGC

Silver market balance records fourth successive year of deficit

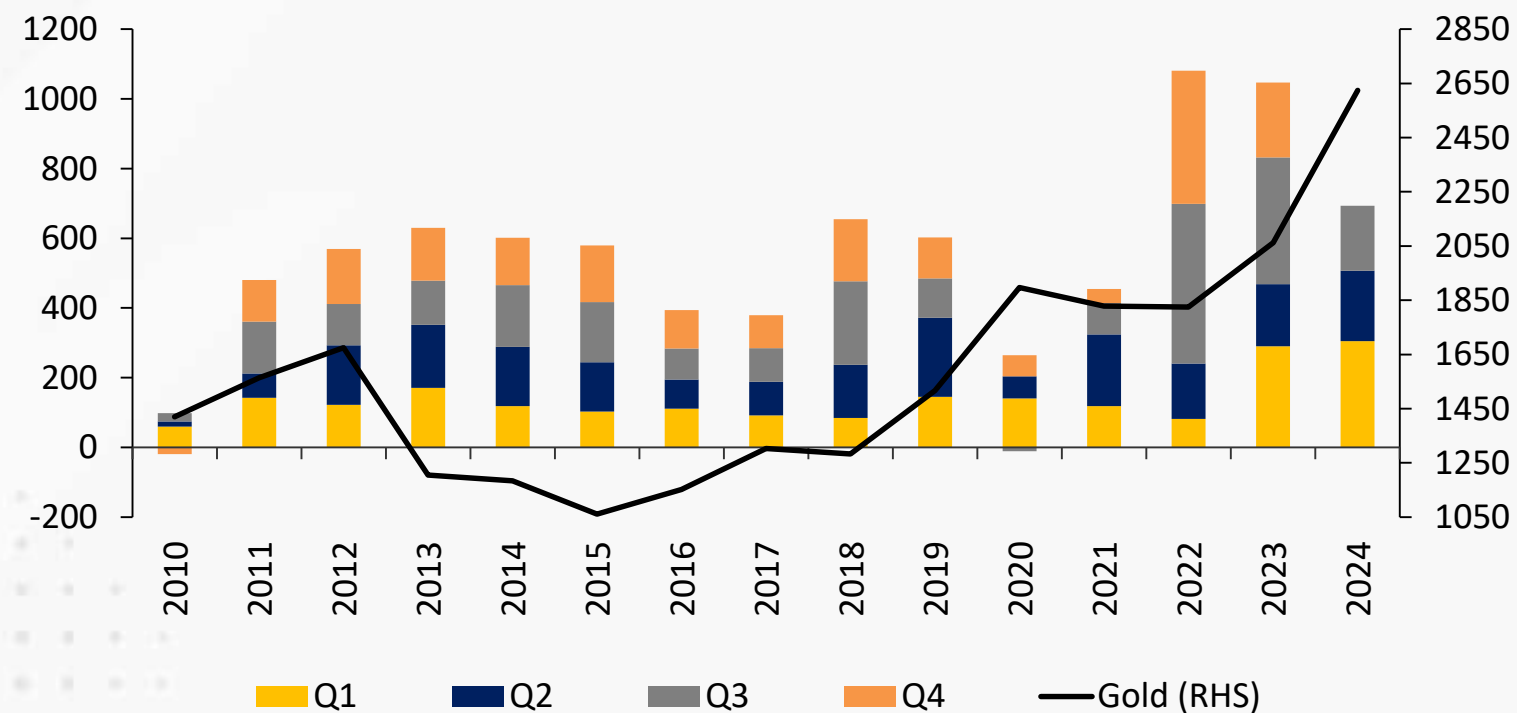
Silver Market Balance



Source: WGC

Central bank buying slowed but were consistent in 2024

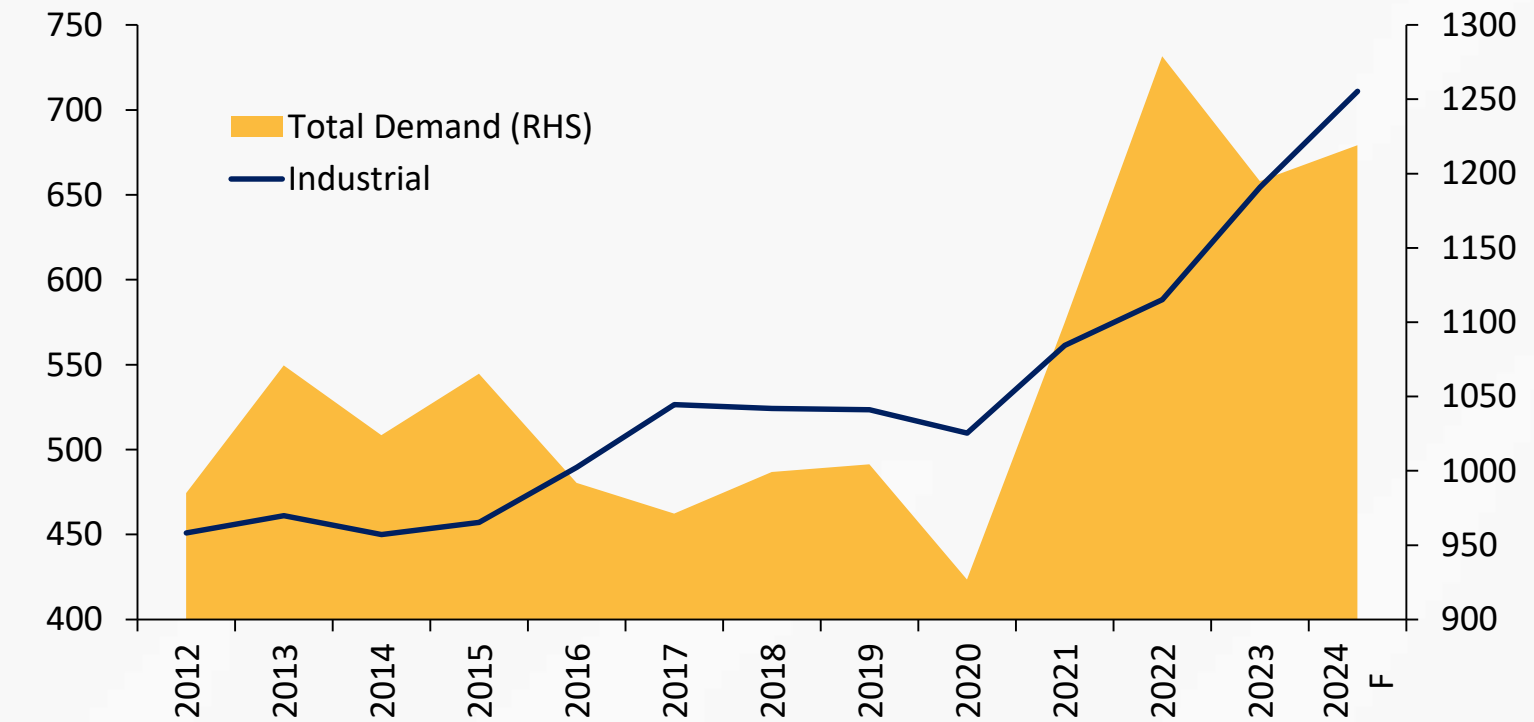
Central Bank's net Gold Purchase (tonnes)



Source: WGC

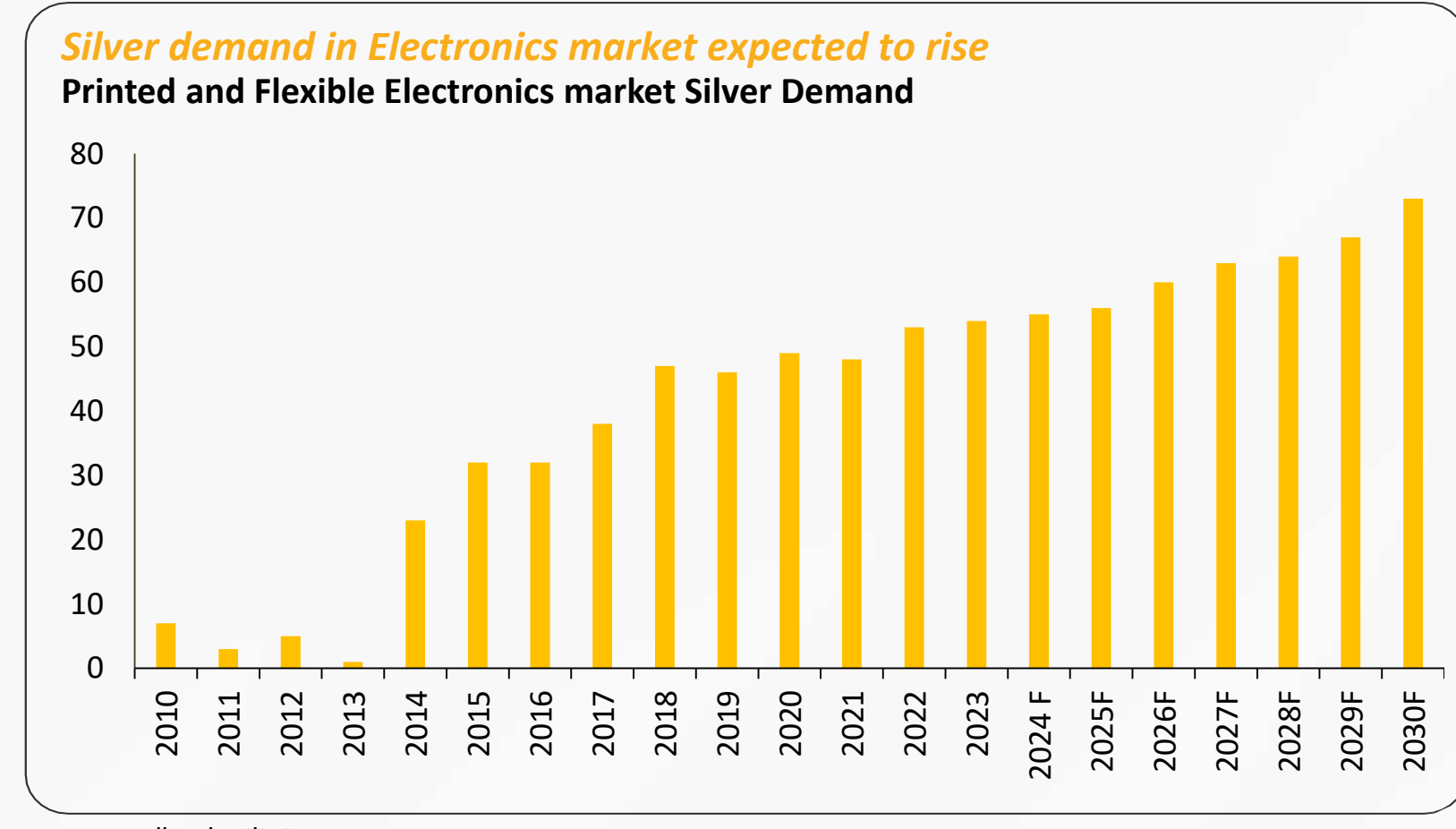
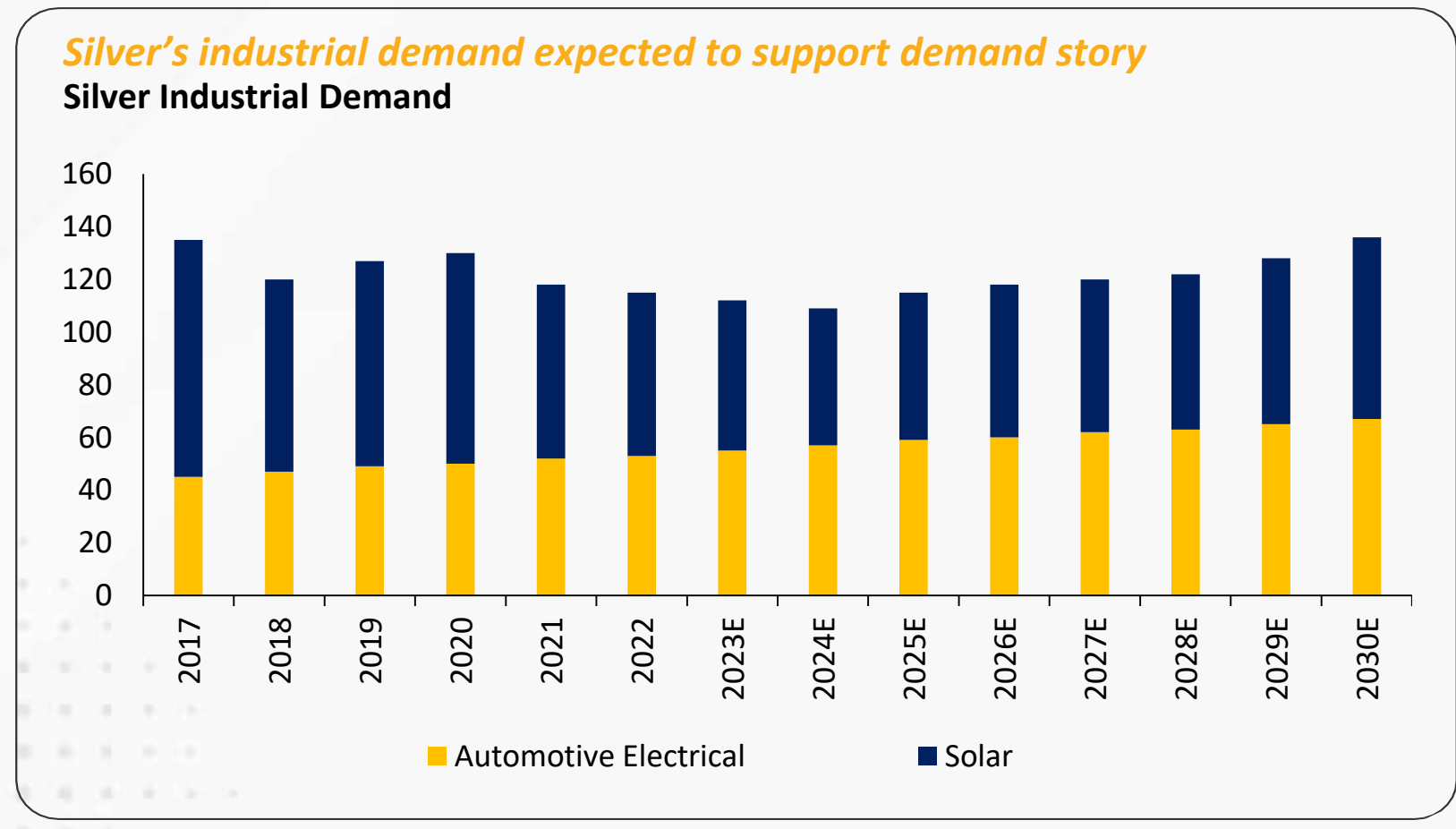
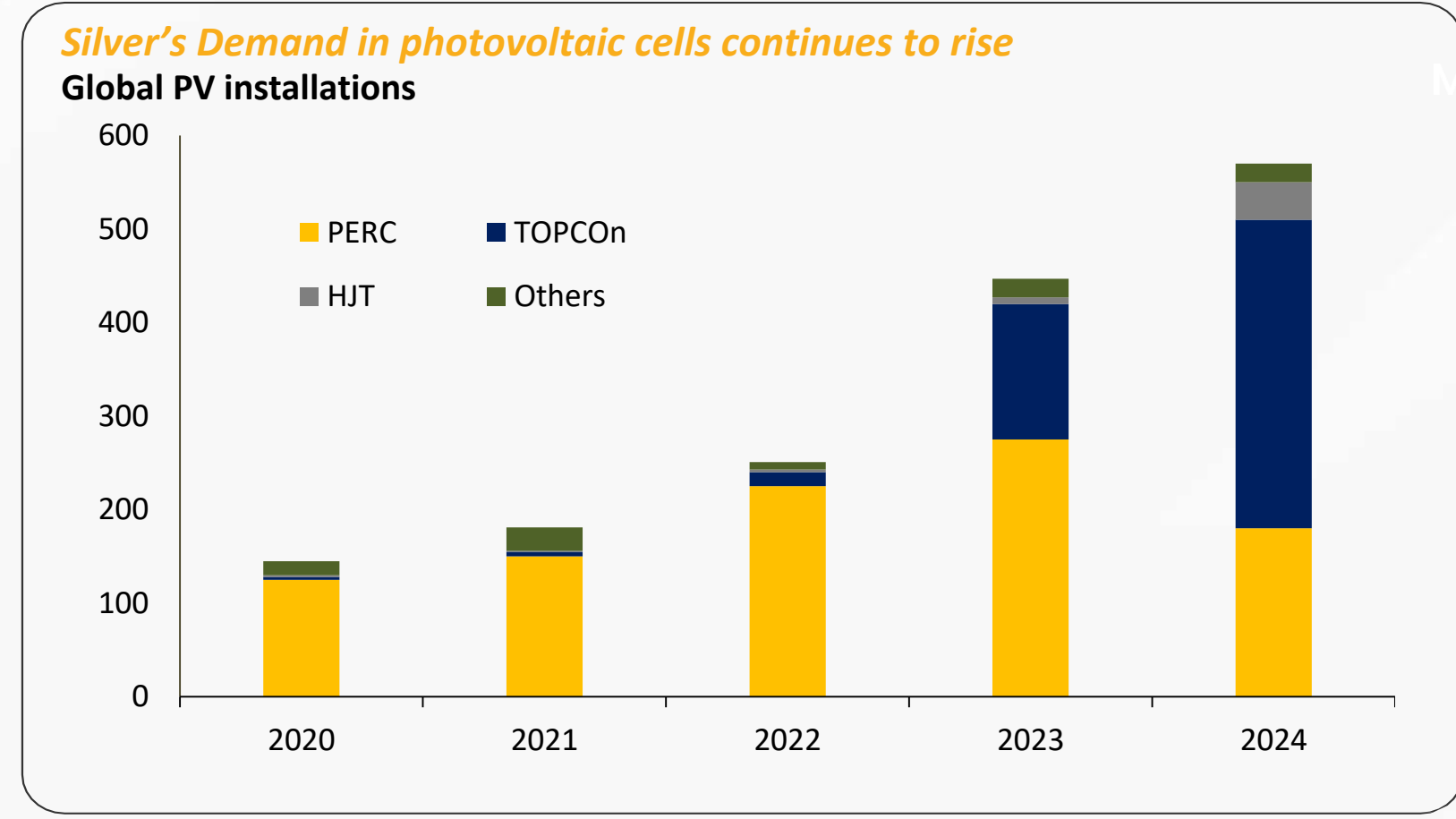
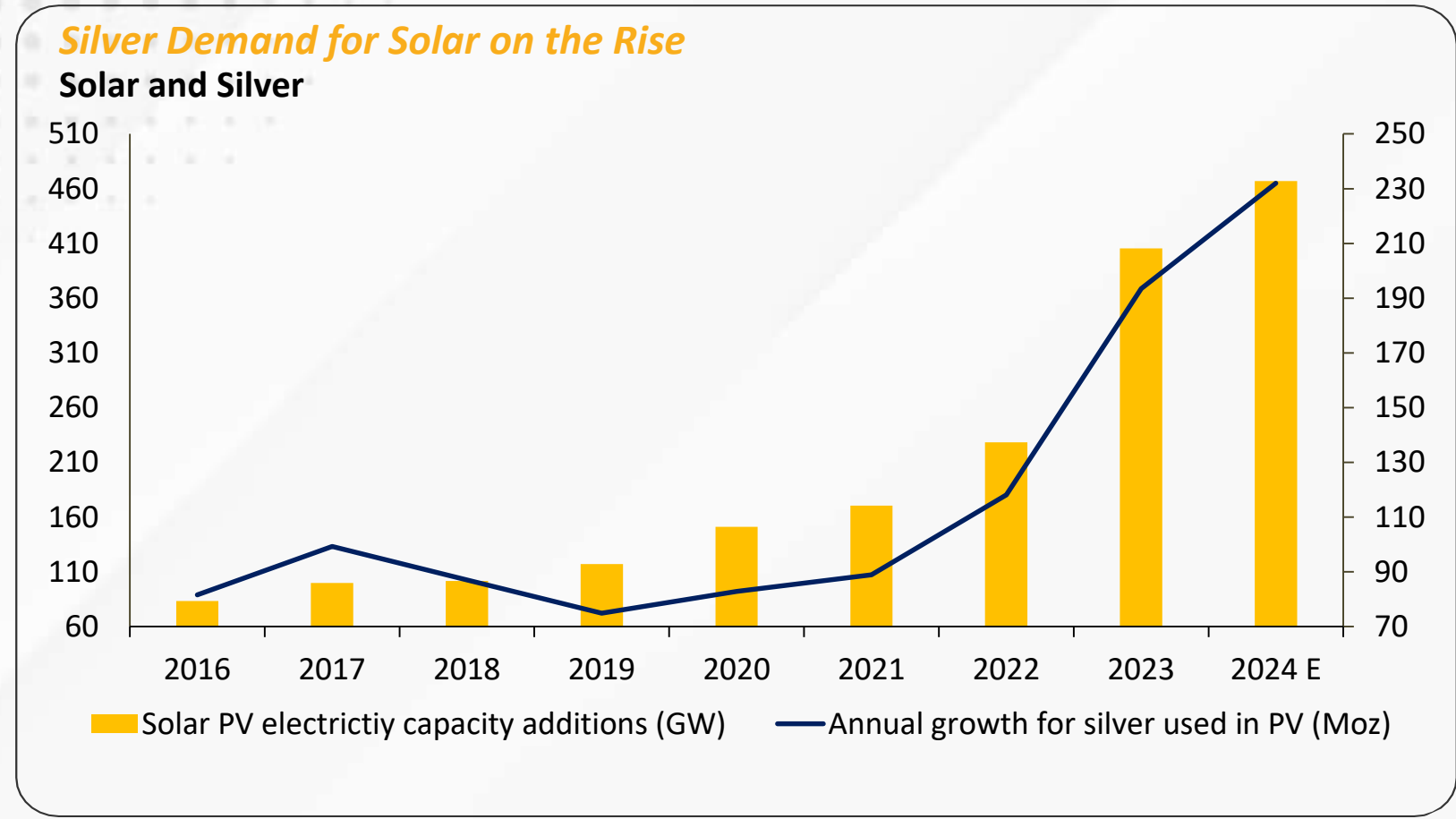
Silver industrial demand continues to contribute to a strong silver demand

Silver Total Demand and Industrial Demand



Source: WGC

Green Tech Development



Possible Scenarios And Their Impact On Gold

Expected Fed funds rate	Current 4.5% - 4.75%	Current 4.5% - 4.75%	Current 4.5% - 4.75% ^M
		100bps lower by year end	Current rate or 100bps higher by year end
Economic scenario	Below trend recovery	Higher for longer	Dovish fed
Opportunity cost	10yr: stable, marginally down	10yr: higher	10yr lower
	Dollar: flat to slightly down (normalisation)	Dollar: up on US exceptionalism	Dollar up on safe haven
Economic expansion	Below-trend growth	Marginal slowdown	Growth near trend
Risk and uncertainty	Inflation falls but slightly above target	Inflation reaccelerates	Inflation drops below 2%
	Risk-on positioning	Market volatility	Risk-off positioning
	Geopolitical risks elevated	Geopolitical risks elevated	Geopolitical risks elevated
Momentum	Commodities down marginally	Commodities rebound	Commodities sell off
	Gold net positioning normalises	Gold net positioning weakens	Gold net positioning strengthens
Implied gold performance	Sideways to higher	Downside pressure	Notably higher
Legend:	Positive	Neutral	Negative

Gold Outlook

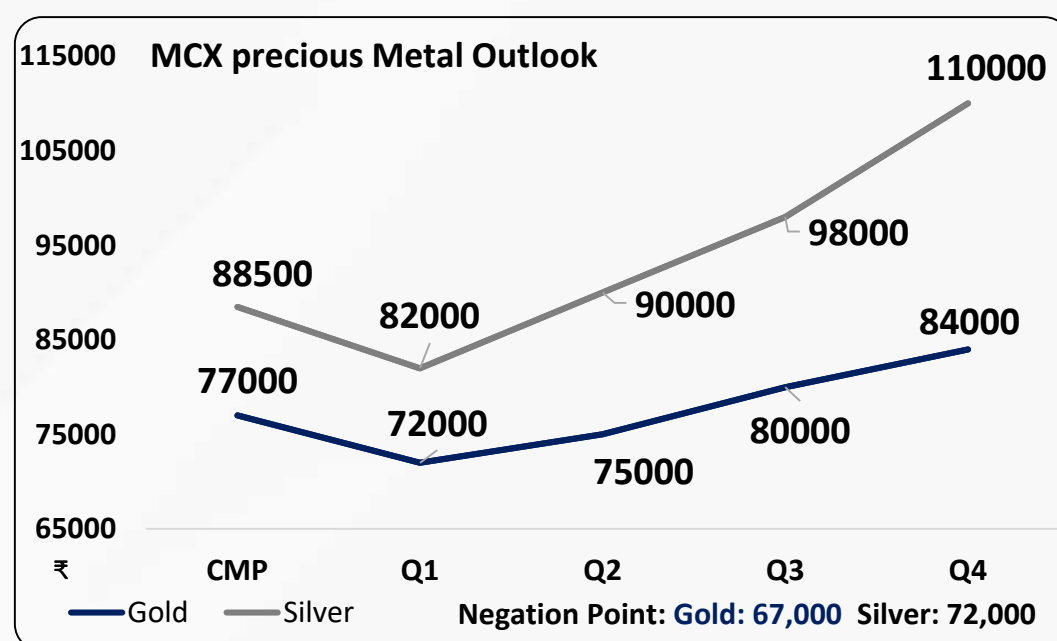
- Gold marked an all-time high in 2024, posting gains of ~27% in 2024 on COMEX.
- Bullions role as a geopolitical hedge significantly boosted its performance.
- In 2024, the US Fed cut rates by 100bps but maintained a cautious stance, limiting gold's upside
- The Fed is expected to cut rates by another 100bps in 2025, with inflation softening yet staying above target.
- Higher rates from a policy reversal could challenge gold prices.
- Despite volatility, the dollar index found support later in the year as a safe-haven currency.
- Central bank and investor purchases balanced out weaker consumer demand
- Trade wars, inflationary pressures, and risk-on flows may change growth outlook.
- Slower growth forecasts may provide a price floor, reinforcing gold's resilience
- Domestic Gold imports and ETF flows were significant in 2024, similar trend next could continue to support market sentiment
- SPDR holdings also witnessed inflow towards the end of last year.
- Trump's potential second term poses key uncertainties for global growth, influencing gold prices.
- If growth meets expectations, gold may trade within the late-2024 range, with potential for upside.
- Lower rates or heightened geopolitical risks will likely enhance gold's performance.
- Stronger central bank demand or worsening financial conditions could drive further upside for gold.
- Gold prices may see directional cues in Q1 2025 following Trump's inauguration, providing accumulation opportunities
- We could witness lot of 'if's' and 'but's' providing higher swings this year, with second half possibly becoming more actionable for bullion
- **A "buy on dips" strategy is recommended to capitalize on potential price fluctuations from a longer term perspective.**

- Silver surged ~22% on COMEX in the year 2024; and on domestic front it marked an all time high, hitting, ₹1,00,000
 - Three major factors supporting silver and gold prices:
 - US election uncertainty
 - Fed rate cut expectations
 - Geopolitical risks
 - Energy prices have stabilized, but inflation risks persist due to supply chain issues and rising food, wage, and housing costs
 - Higher tariffs, US-China tensions, growing debt, and labor market strains threaten US economic stability.
 - Mixed economic data, a new US administration, and geopolitical uncertainty may lower 2025 growth forecasts.
 - A slowdown could lead to stagflation like scenario or further economic deceleration.
 - If growth falters, silver may initially track industrial metals before aligning with gold's trajectory.
 - In a stable growth environment with loose monetary policy and geopolitical tensions, silver could continue its upward momentum.
- A Chinese economic recovery could provide additional support for industrial metals, including silver.
 - China's economy underperformed throughout 2024, but ongoing stimulus measures and efforts are building positive sentiment for the economy
 - Silver has faced a supply deficit for four consecutive years, driven by tight supply and robust demand.
 - Domestic imports surged by over 6000 tonnes in 2024.
 - According to S&P Global, solar power will lead US capacity additions in 2025, even as antidumping tariffs on solar panels expire.
 - Growth in green technology may sustain positive sentiment for silver.
 - Silver may experience consolidation or dips, creating attractive buying opportunities
 - **As China recovers and safe-haven demand rises, silver could match or outperform gold by late 2025**
 - **A "buy on dips" approach remains favourable for silver.**

Technical Outlook: Precious Metals

Gold and Silver both maintained an upward trend in 2024, surging to life time high levels and adding highest gains in the last four years. Domestic Gold posted strong yearly growth exceeding 21%, while Domestic silver achieved gains of over 17%.

COMMODITY	VIEW	PURCHASE PRICE	TARGET	NEGATION
MCX GOLD	POSITIVE	₹71,500 - 72,500	₹84,000	₹67,000
COMEX GOLD	POSITIVE	\$2500 - 2450	\$2900	\$2300
MCX SILVER	POSITIVE	₹83,000 - 85,000	₹1,10,000	₹72,000
COMEX SILVER	POSITIVE	\$26.80 - 27.20	\$36	\$24

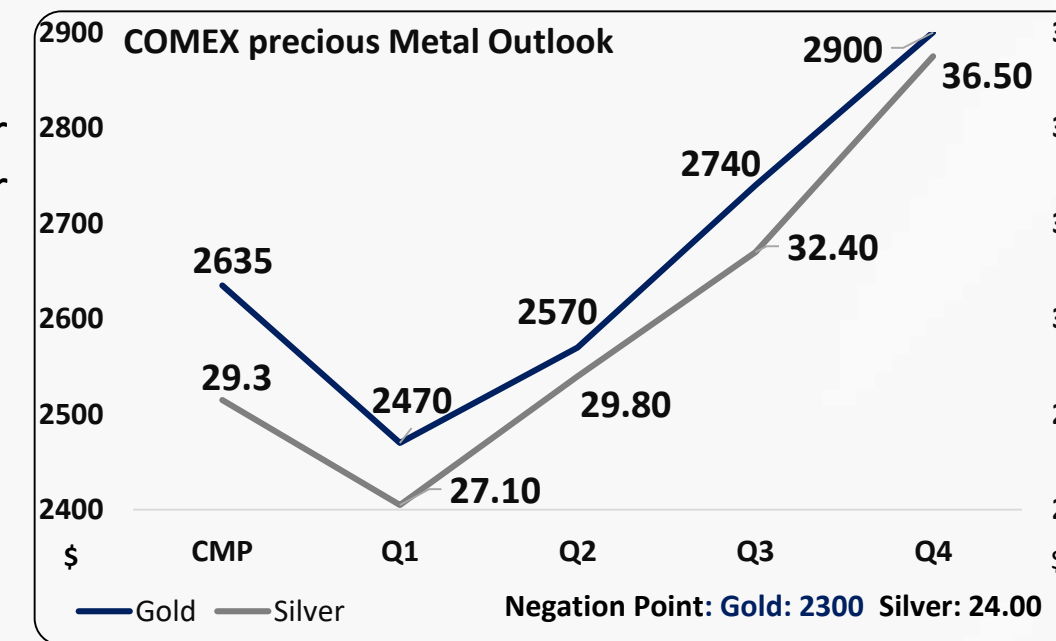


WHAT WE FORECASTED (IN 2024)

We recommended an annual target of ₹69,000 for Gold and proposed an annual target of ₹88,000 for Silver.

REALITY (IN 2024)

The target of ₹69,000 for Gold was achieved in the first quarter, while the target of ₹88,000 for Silver was reached in the third quarter.

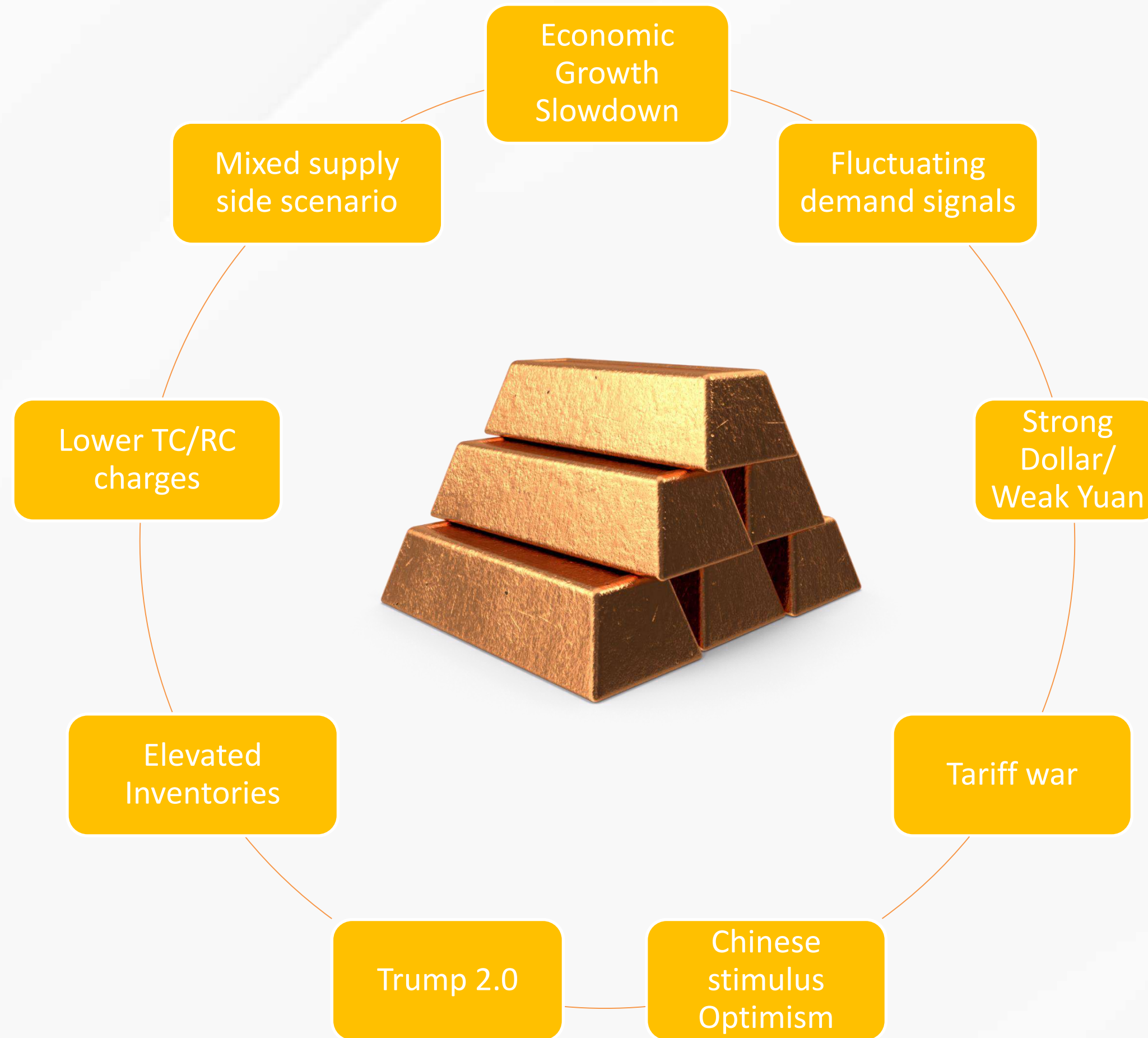


WHAT'S NEXT? (FOR 2025)

The outlook for 2025 remains positive, with the broader trend still pointing upwards. While there could be dips initially, these are expected to present good buying opportunities for further gains and higher targets as the year progresses.

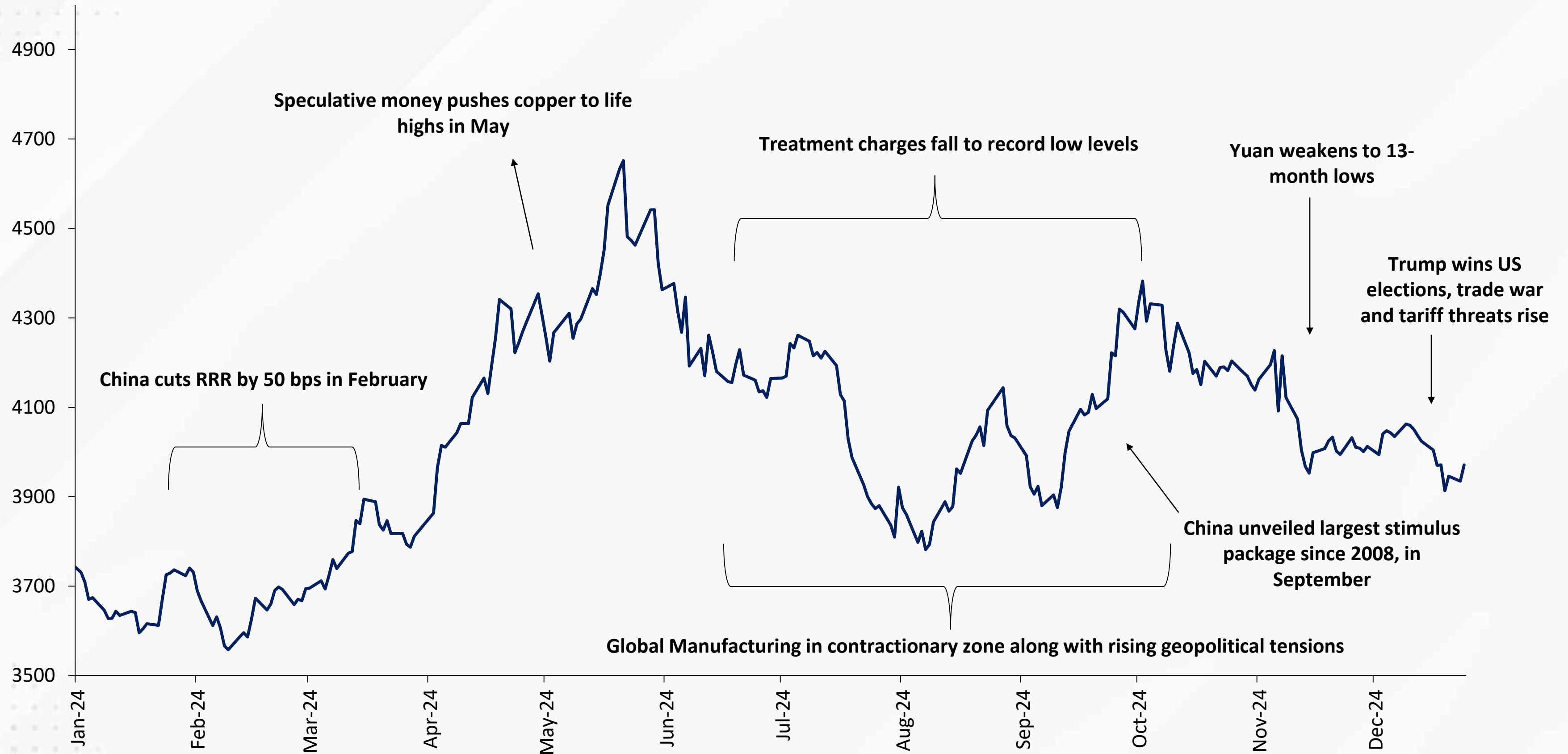
Base Metal





A glimpse of 2024 for Non-Ferrous metals

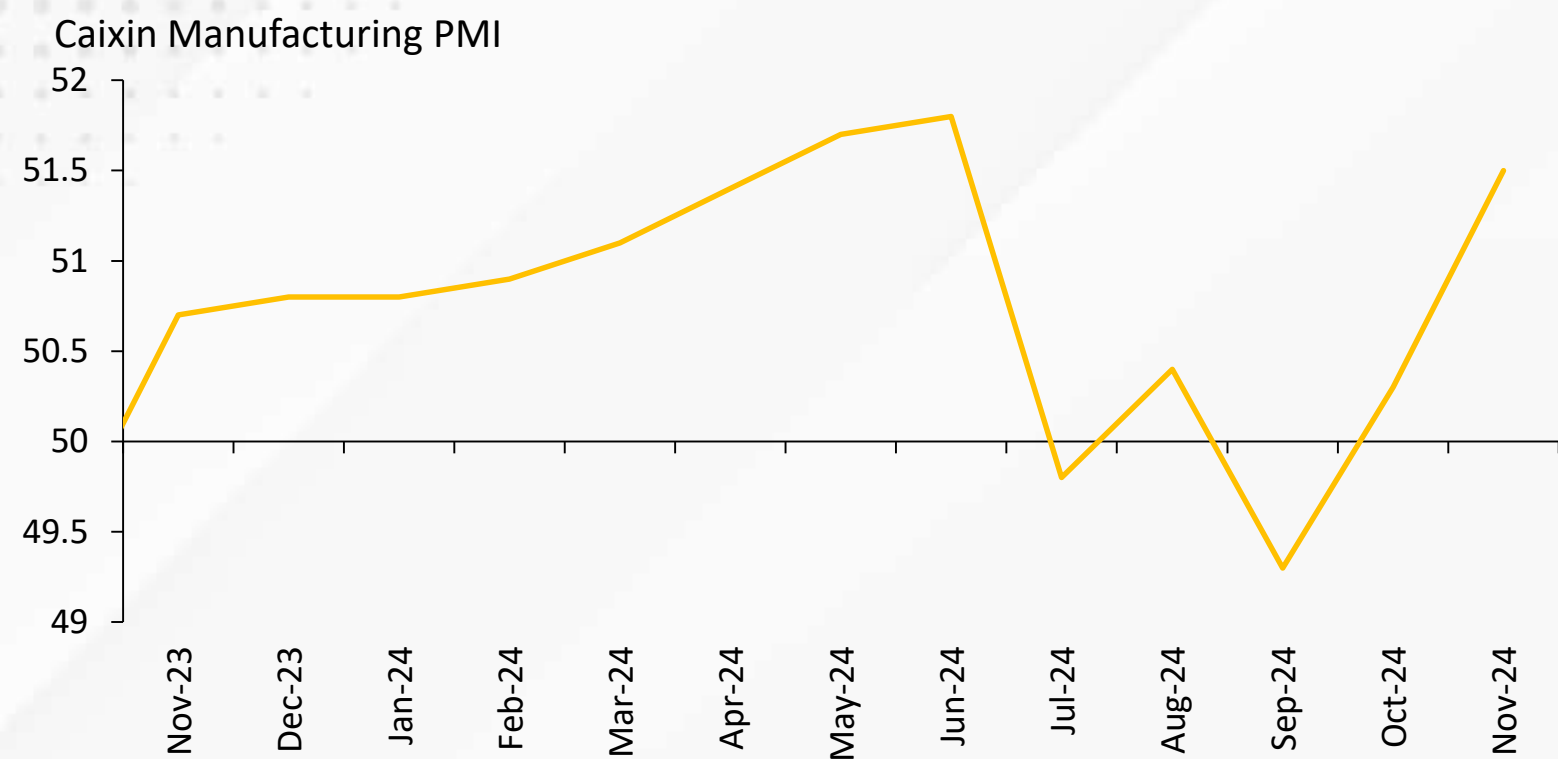
LMEX Index



Source: Reuters

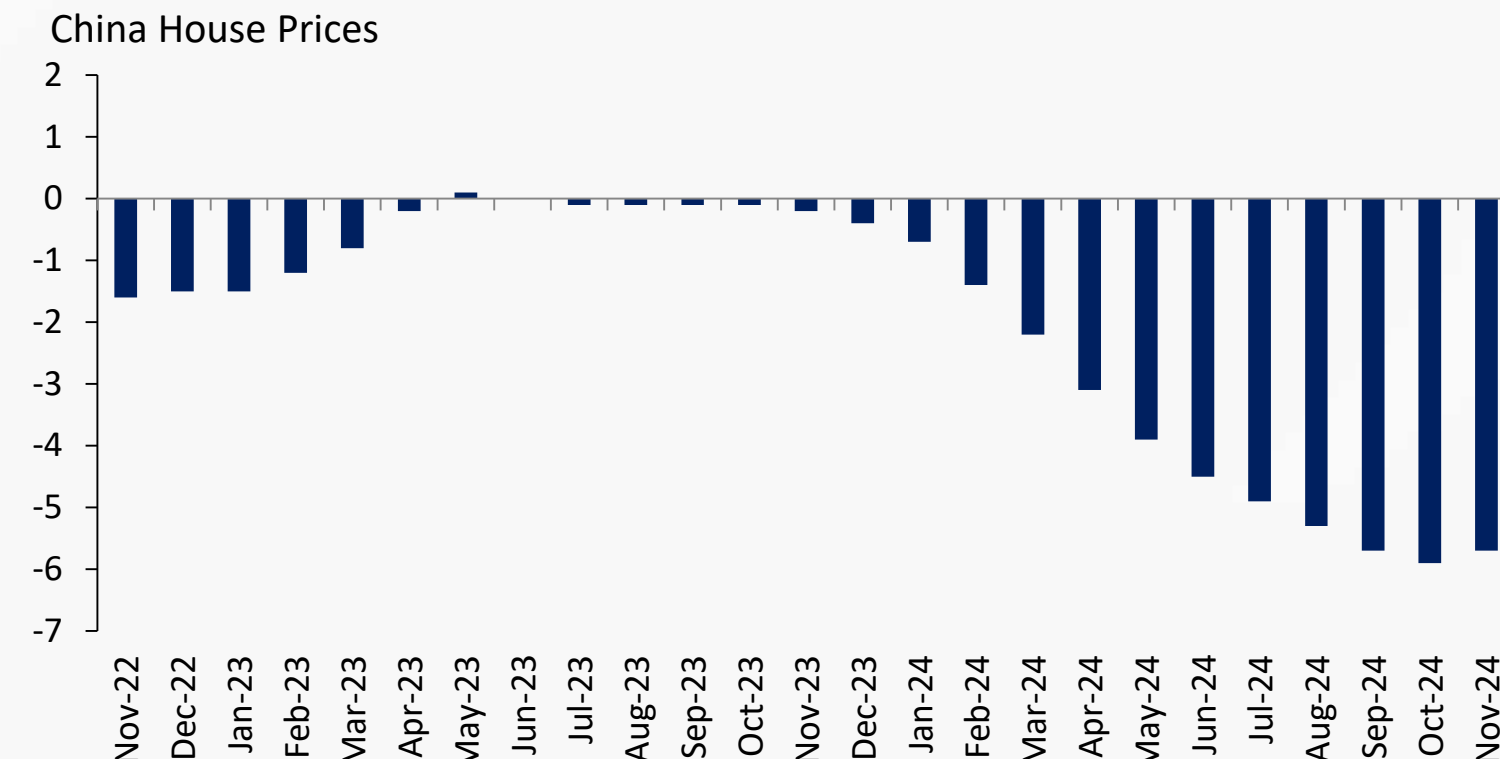
China's Economy: A Delicate Balancing Act

Manufacturing PMI signals the struggle in Chinese Economy



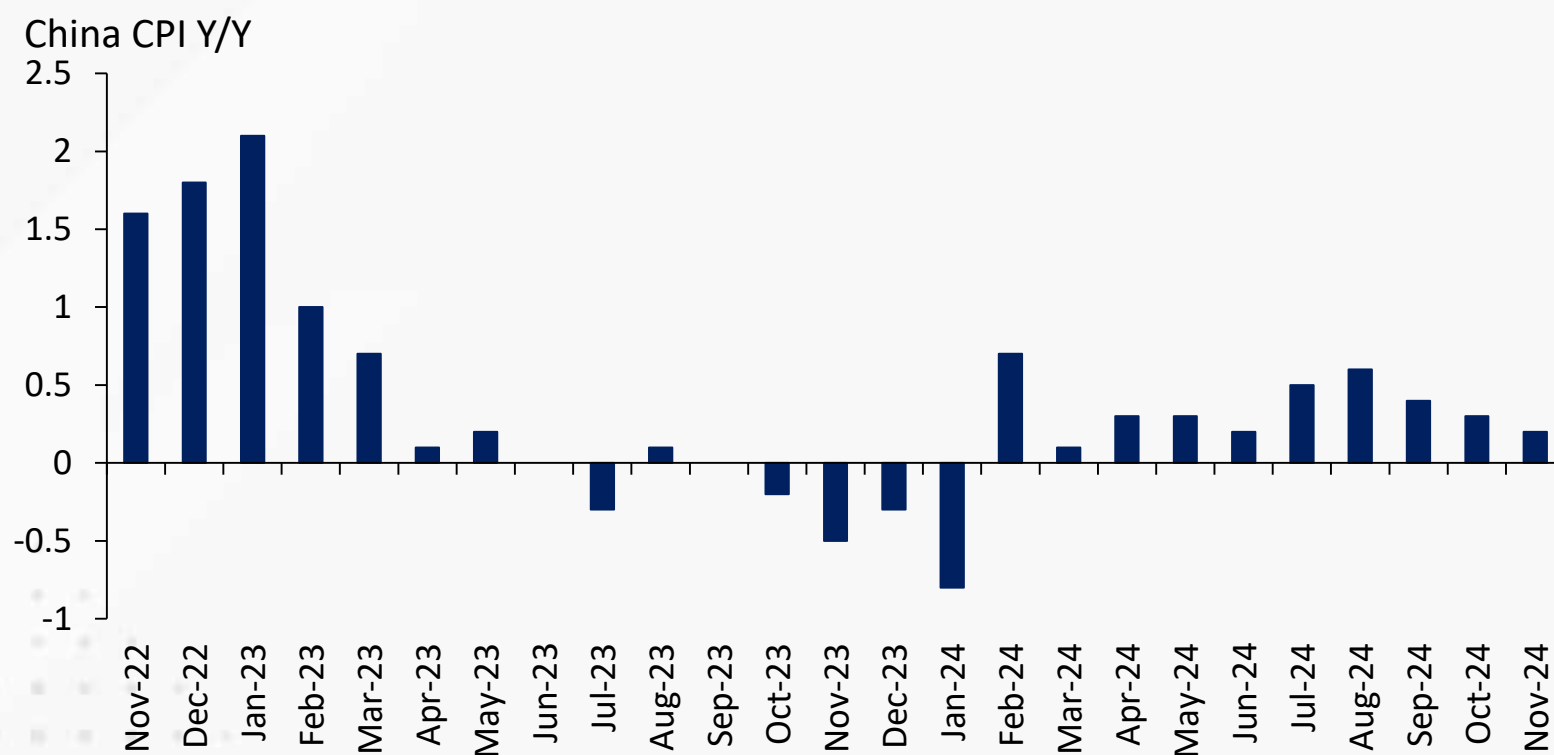
Source : Reuters

China Housing prices keep declining, highlighting real estate crisis



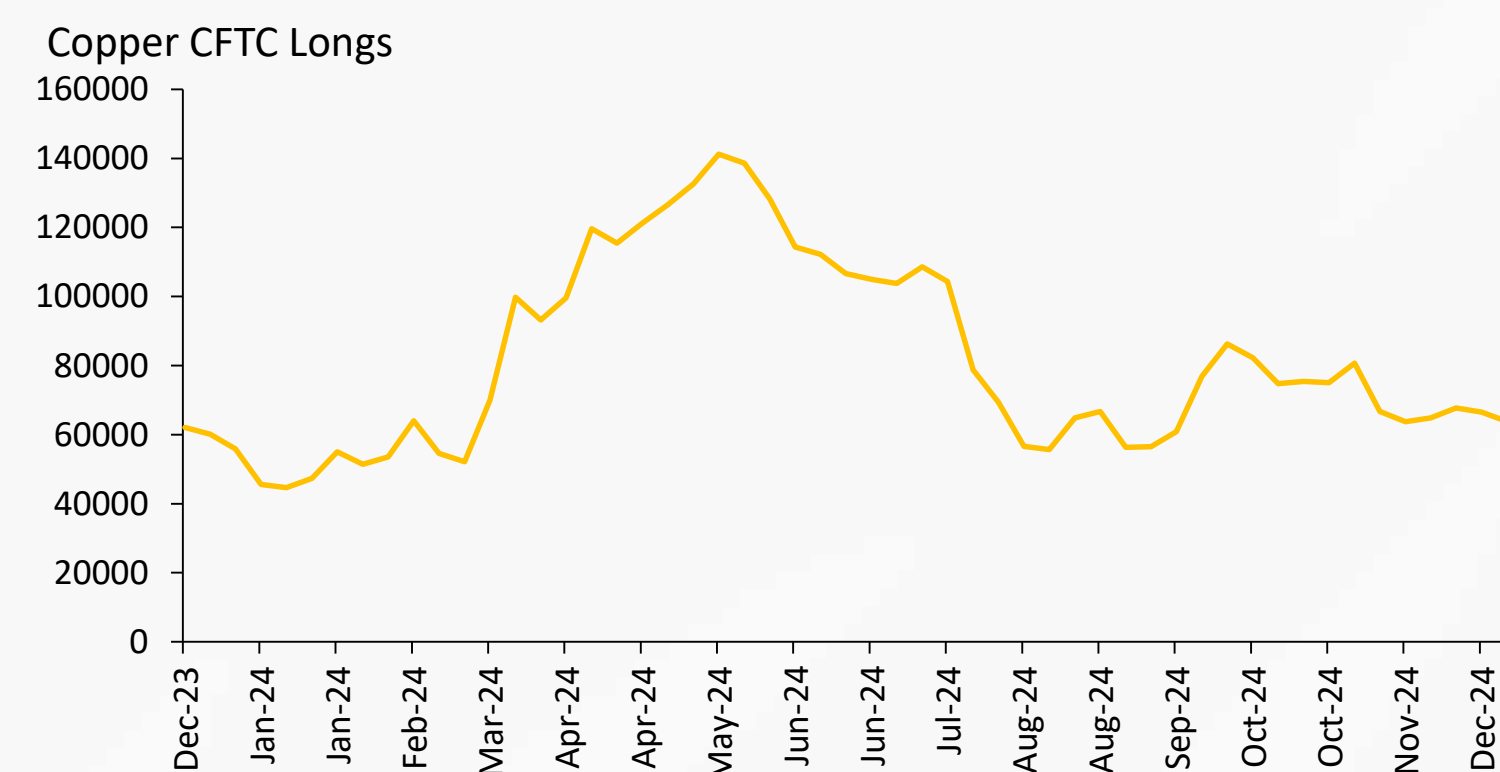
Source : Reuters

China still struggles with deflationary scenario



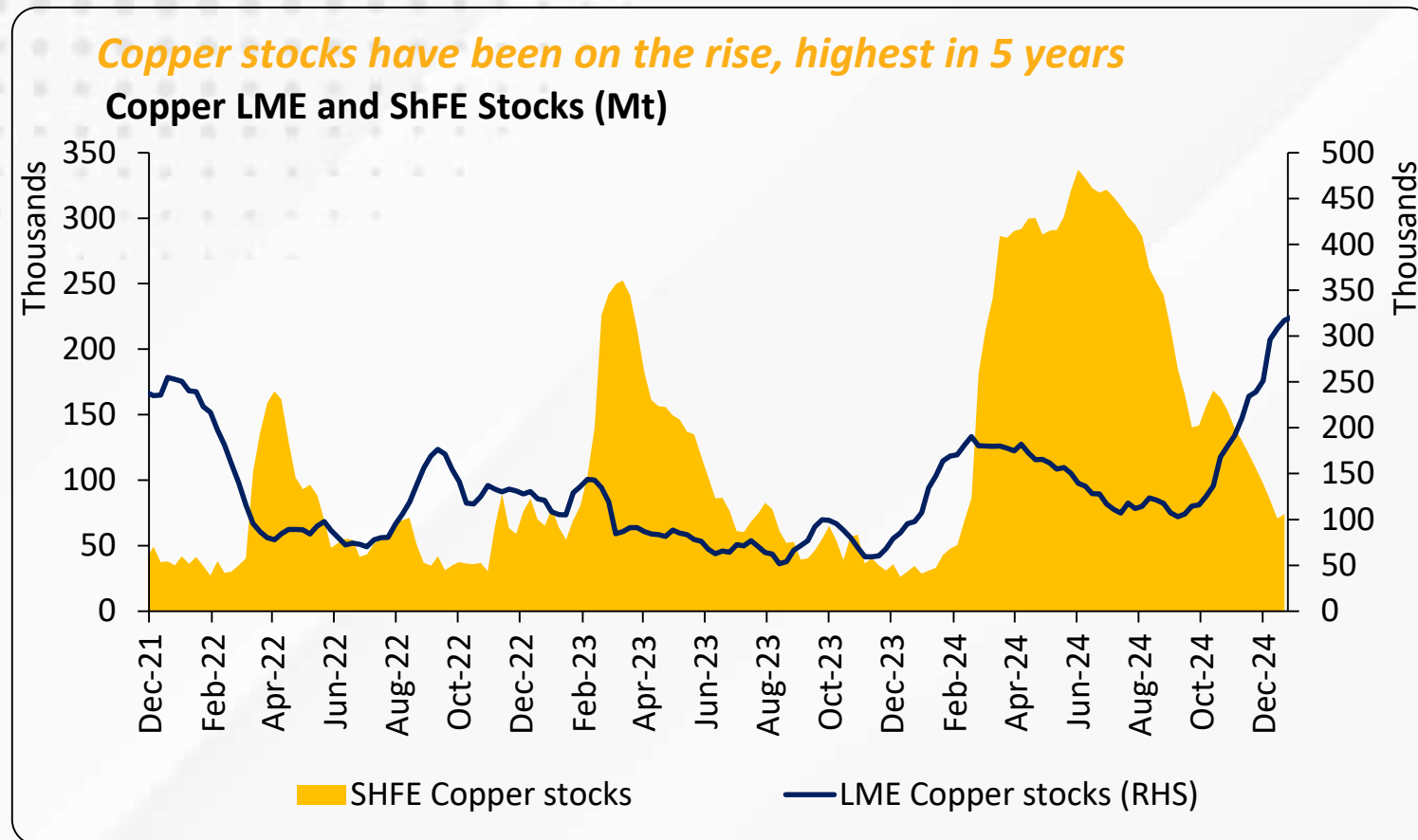
Source : Reuters

Money managers lose confidence in price recovery from highs touched in May

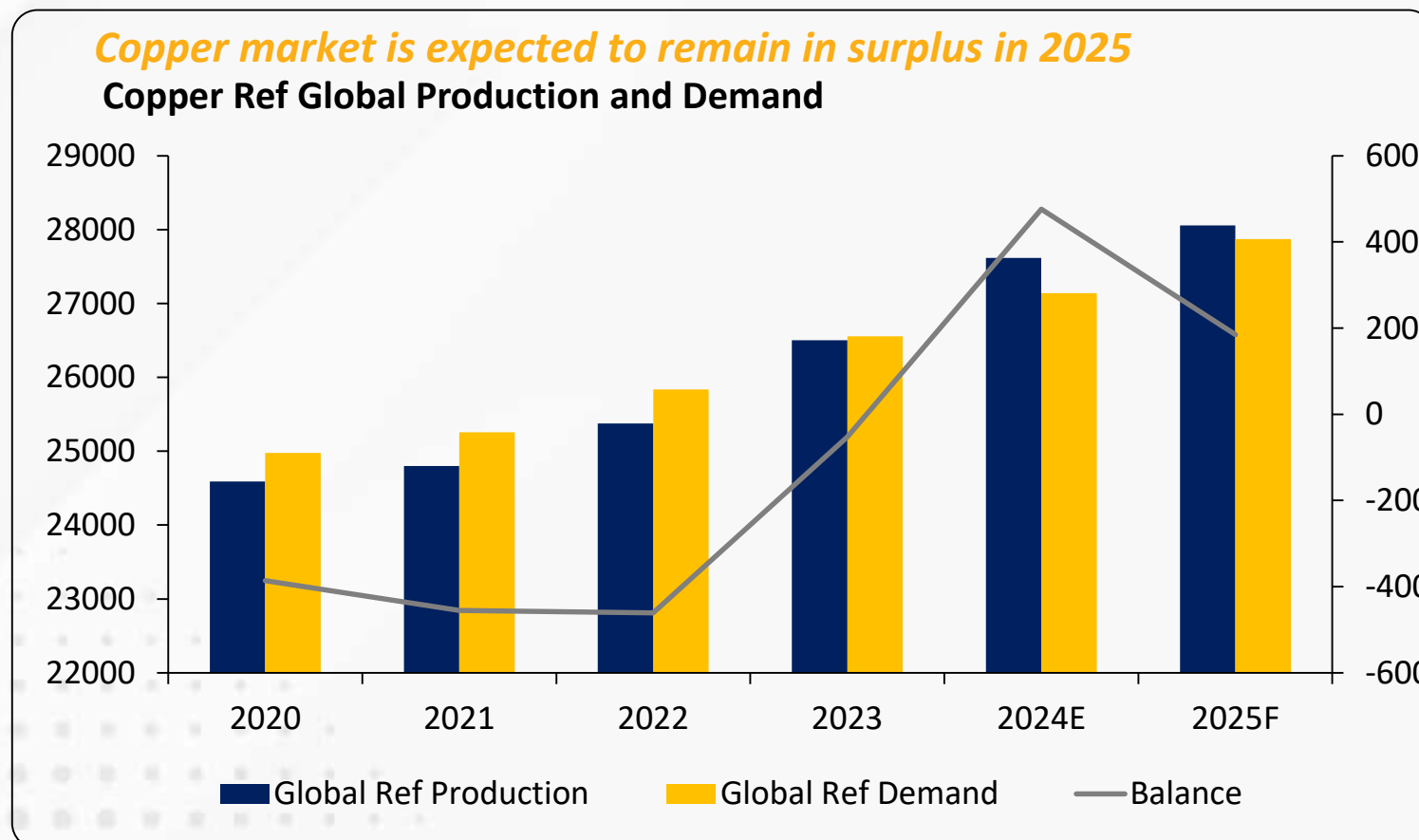


Source : Reuters

Copper Conundrum: Geopolitics, and Economic Optimism



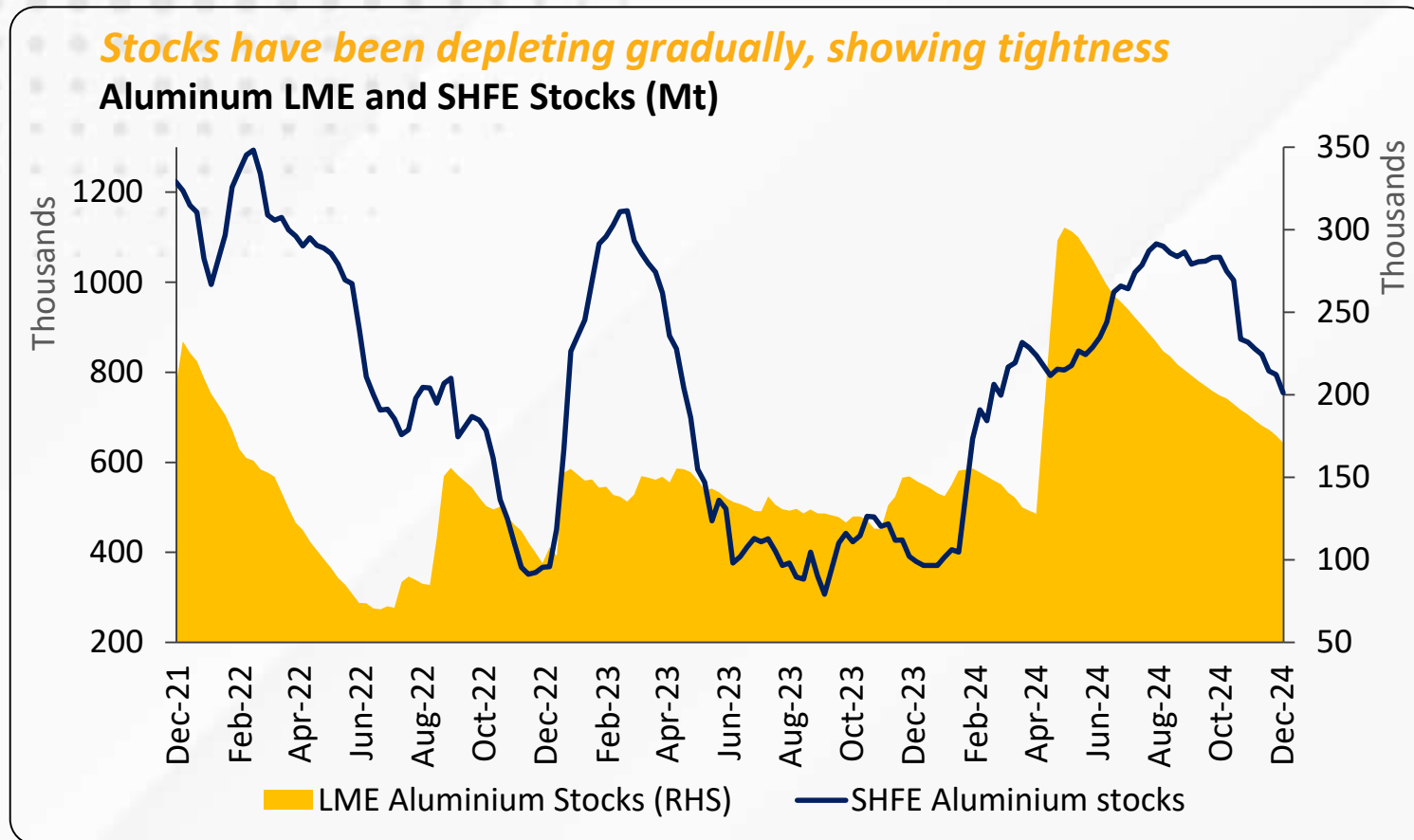
Source : Reuters



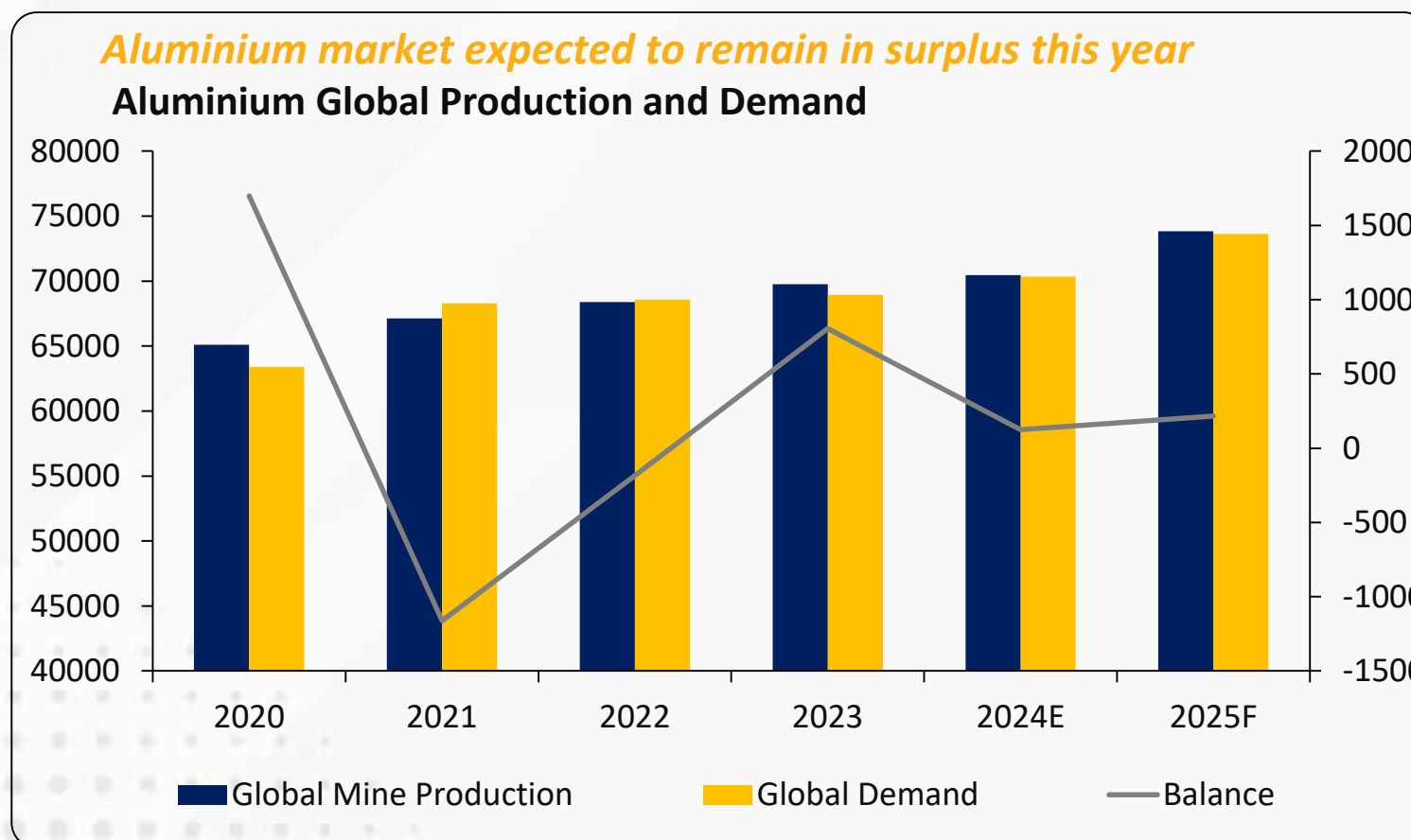
Source : Reuters, ICSG

- Copper experienced high volatility with significant gains in 2024
- Strengthening US dollar fuelled bearish sentiment; Chinese Yuan weakness added pressure
- China's Economic slowdown is driven by deflation threats and property market crisis
- Trump's potential tariffs on Chinese goods and global uncertainty are affecting demand
- Record Chinese metal exports driven by weak domestic demand
- LME Copper stockpiles are at their highest in last 5 years, while ShFE stocks are at multi year lows
- China announced \$1.4 trillion package for local governments and could continue the same in 2025
- Policymakers hope a recent blitz of fiscal and monetary measures will spark a turnaround
- Capacity Expansion via New smelters in Indonesia and India; Chile and Peru increasing output
- Global Mines like DRC, Mongolia, and Cobre Panama contributing to supply
- Copper market has been tight all year, with new demand accelerating beyond new mine supply
- ICGS anticipates a 200,000-ton surplus expected in 2025, after a 480,000 ton surplus in 2024
- Constraints in form of Concentrate shortages impacting production
- Treatment Charges are at record lows (\$22/ton from \$80) affecting profitability
- Overcapacity in China's smelting sector will have a short term overhang
- Stronger Chinese stimulus and green energy growth could add to the upside potential
- **First half could be clouded backed by Chinese slowdown, sanctions, DXY strength and geopolitics**
- **Second half recovery is expected on anticipated Chinese economic rebound, lack of new projects to meet demand and weaker Yuan.**

Aluminium's Path: Rising Costs and Supply Disruptions



Source : Reuters

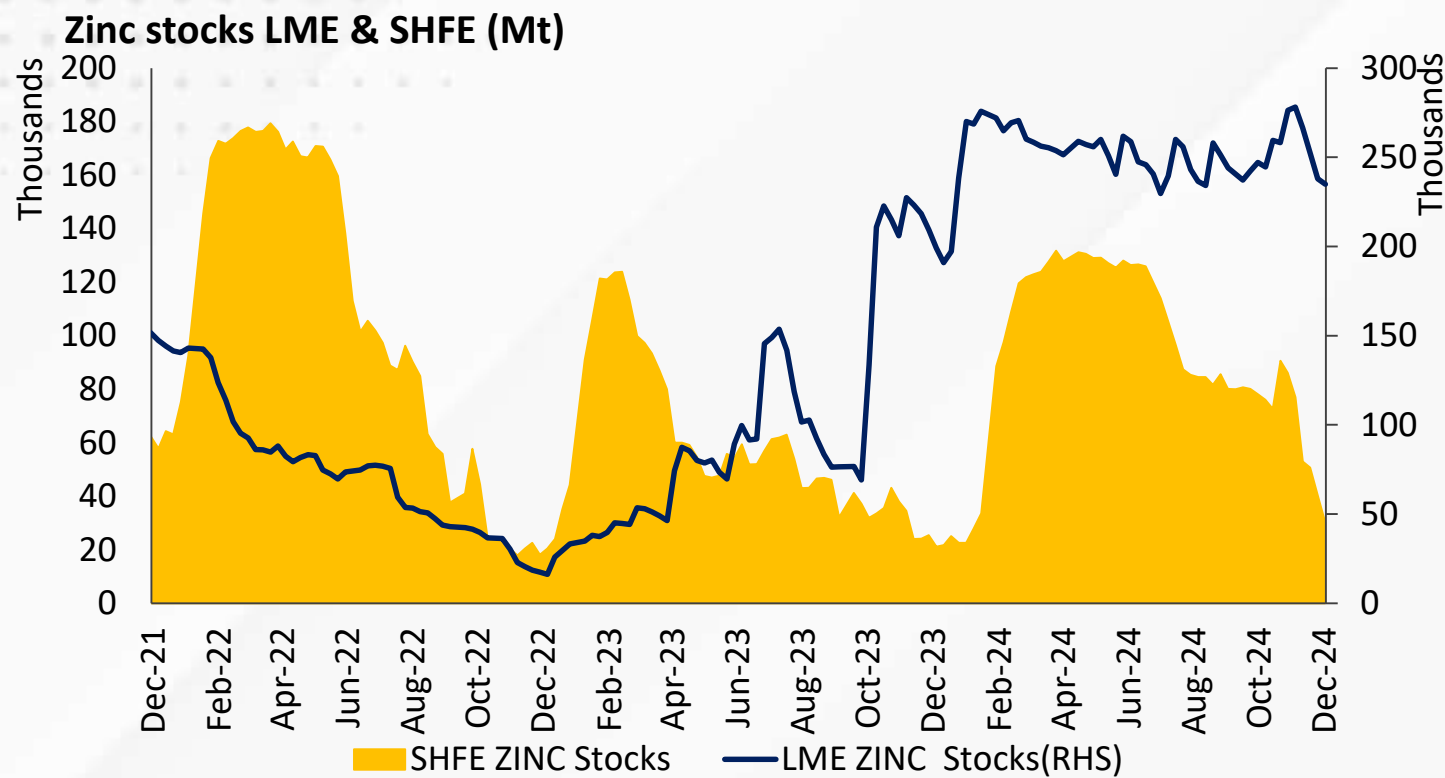


Source : Reuters, IAI

- Aluminium prices rallied in the second half of 2024 supported by surge in alumina
- Higher price in 2024 were driven by supply disruptions in Australia and Jamaica
- Raw material alumina now makes up over 50% of aluminium production costs (up from 30-35%)
- Rusal planned production cuts up to 500,000 tonnes, reflecting high alumina costs, industry pressures
- LME inventories did some built-up, but gradually depleted gain towards multi year lows
- IAI expects a shift from 100kt surplus (2024) to a 217k surplus by 2025
- Capacity constraints are emerging with limited new production, sluggish restarts in Europe and US
- China's production capacity is nearing 45-million-tonne limit, restricting further growth
- Chinese policy change of export tax rebate removal could tighten global supply by reducing exports
- Proposed tariffs on Canadian aluminium may drive up US prices and affect domestic consumers
- China & US Demand is critical as Europe's construction and automotive sectors struggle
- Property market overhang continues to suppress demand unless significant stimulus is introduced
- US Policies in form of renewable energy and EV policies could boost aluminium demand
- Geopolitical Risks and trade uncertainties may delay demand recovery
- Tight supply, high alumina costs, and further disruptions could drive prices higher.
- **First half could see modest price recovery due to supply constraints and rising demand**
- **Second half could be subject to Chinese stimulus measures, US tariff policies and Alumina supply and production trends.**

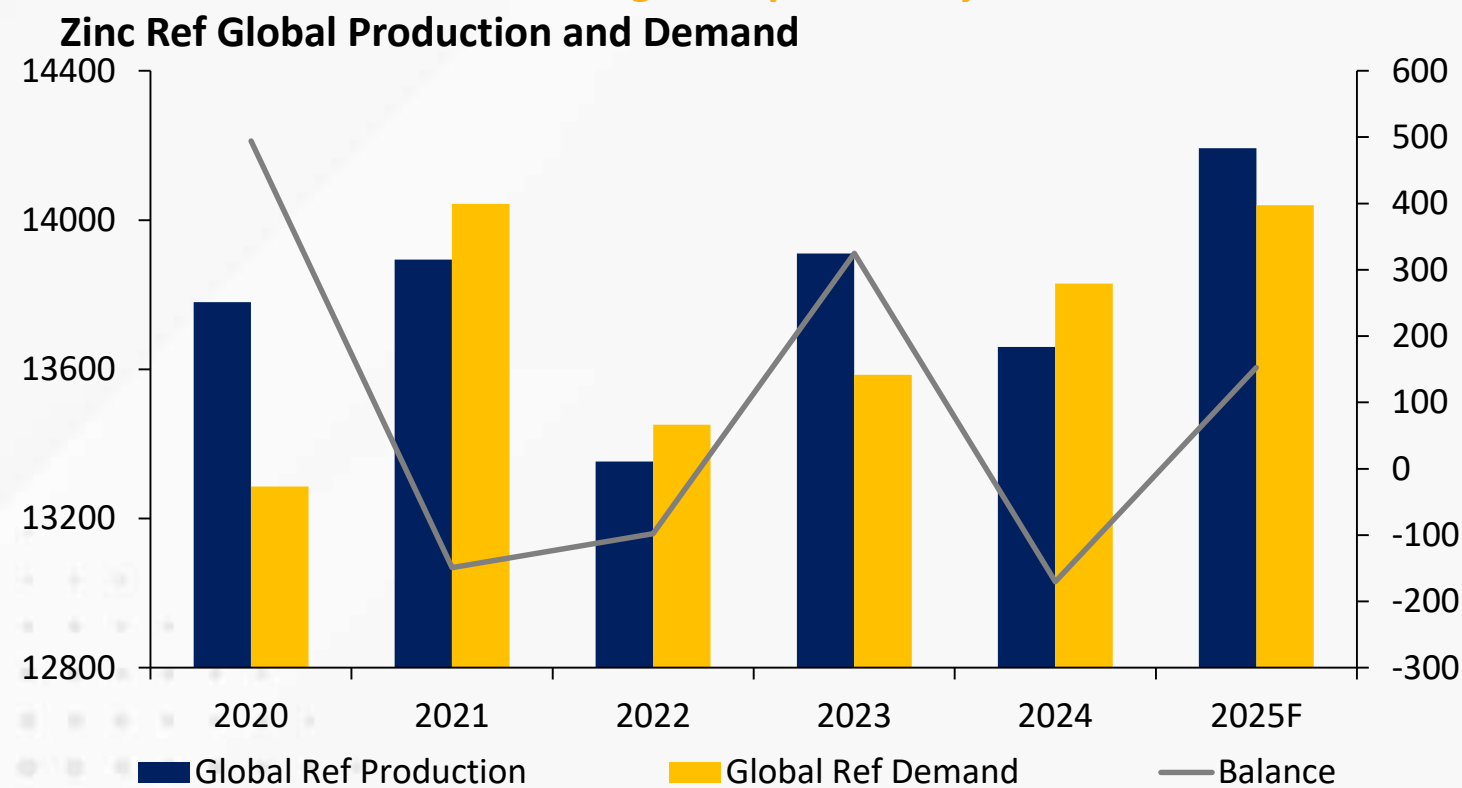
Zinc: Supply Growth and Stimulus-Driven Demand

Zinc stocks at their highest on LME



Source : Reuters

Zinc markets to remain in slight surplus next year



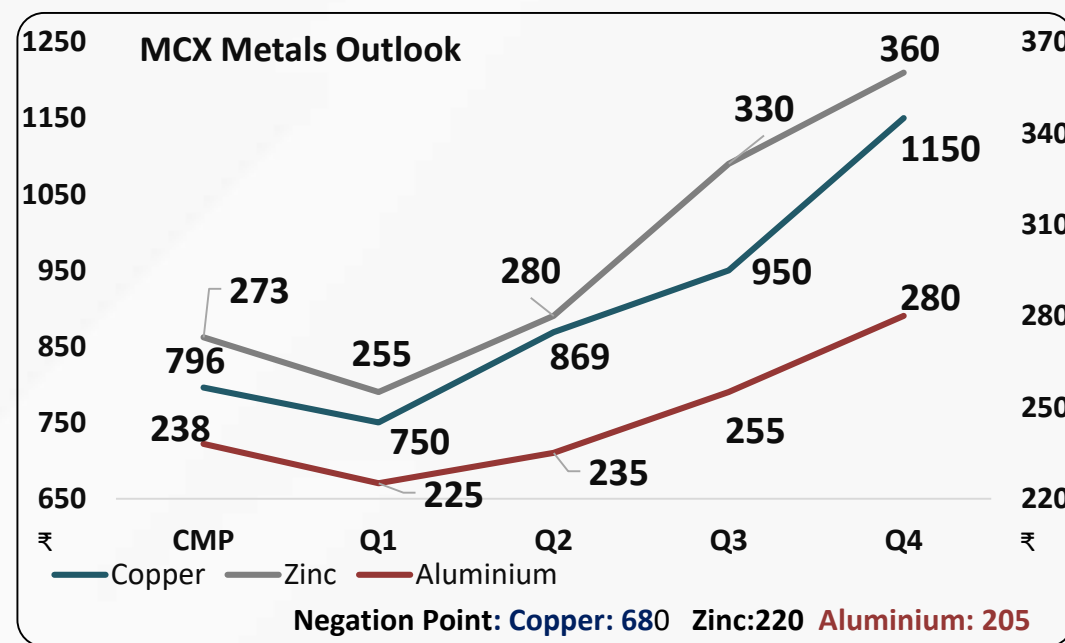
Source : Reuters, ILZCG

- Zinc prices rose ~15% due to tight supply and production halts
- Lower prices led to mine shutdowns and maintenance
- ILZSG predicts a 164,000-ton deficit in 2024, followed by a 148,000 surplus next year
- Chinese smelter treatment charges hit record lows, and zinc concentrate imports declined
- Construction sector (55% of zinc demand) faces persistent weakness
- Manufacturing and automotive sectors are slowing, especially in Europe and China
- LME and ShFE zinc stocks did see some recovery, but are still far from decade highs
- Zinc prices above the 75th cash cost percentile since Q2 2024 will drive mine production
- Global mine output forecast to rise by 5.7% YoY, reversing a 3-year decline
- Major mines (Kipushi in Congo, others in Europe, Russia, China, Australia, and Canada) to restart
- Refined production to grow 3.9%, reaching record levels, while Global consumption rise 1.7% YoY
- Demand to be led by emerging markets and Chinese/US stimulus targeting infrastructure
- Supportive factors can come through delayed mine restarts, US tariffs under Trump & High energy costs
- **Strong USD, weak Chinese growth, and lower ferrous demand and easing supply tightness could cloud early 2025**
- **Second half could see demand recovery led by emerging markets, Chinese fiscal, monetary and infra stimulus along with easing geopolitical situation and seasonal demand.**

Technical Outlook: Base Metals

Base metals traded in a positive note throughout the year in which Zinc showed relative strength with annual gains of 20%, Aluminium recorded yearly gains of nearly 14% however Copper gained with a lackluster 9% move

COMMODITY	VIEW	PURCHASE PRICE	TARGET (₹ / \$)	NEGATION
MCX / LME - COPPER	POSITIVE	₹730 - 770 / \$8100 - 8300	₹1,150 / \$12,000	₹680 / \$7,400
MCX / LME - ZINC	POSITIVE	₹250 - 260 / \$2650 - 2700	₹360 / \$3,800	₹220 / \$2,300
MCX / LME -ALUMINIUM	POSITIVE	₹220 - 225 / \$2280 - 2350	₹280 / \$3,000	₹205 / \$2,200

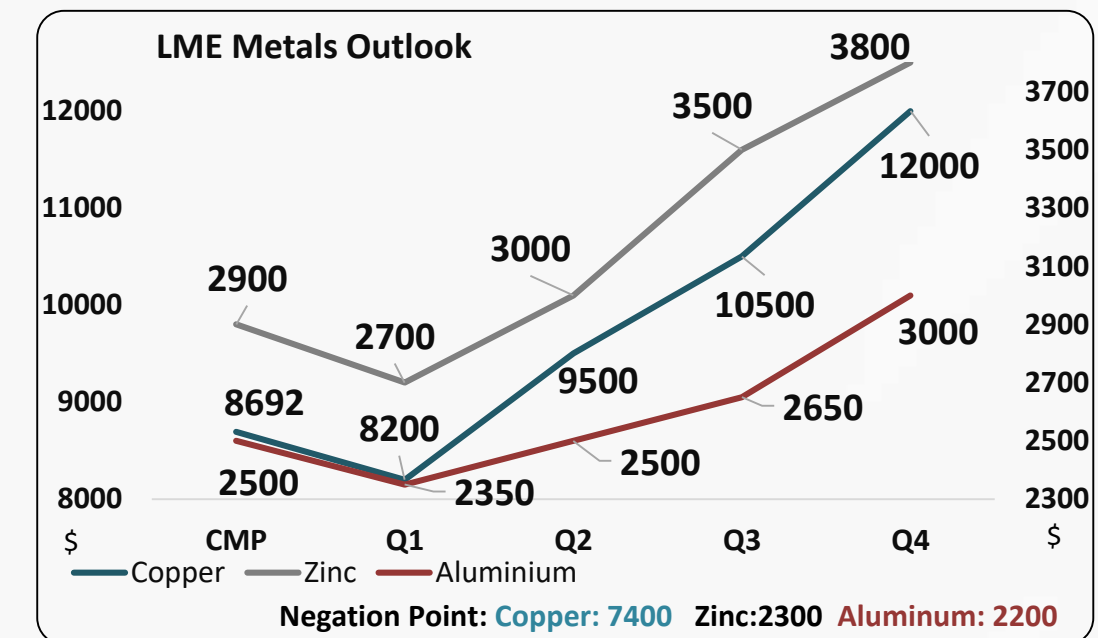


WHAT WE FORECASTED (IN 2024)

We forecasted an annual target of ₹900 for Copper and ₹280 for Zinc. Additionally, we recommended an annual target of ₹265 for Aluminium.

REALITY (IN 2024)

The target of ₹900 for Copper was achieved in the second quarter, while the target of ₹280 for Zinc was reached in the third quarter. Aluminium exhibited a more gradual movement, with approximately 75% of the anticipated target achieved.

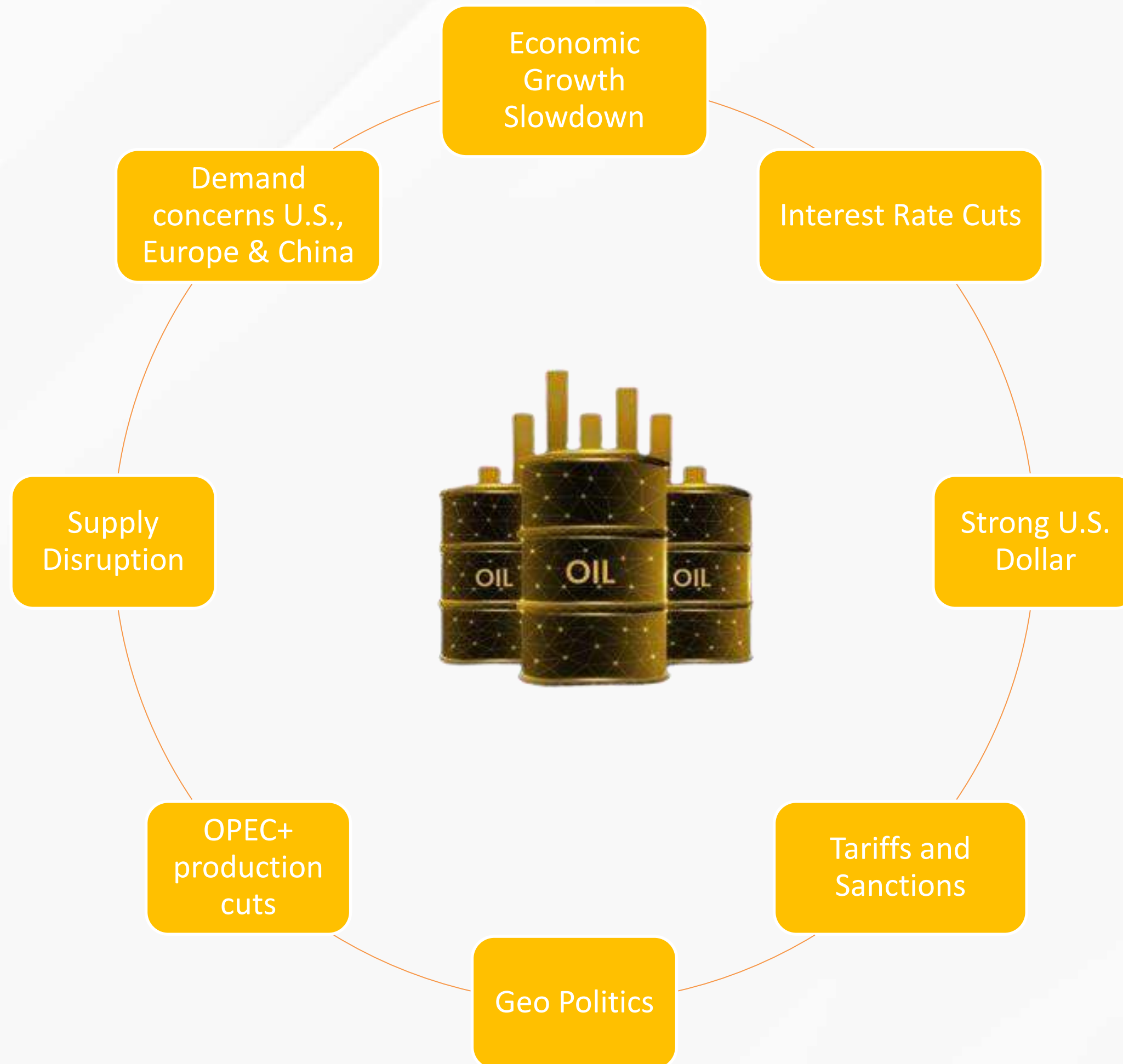


WHAT'S NEXT? (FOR 2025)

The outlook for 2025 indicates that the metal pack is expected to outperform other commodities on MCX. Within metals, copper is anticipated to be the highest gainer, followed by zinc and then aluminum.

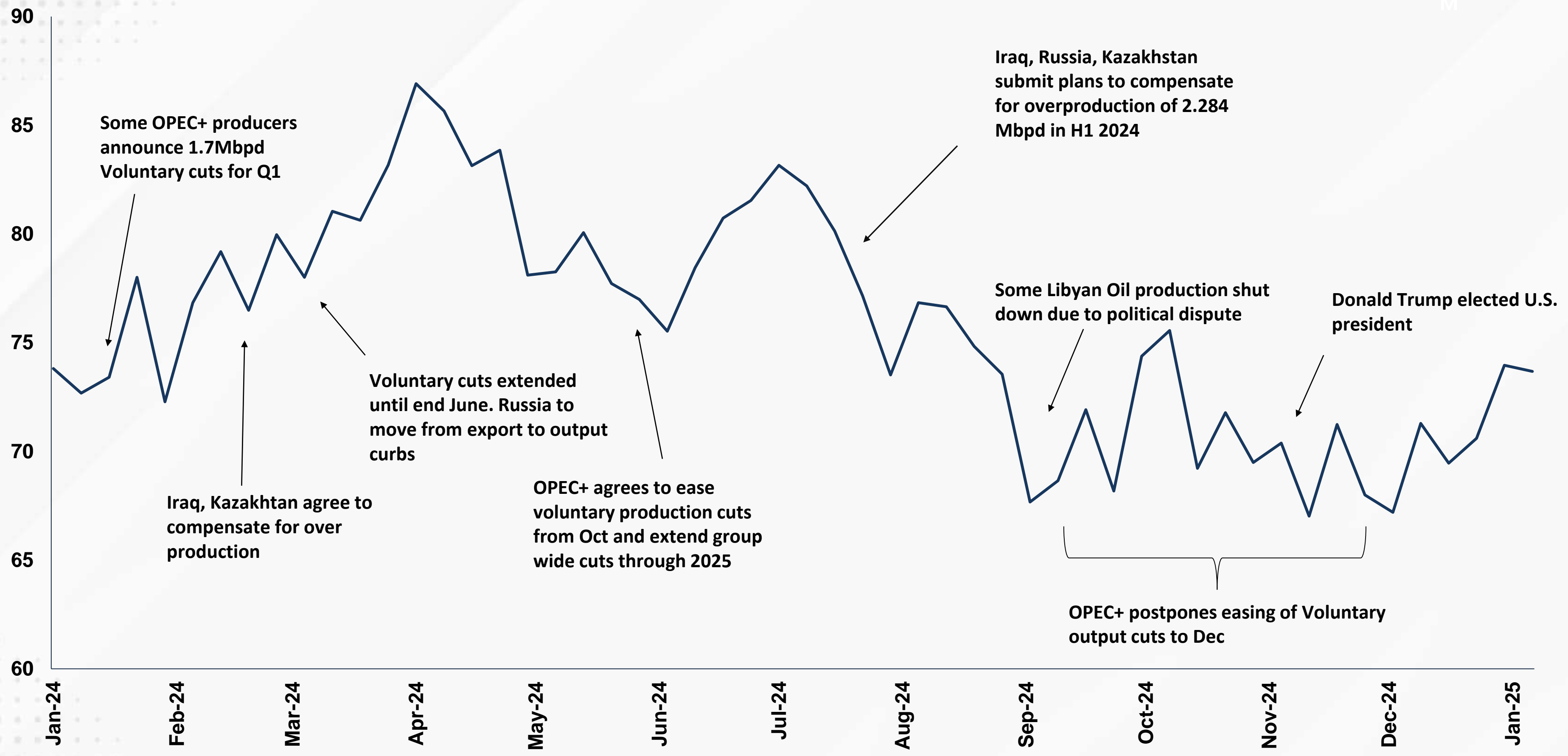
Crude Oil





Oil prices dip challenge OPEC+ Unity

WTI Price(\$)



Some OPEC+ producers announce 1.7Mbpd Voluntary cuts for Q1

Iraq, Kazakhtan agree to compensate for over production

Voluntary cuts extended until end June. Russia to move from export to output curbs

OPEC+ agrees to ease voluntary production cuts from Oct and extend group wide cuts through 2025

Iraq, Russia, Kazakhstan submit plans to compensate for overproduction of 2.284 Mbpd in H1 2024

Some Libyan Oil production shut down due to political dispute

Donald Trump elected U.S. president

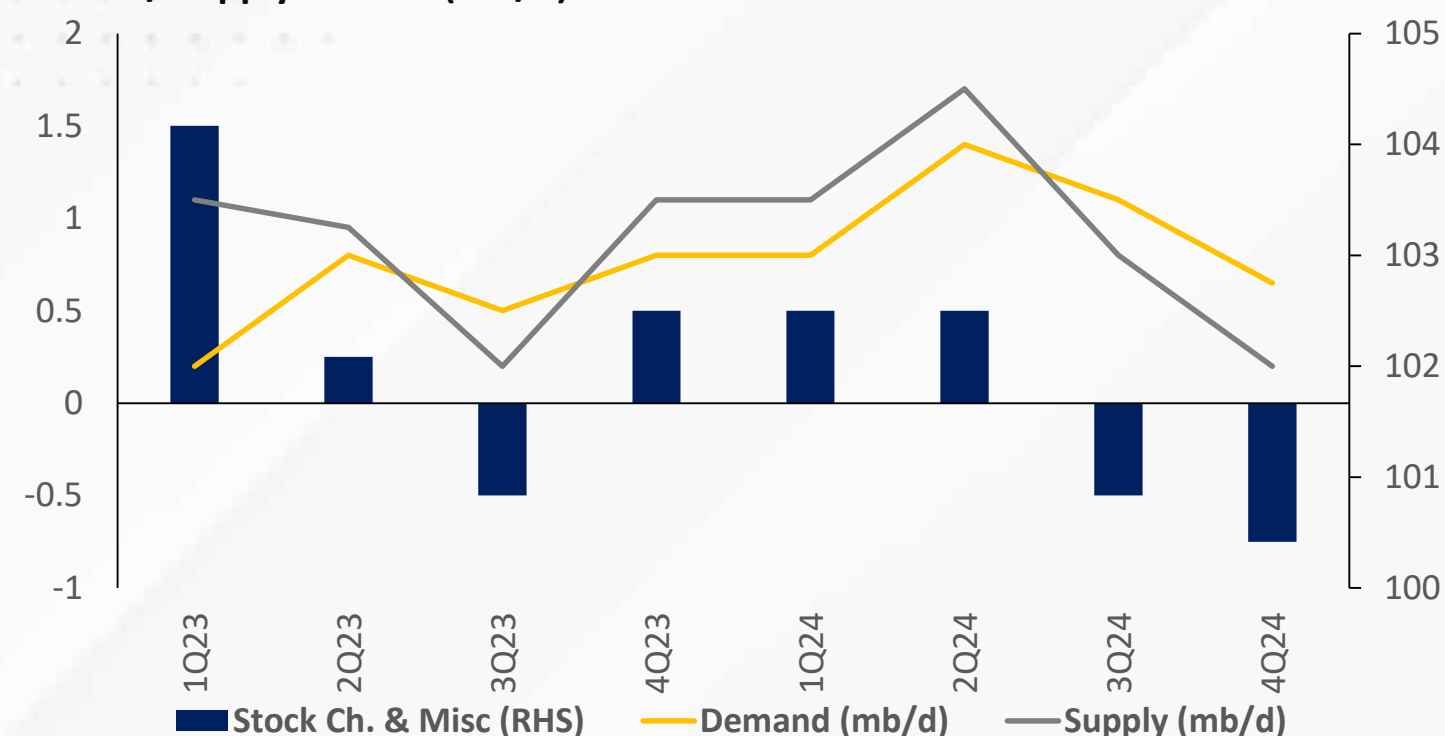
OPEC+ postpones easing of Voluntary output cuts to Dec

Source: Reuters

Review

Inventories expected to show a surplus in 2025

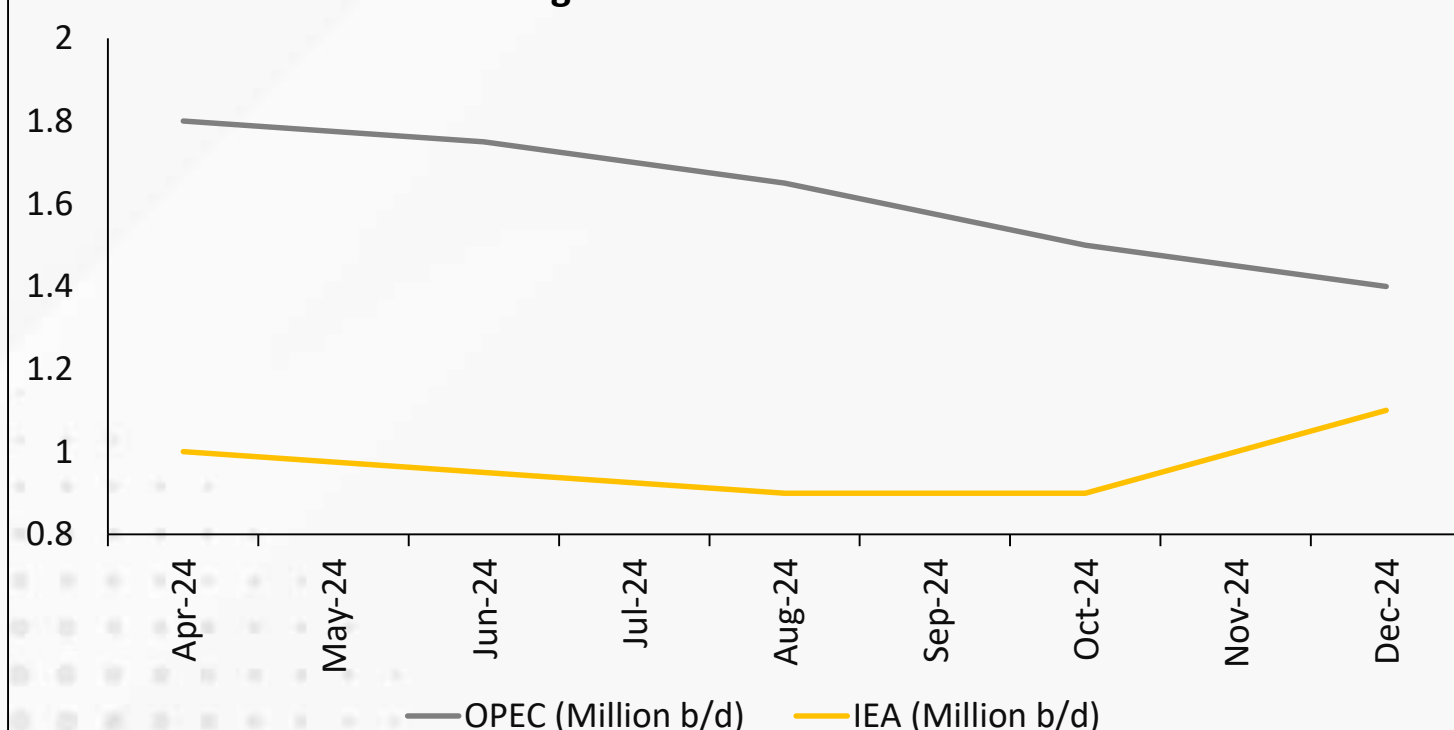
Demand / Supply Balance(Mb/d)



Source : Reuters

Slowdown expected in 2025, China, major contributor

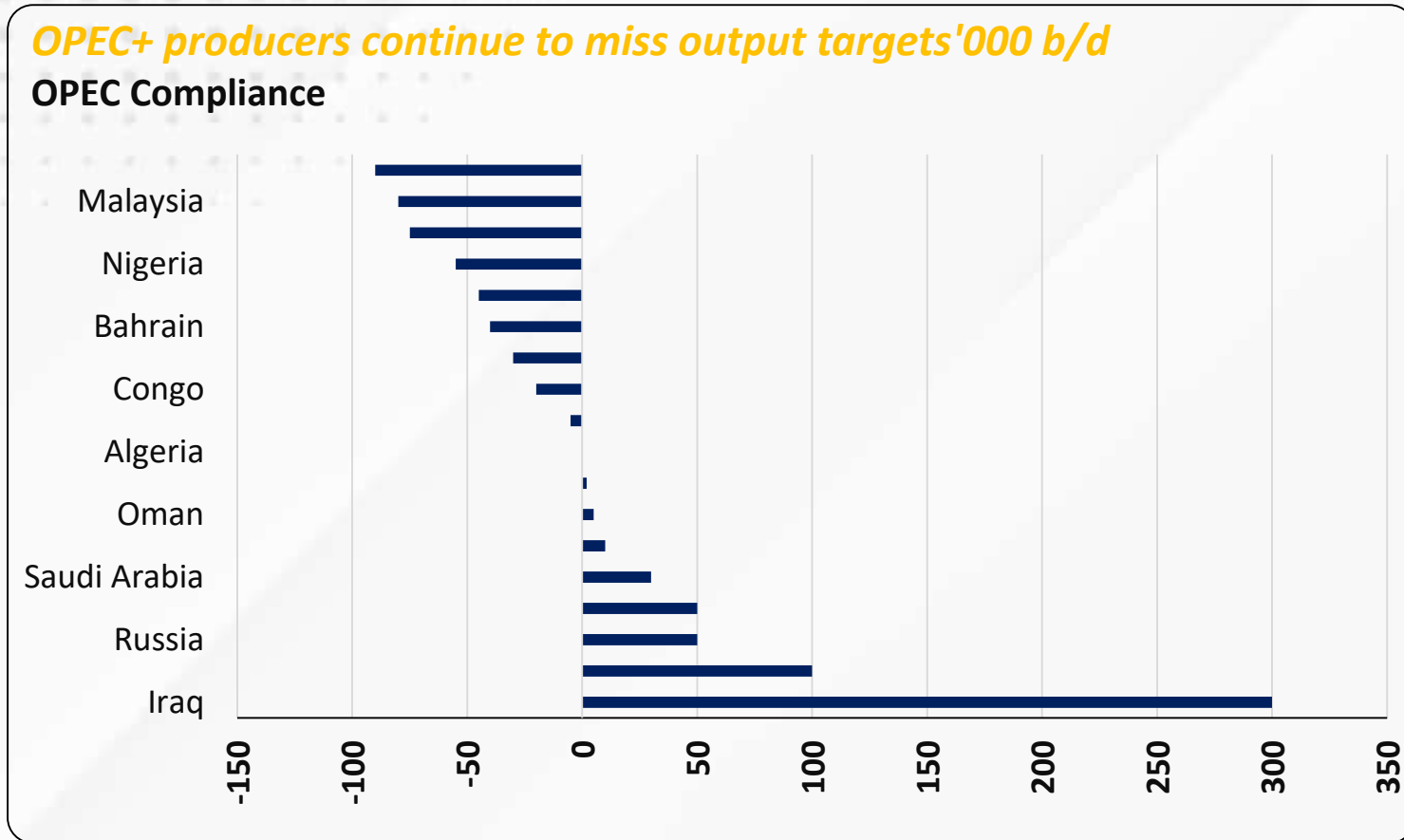
2025 World Oil Demand Change



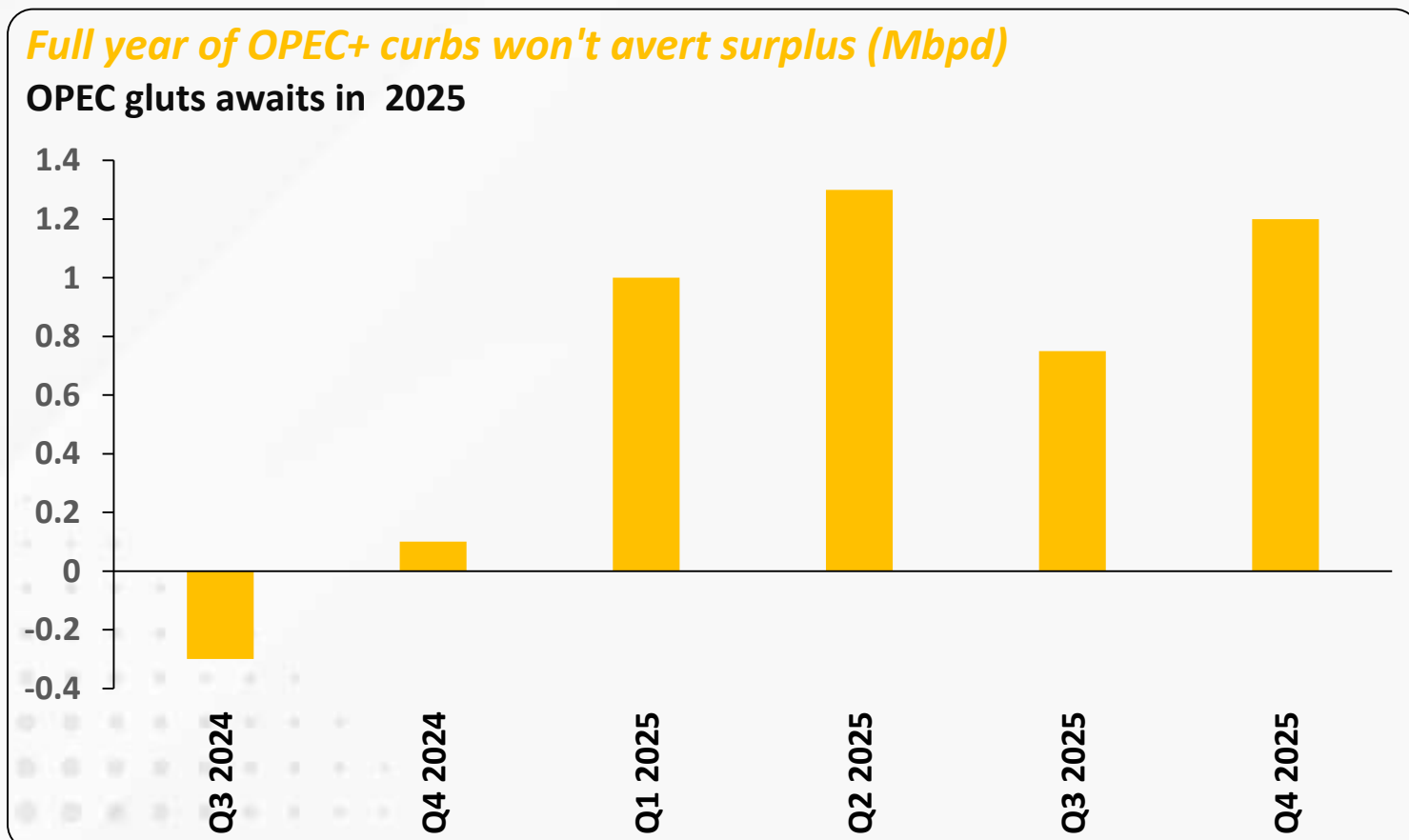
Source : Reuters, OPEC

- Oil prices post 3% annual decline, slipping for second year in a row
- 2024 saw price swings driven by OPEC+ supply control and inconsistent demand
- Prices faced heightened geopolitical tensions with refocussed attention on fundamentals, including weak Chinese demand, along with resumption of Libyan crude output
- Geo political developments remain crucial, with policy changes impacting global supply dynamics
- Economic headwinds in major economies may impact consumption patterns, while the shift to cleaner energy technologies slows demand growth in developed markets
- Eurozone economy continues its modest rebound from a borderline recession centred on Germany
- In China, growth is running below the official 5% target for the year, reflecting the ongoing effects of property sector overhang
- IEA has raised their 2025 global oil-demand growth forecast to 1.1 mbd from 0.99 mbd
- Non-OPEC+ supply growth is projected at 1.5 mbd in both 2024 and 2025, leaving the market 'comfortably' supplied
- Market focus since US election centred on President-elect Donald Trump's "drill baby drill" pledge and proposed tariffs
- Donald Trump's policies present both bullish and bearish risks for oil prices
- Potential renewed sanctions on countries like Iran and Venezuela could lead to supply disruptions, while tariffs could weigh on growth prospects.

OPEC cuts, failing to support oil prices



Source : Reuters

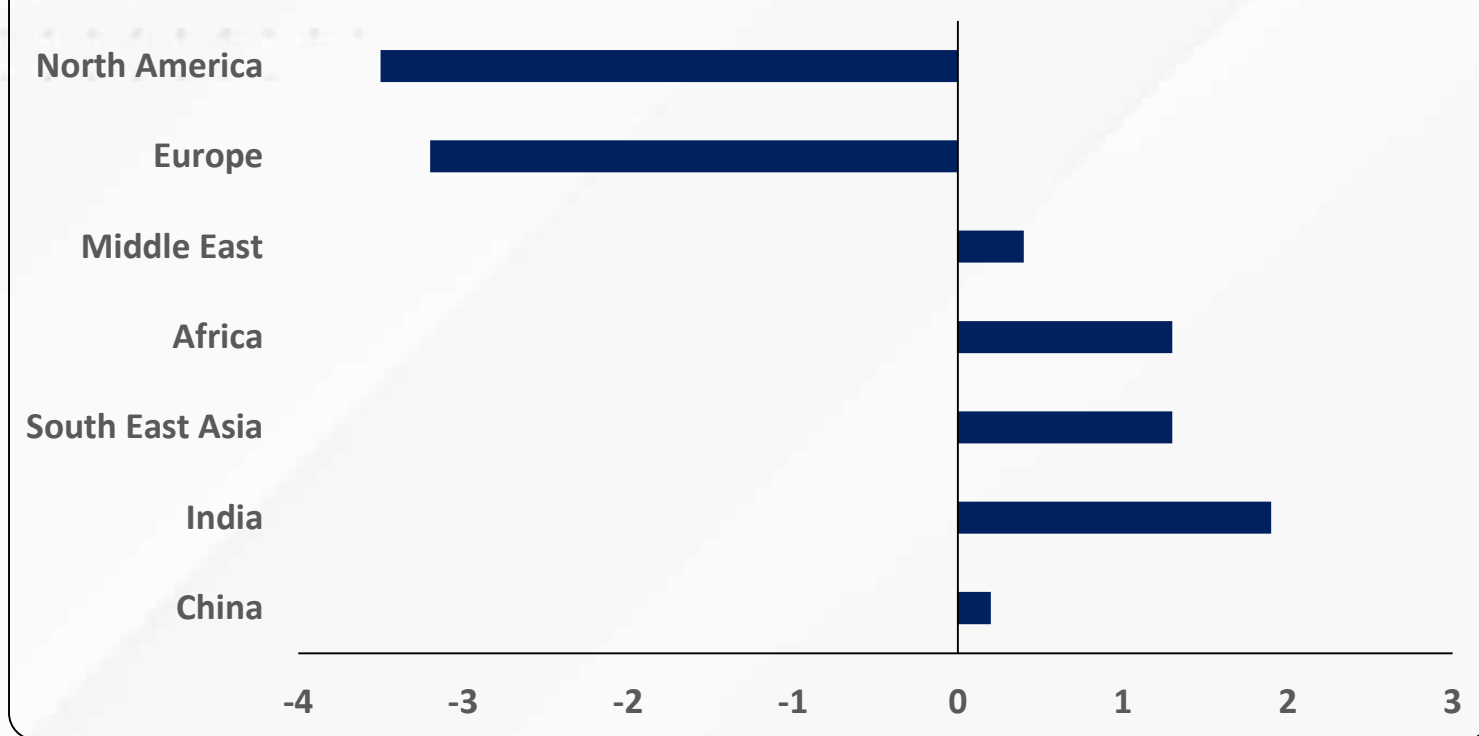


Source : Reuters, OPEC

- OPEC+ delayed the revival of its oil production by three months, the third time it's deferred the move
- OPEC+ delayed easing of 2.2 million barrels per day (bpd) production cuts from January to April 2025
- Gradual reduction of production cuts extended until September 2026
- Decision expected to result in a tighter oil market, with nine OPEC producers (excluding Iran, Libya, and Venezuela) projected to produce 400,000 bpd less in 2025
- Combined output forecast reduced by 700,000 bpd for Q4 2025.
- Production adjustments suggest OPEC+ is cautious about global oil demand not supporting a full reversal of cuts in 2025
- OPEC+ faces tricky negotiations on 2025 crude output policy, with concerns over China demand
- Non-OPEC+ supply growth is projected at 1.5 mbd in both 2024 and 2025, leaving the market 'comfortably' supplied
- Strong output outside the group and patchy quota compliance set to continue into 2025

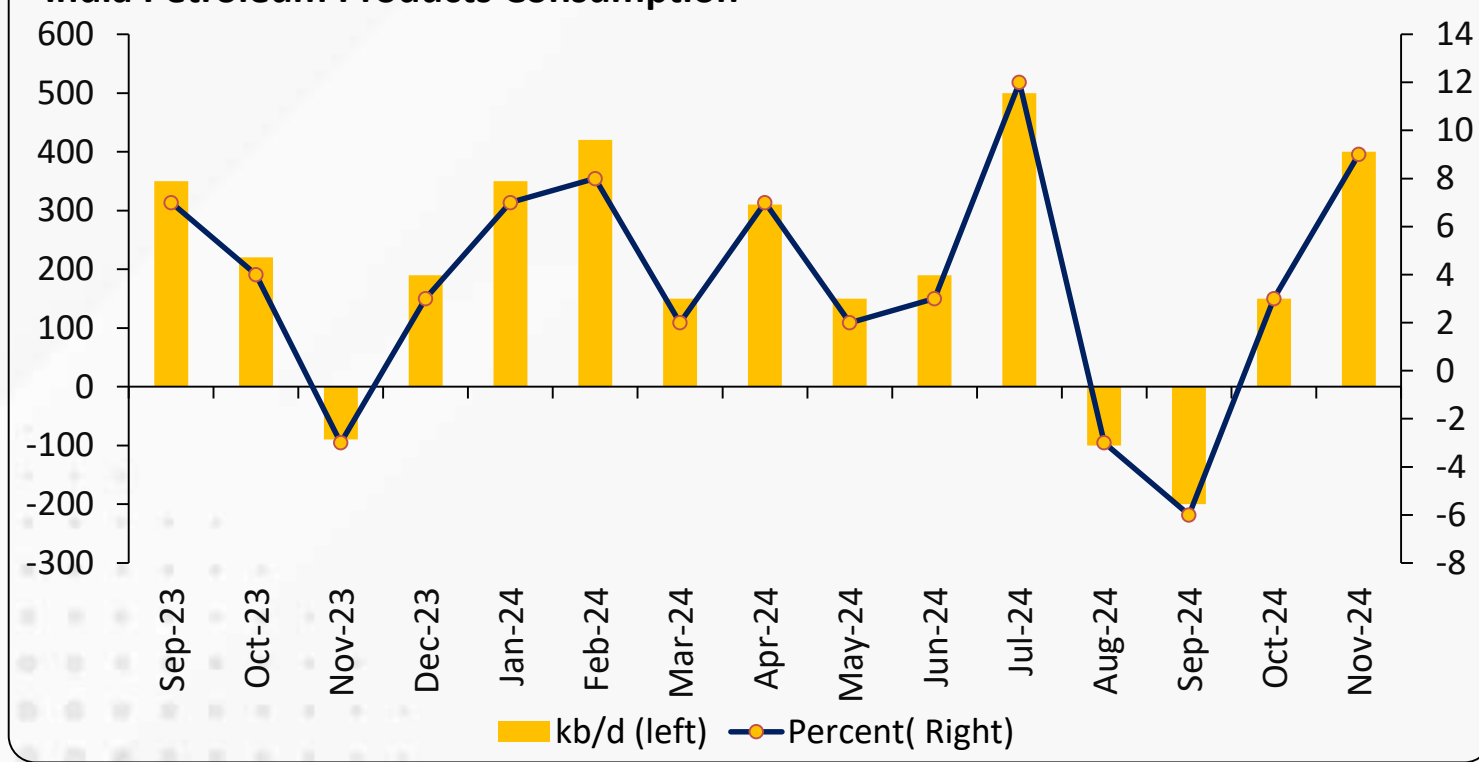
Weak Demand, A Major Drag

Weakness remains in Chinese Economy
Global Demand by Regions, 2023 -2024(Mb/d)



Source : EIA

India overtakes China as leading oil consumer
India Petroleum Products Consumption



Source : Reuters, OPEC

- China's growth is hampered by property market challenges and low business confidence stemming from abrupt policy changes
- Anaemic inflation reflects subdued consumer spending and weak investment sentiment
- China's crude oil imports reached 505 MT in the first eleven months of the year, down from 516 MT during the same period in 2023
- The decline is driven by the growing use of electric cars and gas-powered trucks, reducing domestic gasoline and diesel consumption.
- As China hesitates on potential stimulus, India is set to surpass China as the largest driver of global oil demand growth in 2025-26.
- Policymakers have offered limited support to curb downside risks, with no significant demand-driven stimulus yet
- India has overtaken China as the largest source of global oil demand growth in 2025-26
- On sanctions front, U.S. tariffs on Chinese exports could rise by up to 60%, averaging 20%, potentially reducing China's 2025 growth by 0.7%
- Additional rate cuts and fiscal policies aim to boost short-term demand and will have lagging effect to induce consumer confidence and income growth in H2 2025
- A coordinated policy shift by policymakers in late 2024 may ease financing conditions and boost growth in the coming quarters
- However, stronger measures are needed to address external pressures, property sector difficulties, and low household and business confidence.

H1 2025

- Bearish sentiment will continue to persist amid sluggish economic growth and expanding energy supplies
- Trump's Re-election is creating nervousness in energy markets due to potential policy shifts as global macroeconomic outlook is highly dependent on policy implementation
- Uncertainty exists regarding how campaign promises will translate into policy
- Limited bullish effect on oil prices expected from U.S. sanctions on Iran
- Global energy demand is expected to grow by just 1.6% due to low economic growth
- Trump's strategy to lower oil prices includes boosting U.S. oil and gas production
- Forecast : A global oil market surplus of ~0.8 mb/d in 2025, even after OPEC+ announcement
- New U.S. energy projects may take years but current oversupply suggests near-term price decline
- Federal policies to expedite energy production could amplify oversupply and dampen prices.
- **Prices are expected to stay lower in first half, with prices touching levels of \$60**

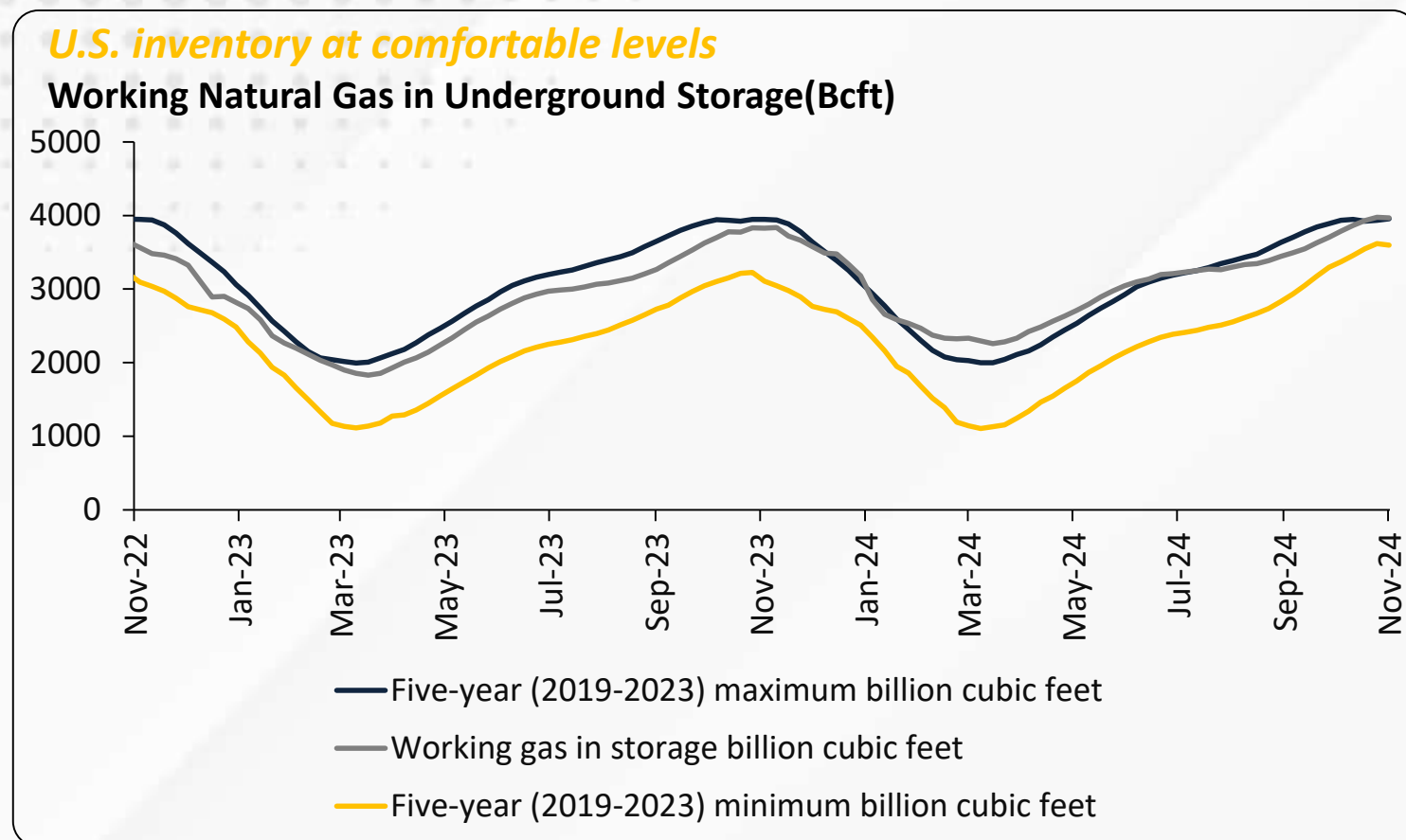
H2 2025

- Trump presidency could improve U.S.-Saudi relations
- Liquidity boost by central banks will support prices
- Energy markets face ongoing geopolitical risks in Middle East with escalation of conflict in Iran could disrupt oil facilities, posing a risk to global oil supply
- China's manufacturing activity expanded for a third-straight month in December, though at a slower pace, suggesting a blitz of fresh stimulus is helping to support the world's second-largest economy.
- Cushing oil stocks are severely depleted compared to last 15 years
- Record U.S. oil production and global supply increases add limit price upwards movement on prices
- With the possibility of tighter sanctions on Iranian oil with Trump coming in next month, much tighter oil market in second half
- In second half, de growth concerns along with inflation concerns will limit the upside
- **Prices are expected to upward in second half, with prices touching levels of \$75-\$80**

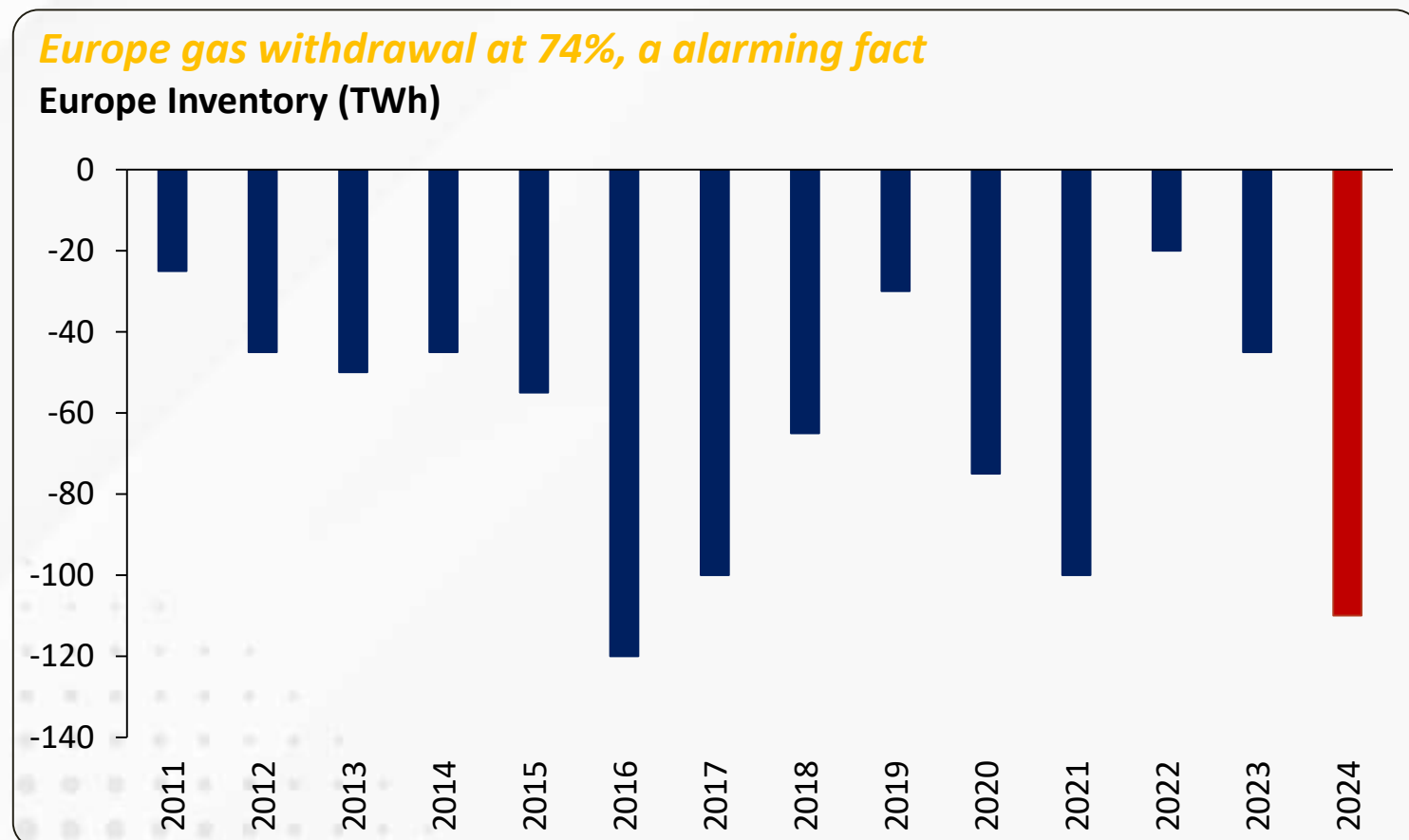
Natural Gas



Review



Source : Reuters



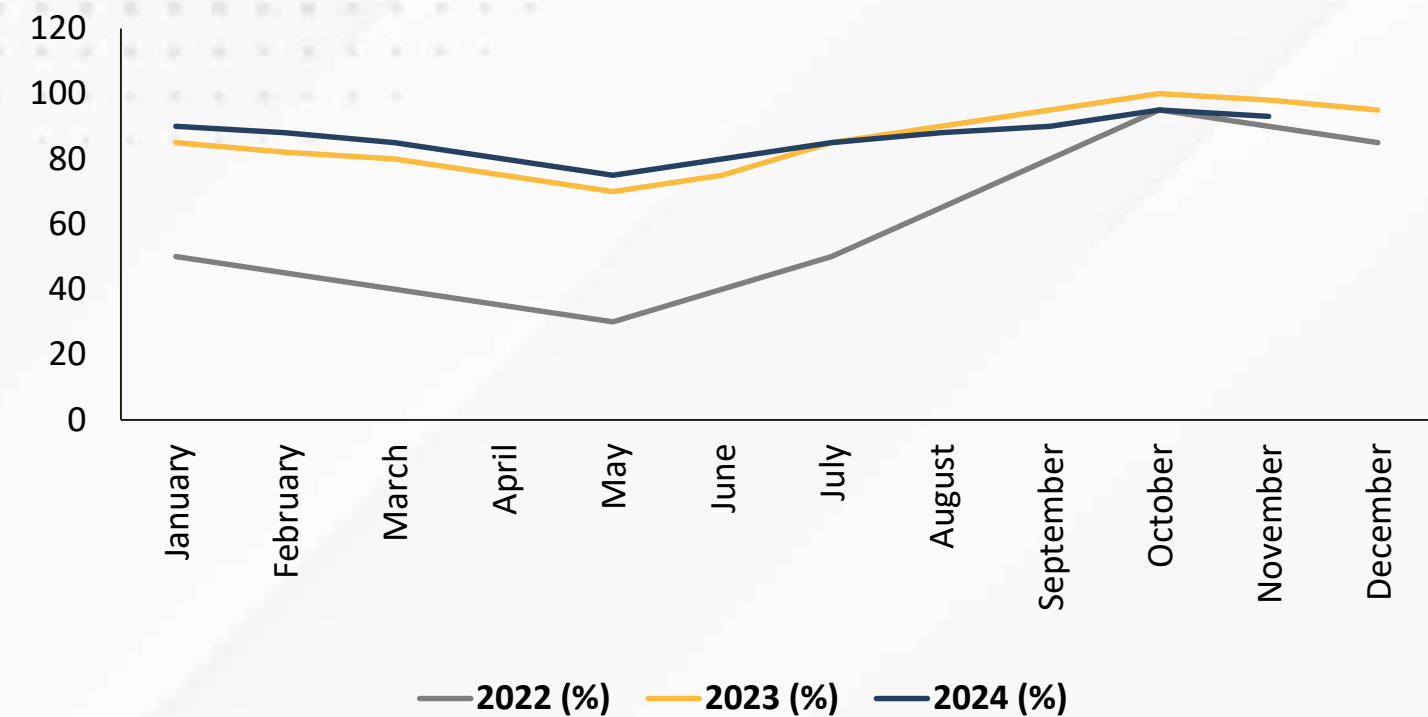
Source : eia

- Global natural gas prices traded positive lifted by colder weather, rising geopolitical tensions
- Natural gas is typically injected in summer, but occasional withdrawals occur, especially in Pacific and South Central regions.
- U.S. inventories are starting winter 2024–25 with the most natural gas since 2016.
- Natural gas were less injected than the five-year average in nearly every week during the 2024 injection season, in part because starting inventories were relatively full.
- Natural gas inventories are expected to remain above the five-year average throughout winter.
- Net injections during the injection season totalled 1,640 Bcf, 21% below the five-year average.
- EIA forecasts 1,957 Bcf of natural gas withdrawals for the 2024–25 heating season
- Projected inventories at the end of March 2025 are expected to be 6% above the five-year (2020–24) average
- Expansion in electricity output in the U.S. is further boosting natural gas usage
- European natural gas prices have reached a fresh one-year high of approximately, supported by concerns over Russian supply and strong demand following a period of unusually cold weather,
- European natural gas storage withdrawals in November were the 2nd largest since at least 2011 (and about double the long-term average)
- Expansion of LNG export infrastructure and cargo destination flexibility have positioned the U.S. as the world’s largest LNG exporter
- U.S. LNG exports increased by 12% in 2023 compared to the previous year, reaching 11.9 Bcfd, surpassing Qatar and Australia.

Demand - Supply

Europe Gas inventories ready for mild winters

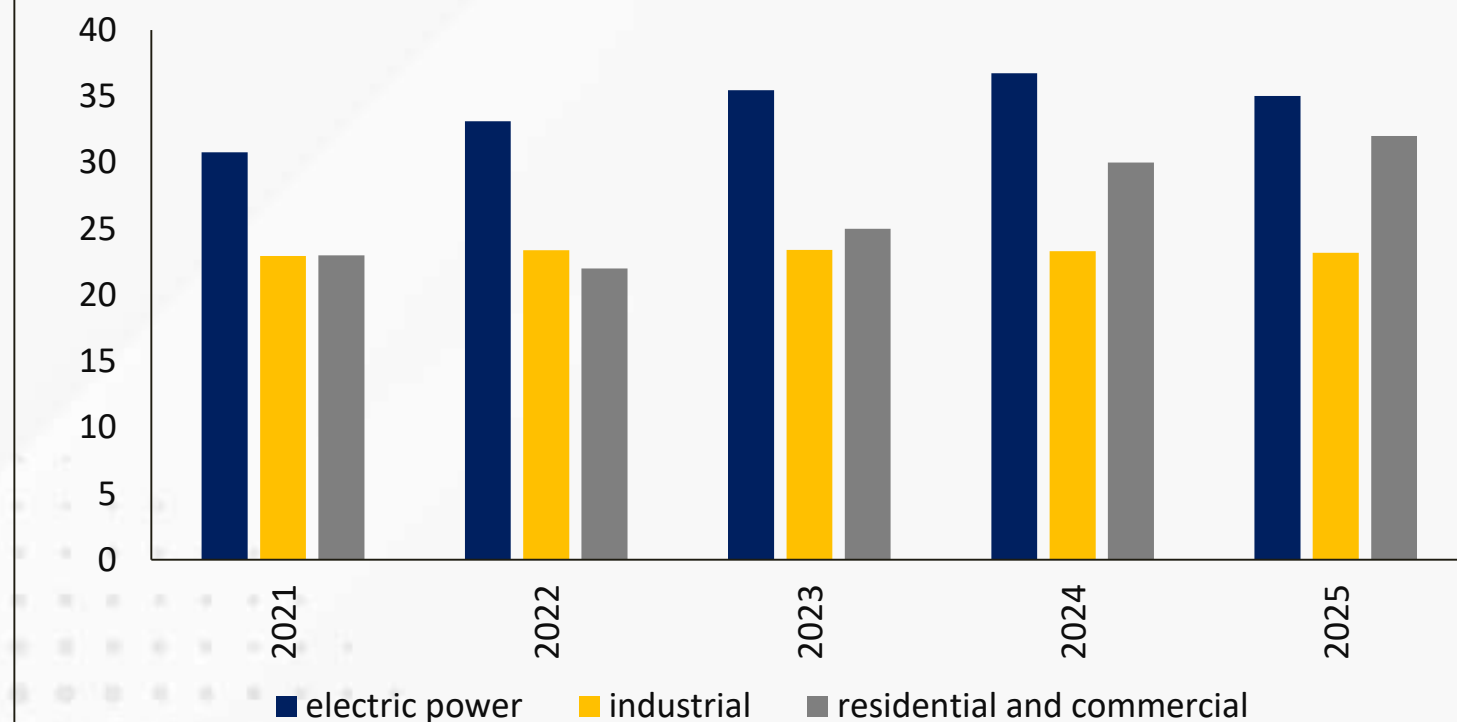
Europe Inventory(Trend)



Source : Reuters

Natural Gas Consumption, a major boost

Consumption growth



Source : EIA

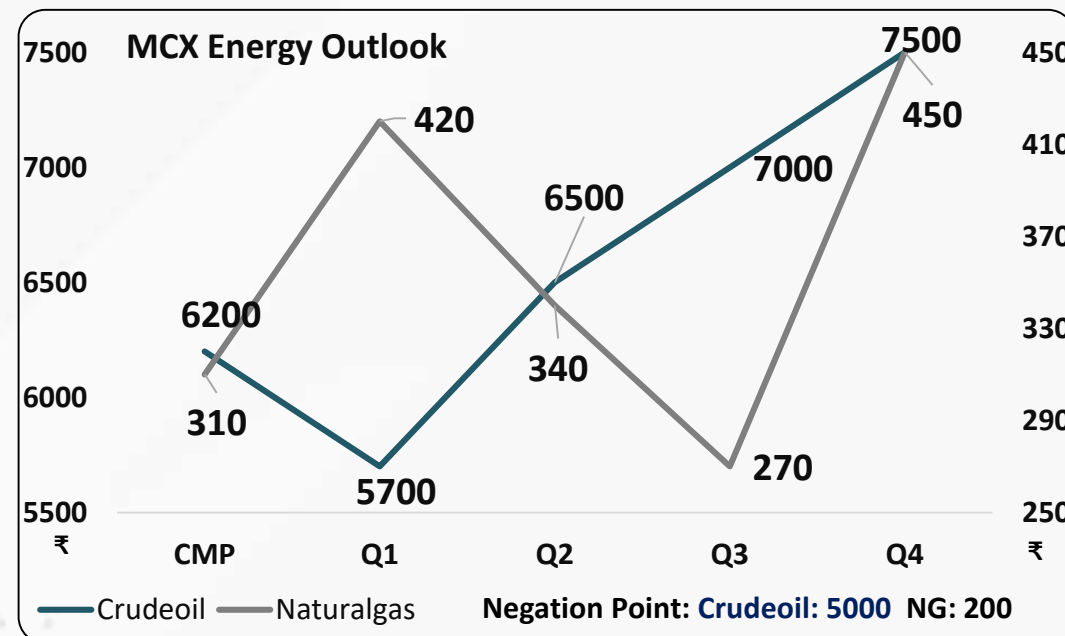
- Rising winter demand, reduced output, and increased exports to Europe are driving a surge in U.S. natural gas prices
- European gas inventories were 92.58% full, down from 99.37% at the same time last year
- Average rate of withdrawals this winter is 0.039%, contrasting with the 0.09% injection rate last year
- Record-high storage levels exist, but concerns about future supply security persist as demand exceeds production
- Germany, gets a lot of gas in liquefied form from the United States, driving demand there higher
- U.S. residential and commercial natural gas consumption this winter is expected to average 36 Bcf/d, 4% higher than last winter, driven largely by space heating demand.
- Increased reliance on natural gas-fired power plants due to reduced renewable generation
- Winter weather events or prolonged low temperatures could increase consumption of natural gas by the residential and commercial sectors
- U.S. sales of 2% more electricity this winter compared with last winter. led by 3% more sales to residential customers because of colder weather than last winter
- The winter heating season got off to a warm start in November, this winter to be colder than last year, with 6% more heating degree days
- Natural gas electricity generation grew by 3% in 2024 due to low fuel prices
- Solar power generation increasing from expanded U.S. generating capacity
- U.S. electricity demand is expected to surge nearly 16% over the next five years, driven by data centres and factories

- Natural gas prices have been volatile but are expected to stabilize and rise modestly through 2025
- Market outlook will be influenced by global economic recovery, geopolitical dynamics, and climate conditions
- A long, cold winter could challenge the perception of a natural gas surplus
- Prices are rallying due to colder weather, increased heating demand in the U.S., and strong LNG shipments
- In the U.S., winter demand, high LNG exports, and strong storage levels will influence prices, while concerns over production sustainability and rising demand from sectors like data centers may push prices up
- Europe will continue to be a major driver of natural gas demand as the gas that Europe is using to generate power is the same gas that much of Asia has come to rely on for its winter needs: U.S. liquefied natural gas
- Colder weather could increase heating demand and reduced Russian Natural Gas reliance may lead to further price hikes. The ongoing energy transition toward renewables and efficiency will also impact long-term supply and demand
- ***U.S. natural gas market is expected to maintain a positive outlook, with prices anticipated to reach around ₹390 on MCX by the end of the winter season. As the injection period begins from April to August 2025, prices may trend lower.***
- ***By the end of the year 2025, prices are projected to rise to approximately ₹450 with the onset of winter. Any price dips during the year could present valuable buying opportunities.***

Technical Outlook: Energy

Energy prices continued to trade with a positive bias where Crude oil remained in a broader consolidation range with slight yearly gains of around 2%, however Natural gas outperformed across domestically traded commodities rallying approximately 53% indicating massive strength.

COMMODITY	VIEW	PURCHASE PRICE	TARGET	NEGATION
MCX CRUDEOIL	POSITIVE	₹5,650 - 5,750	₹7,500	₹5,000
NYMEX CRUDEOIL	POSITIVE	\$65.50 - 66.50	\$87	\$58
MCX NATURALGAS	POSITIVE	₹260 - 280	₹450	₹200
NYMEX NATURALGAS	POSITIVE	\$2.95 - 3.05	\$5	\$2.25

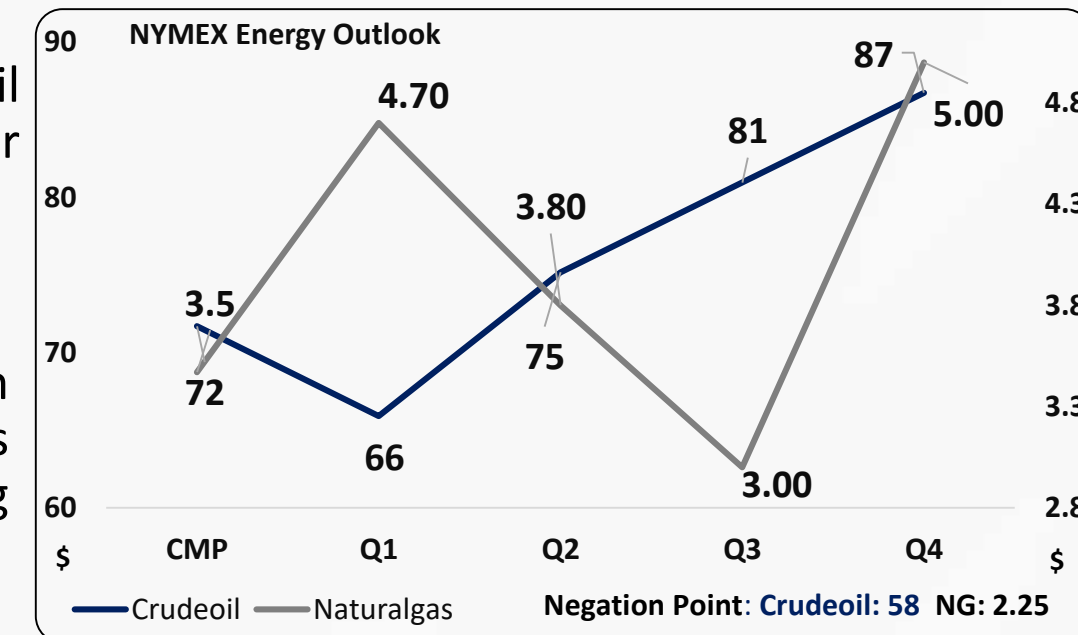


WHAT WE FORECASTED (IN 2024)

We proposed an annual target of ₹8,000 for Crude Oil and recommended an annual target of ₹320 for Natural Gas.

REALITY (IN 2024)

Approximately 65% of the target has been achieved in Crude Oil. In Natural Gas, the target of ₹320 was successfully reached in the fourth quarter, aligning well with our expectations.



WHAT'S NEXT? (FOR 2025)

Crude oil may experience an initial correction, followed by a moderate rally as the year progresses.

For natural gas, there could be an initial rise, potentially followed by a correction, before resuming upward trend later in the year.

Core Team

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- **Mr. Manav Modi:** Analyst - Bullion
- **Mr. Ashish Rajodiya:** Technical Analyst
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Grievance Redressal Cell:

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp grievances@motilaloswal.com.

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
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