Monday, February 10, 2025

Trade Tensions and Inventory Build Weigh on Prices

Oil prices ended the week lower, marking their third consecutive weekly decline amid mounting concerns over a global trade war. However, prices found some support after the U.S. Treasury announced new sanctions on individuals and tankers facilitating the shipment of millions of barrels of Iranian crude oil to China.

Trade War Uncertainty and Market Sentiment

Investor sentiment suggests a growing resilience to trade war headlines, with markets less reactive to every tariff escalation. The possibility of policy reversals or adjustments remains, as seen when President Trump imposed tariffs on Canada, Mexico, and China, only to suspend those on neighboring countries shortly after. This temporary retreat led investors to downplay immediate risks posed by steel and aluminum tariffs.

In China, crude oil demand has weakened, exerting bearish pressure on oil prices. According to Chinese customs data, the country's crude imports in 2024 fell by 1.9% year-on-year to 553 million metric tonnes. As the world's largest crude importer, China's reduced demand signals potential headwinds for the global oil market.

China has also imposed tariffs on various U.S. commodities, including a 15% levy on coal and LNG, and a 10% tariff on crude oil, farm equipment, and certain automobiles, effective February 10. However, oil and gas traders are expected to seek exemptions from these tariffs. The new measures are likely to significantly reduce U.S. LNG flows to China, shifting demand towards European and alternative Asian markets. To offset this potential decline, China is expected to increase LNG imports from Qatar, Russia, and other suppliers.

OPEC+ Stance and U.S. Energy Policy

OPEC+ has opted to maintain its current production policy despite pressure from President Trump. The group plans to keep output unchanged in the first quarter before gradually increasing production in monthly stages starting in April.

Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	6221	70.56	74.31
Close	6237	71.00	74.66
1 Week Chg.	16	0.44	0.35
%change	-0.67%	-2.11%	-1.33%
OI	7842	239481	0
OI change	868	-67113	0
Pivot	6229	70.96	74.68
Resistance	6268	71.45	75.10
Support	6199	70.51	74.24

	Natural Gas	
Exchange	**MCX**	**NYMEX-NG**
Open	295.4	3.38
Close	295	3.31
1 Week Chg.	-0.4	-0.07
%change	-0.14%	-2.10%
OI	13427	248267
OI change	26.51%	-14.63%
Pivot	296.3	3.35
Resistance	299.4	3.40
Support	291.8	3.26

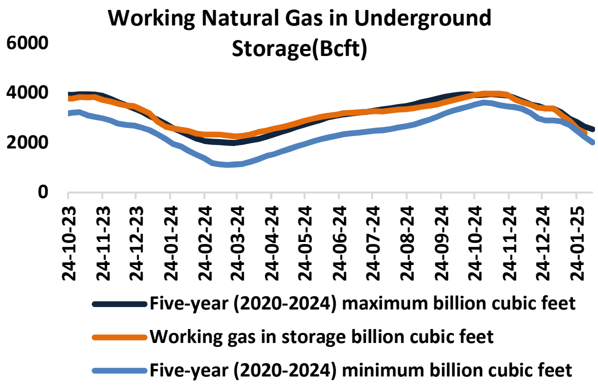
Front Month Calendar Spread		
Exchange	**MCX**	**NYMEX($)**
1st month	-0	-0.26
2nd month	1	-0.32

WTI-Brent spread$	
1st month	0
2nd month	-0.40

Market participants remain cautious regarding Trump's repeated commitment to raising U.S. oil production amid rising inventories. This comes shortly after the U.S. EIA reported a higher-than-expected increase in crude stockpiles. According to the latest EIA data:

- U.S. crude oil inventories as of January 31 were 3.8% below the five-year seasonal average.
- Gasoline inventories were 0.3% above the seasonal five-year average.
- Distillate inventories were 12.4% below the five-year seasonal average.

U.S. crude oil production rose by 1.8% week-on-week to 13.478 Mbpd, slightly below record high of 13.631 Mbpd.

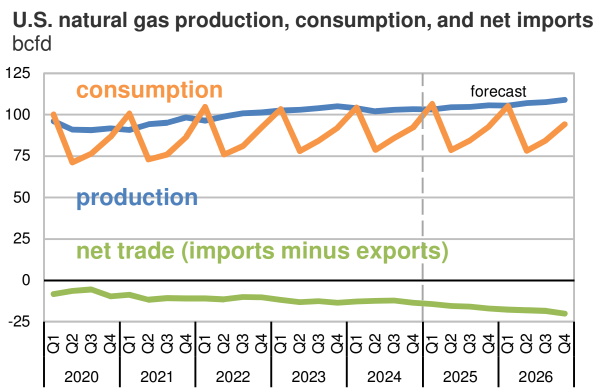


Source: - Reuters

Natural Gas Market Trends

Natural gas prices ended the week on a positive note as traders assessed supply risks, shifting weather forecasts, and ongoing trade tensions. Forecasts projected 513 gas-weighted degree days (GWDDs) over the next 14 days, the second highest in the past five years. However, uncertainty over the persistence of Arctic air and high production levels could cap further gains.

The latest EIA storage report revealed a 174 Bcf draw, bringing total working gas to 2,397 Bcf—208 Bcf lower than last year and 111 Bcf below the five-year average. This indicates a tightening supply, particularly in Midwest and South-Central regions, where the largest drawdowns occurred. For bullish breakout, storage withdrawals must exceed seasonal norms, signaling a real supply strain. Otherwise, the market may struggle to sustain higher prices. China's 15% tariff on U.S. LNG, effective February 10, raises long-term concerns about U.S. LNG export demand. If China reduces its U.S. LNG purchases, global supply could rise, keeping prices subdued. To counteract this bearish risk, increased LNG demand from Europe and alternative Asian buyers will be essential. Meanwhile, mild weather in key importing regions could add downward pressure on prices.



Outlook:

The near-term outlook for oil remains bearish as rising U.S. crude oil inventories suggest a potentially oversupplied market. Trade tensions between U.S. and China continue to weigh on economic sentiment, further pressuring oil prices. Looking ahead, traders monitor key U.S. energy policy developments, as well as upcoming U.S. CPI data and critical crude oil reports assessing demand-supply balance. These factors will play crucial role in shaping direction in weeks ahead.

Technical Levels:

Crude Oil:

In the last week, crude oil gave a negative close, with a loss of around 113 rupees or -1.78%. The 14- period Relative Strength Index (RSI) on the daily chart is currently trading below the midpoint mark of 50 indicating sideways to lower range. Prices are holding below 20 day SMA in a broad consolidation. Immediate support can be identified at Rs. 6000 level whereas immediate resistance is observed at Rs. 6450. Selling on rise seems likely testing 6000 level on the lower side till it holds below 6450 level. The current view will get negated if prices hold above 6500 closing basis.

Natural Gas:

In the last week, prices gave a positive close with a gain of around 27 rupees or 10%. The 14- period Relative Strength Index (RSI) is currently hovering around midpoint mark of 50, suggesting range bound movement. Prices have witnessed a sharp recovery indicating a strong rebound from its recent lows. We maintain neutral stance and it is expected to trade in a broader consolidation range of 276 - 320 going forward.

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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