Monday, June 23, 2025

Oil prices touched five month high on Geo Political tension escalation in Middle East after US bombed Iran's nuclear facilities, increasing the likelihood that Tehran would respond by attacking energy infrastructure in the region or shipping in the Strait of Hormuz.

Market participants await any retaliation from Iran as a clear red line has been crossed, noting the weekend's bombing raids marked the first time the US has directly attacked Iranian territory.

If there are any closure on Strait of Hormuz, 80% of the crude oil and condensate and 82% of the liquefied natural gas move through the Strait of Hormuz in the first quarter of 2025 went to Asia. China and India were the largest destinations for crude oil exports that moved through the Strait of Hormuz in Asia, accounting for a combined 50% of Hormuz crude oil and condensate flows in 2024.

These markets would likely be most affected by supply disruptions at Hormuz. Iran has previously threatened to shut the strait though analysts believe that it would struggle to completely block the waterway due to the presence of the US Navy's Fifth Fleet in Bahrain.

Security officials maintain that it would be difficult for Iran to fully close the Strait of Hormuz for an extended period. That said, multiple security experts contend that Iran has the ability to strike individual tankers and key ports with missiles and mines. An alternative response could see Iran attack oilfields and infrastructure in US allies in the region, such as Saudi Arabia and Qatar.

Timespreads widened amid the geo political tensions after US President Donald Trump reported that air attacks had obliterated the

Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	6380	74.6	77.5
Close	6404	74.93	77.01
1 Week Chg.	24	0.33	-0.49
%change	3.94%	2.67%	3.75%
OI	9524	2972	0
OI change	3901	-123525	0
Pivot	6383	75.60	76.73
Resistance	6486	76.91	77.95
Support	6302	73.63	75.79

Natural Gas		
Exchange	**MCX**	**NYMEX-NG**
Open	354.3	3.985
Close	333.1	3.85
1 Week Chg.	-21.2	-0.14
%change	-5.98%	-3.46%
OI	11778	36225
OI change	3.09%	-67.97%
Pivot	341.3	3.94
Resistance	351.0	4.06
Support	323.4	3.73

Front Month Calendar Spread		
Exchange	**MCX**	**NYMEX($)**
1st month	**-134**	**-2.92**
2nd month	**-117**	**-1.52**

WTI-Brent spread$	
1st month	**-1.53**
2nd month	**-1.45**

trio of targets, and threatened more military action if Iran didn't make peace. In retaliation, Tehran warned the strikes would trigger everlasting consequences.

Oil prices have already risen about 20% since Israel launched its first surprise attack on Iran 10 days ago. Higher oil prices are likely to ripple through to other energy markets, such as petrol, something that could prompt a fresh burst of inflation across the world.

For President Trump, Rising inflation could erode consumer confidence and reduce prospects for U.S. interest rate cuts, complicating an economy strained by Trump's tariffs. The U.S. involvement has intensified the Iran-Israel conflict, drawing mixed reactions domestically.

Supporting the price surge, strong U.S. oil inventory draws this week signal robust demand in the world's largest economy, with further increases anticipated as the summer travel season approaches. EIA Crude Oil inventories showed a decrease of 3.644 Mbs, representing a slight recovery from the previous week's decline, but still indicates a robust demand for crude oil.

The latest decrease in inventories was less than the forecasted drop of 2.4 Mbs. This suggests that demand for crude oil remains strong, but not as strong as expected. Nevertheless, the decrease in inventories is still a bullish sign for crude prices, as it indicates that demand is outstripping supply.

With recent weekly inventory reports surprising to the downside, there could be further fundamental upside to oil prices. And perhaps even more oil price upside potential from sentiment & positioning resetting from bearish to bullish.

Natural gas prices surged,driven by forecasts for hotter-than-normal July weather across the Lower 48 U.S. states and a rebound in LNG export activity. The rise comes as recent maintenance at major LNG terminals—Cameron, Sabine Pass, and Corpus Christi—winds down, with feedgas flows expected to recover in the coming weeks.

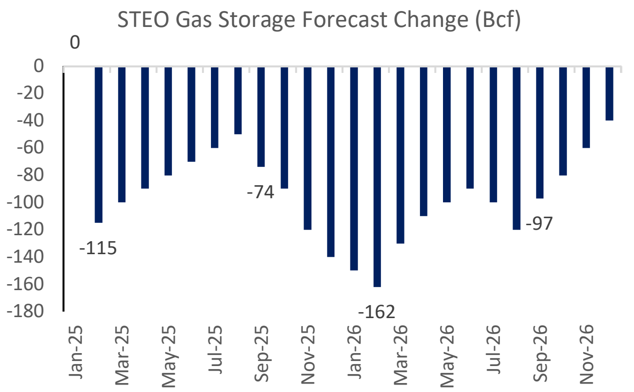
LNG demand has averaged 14.1 bcfd in June, down from 15.0 bcfd in May and April's record 16.0 bcfd, but expected to rise again shortly. The persistent heat is also boosting domestic cooling demand, adding to upward pressure on prices. On the supply side, Lower 48 output ticked up to 105.3 bcfd, with daily highs hitting 106.4 bcfd—an eight-week peak.

For oil prices to rally further, it will depend on exactly how the Iran or its proxies such as the Houthis choose to retaliate. As Iran weighs its

Country exports via Hormuz

	Crude	Products	Total
UAE	2,835	1,568	4,403
Saudi Arabia	5,973	1,243	7,216
Kuwait	1,360	976	2,336
Iran	1,775	359	2,134
Qatar	744	488	1,232
Iraq	3,245	397	3,642
Bahrain	0	193	193
Oman	0	0	0
Strait of Hormuz	**15,931**	**5,224**	**21,155**

Source: Kpler



The current demand for natural gas is moderate. Weather forecasts indicate that demand will likely remain near current levels in the upcoming days. At this point, weather forecasts do not provide sufficient support to the market, which needs higher demand to push prices higher.

Oil's rapid ascending trend erased year-to-date losses that had been driven by global trade tensions and an accelerated revival in OPEC+ output. Still, the market reaction didn't suggest traders were anticipating a worst-case scenario. Right now, there are more unknowns than knowns, but one thing seems clear: This is unlikely to be the final move by Israel. That leaves participants more cautious on selling volatility premium too early.

Technical Levels:

Crude Oil:

MCX Crude Oil closed the previous week with gains of ₹120 or 1.89%, marking the third consecutive week of positive returns. The recent upward momentum has brought prices closer to the upper boundary of the long-term falling channel visible on the weekly chart. However, a strong resistance zone is now emerging near ₹6,650, where prices are showing signs of hesitation. As long as crude remains below ₹6,650–₹6,700, upside may remain limited and the trend could face challenges. A sustained breakout above this key resistance zone, however, could open the gates for a fresh rally towards ₹7,200 followed by ₹7,400 in the coming weeks.

Natural Gas:

MCX Natural Gas gained ₹25 or nearly 8% in the previous week, supported by a breakout from the symmetric triangle pattern visible on the daily chart. However, despite the strong weekly gain, a sharp selloff from the week's high indicates profit-booking at higher levels. This suggests that while short-term momentum remains positive, the broader trend continues to remain range-bound. Prices now face resistance near ₹352 (R1), while support is placed at ₹324 (S1). As long as prices stay within this band, traders can expect sideways movement, with fresh direction emerging only on a breakout beyond these key levels.

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