Monday, July 21, 2025

Crude Oil, Natural Gas, Trade & Economic Data

Crude oil prices declined last week as investors grew wary of a potential market surplus later this year. OPEC's decision to speed up the rollback of its 2.2 mb/d production cuts is expected to outpace demand in the second half. OPEC+ supply is already increasing, with Saudi Arabia raising flows to 6.43 mb/d in H1 and Russia's exports hitting a one-month high.

However, late-week sentiment was partly supported by EU measures aimed at curbing Russia's energy exports. EU members agreed to lower the price cap on Russian crude as part of new sanctions, which also include restrictions on fuels made from Russian oil, additional banking curbs, and ban on a major Indian refinery processing Russian crude. The European Union has approved a new round of sanctions on Russia over its ongoing war in Ukraine, introducing a revised oil price cap, tighter banking restrictions, and limits on fuels derived from Russian petroleum.

This marks the bloc's 18th sanctions package since Moscow's full-scale invasion. About 20 additional Russian banks will be disconnected from the SWIFT international payments system and subjected to a complete transaction ban. The measures also target Russian petroleum products refined in third countries. A major Indian oil refinery, partly owned by Russia's state-run Rosneft PJSC, has been blacklisted as part of the package. The existing $60-per-barrel price cap on Russian oil will now become dynamic, set at 15% below prevailing market rates. Initially, the cap will fall within the $45–$50 range and will be automatically reviewed and adjusted at least twice a year based on market trends. These moves are heightening concerns about diesel supply tightness, especially as global stock levels sit at five-year lows.

Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	5788	67.6	69.55
Close	5798	67.34	69.28
1 Week Chg.	10	-0.26	-0.27
%change	-1.41%	-1.62%	-1.53%
OI	11151	55750	0
OI change	1268	-136488	0
Pivot	5838	67.83	69.73
Resistance	5890	68.47	70.32
Support	5745	66.71	68.69

	Natural Gas	
Exchange	**MCX**	**NYMEX-NG**
Open	303.8	3.519
Close	303.5	3.57
1 Week Chg.	-0.3	0.05
%change	-0.10%	1.31%
OI	15954	82947
OI change	38.69%	-33.44%
Pivot	305.9	3.56
Resistance	309.6	3.63
Support	299.7	3.50

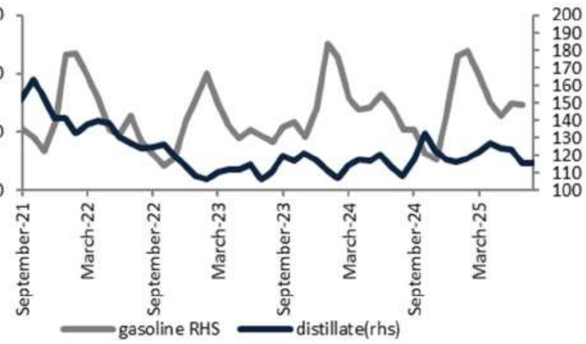
Front Month Calendar Spread		
Exchange	**MCX**	**NYMEX($)**
1st month	-91	-2.31
2nd month	-65	-0.66

WTI-Brent spread$	
1st month	**-0.88**
2nd month	**-0.63**

Europe's heat wave has disrupted some refining operations and may worsen as refiners shift toward lighter crudes. This could further strain diesel output just as demand rises during harvest season, adding upward pressure on prices.

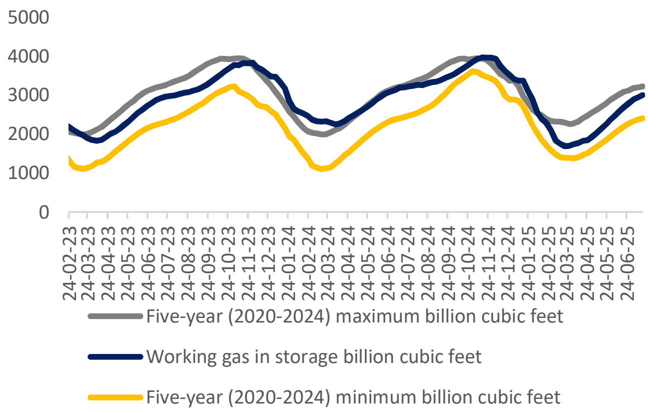
U.S. crude oil inventories fell last week amid a rise in exports, reversing some of the large stock builds seen the previous two weeks. Commercial crude oil stocks excluding the Strategic Petroleum Reserve fell by 3.9 million barrels to 422.2 million barrels and were about 8% below the five-year average for the time of year. Gasoline inventories rose by 3.4 million barrels to 232.9 million barrels, and were slightly above the five-year average, the EIA said. Distillate fuel stocks increased by 4.2 Mbs to 107 Mba, and were 21% below five-year average.

US Product Stock(million barrels)



In wider markets, strong US data on consumer sentiment eased concerns about the world's largest economy, helping to underpin a risk-on mood. Crude oil futures also remain in backwardation in nearer months of their curves, which means traders are having to pay more to secure prompt supplies. That pattern points to tight conditions even as producers' cartel OPEC+ has been relaxing output curbs at a rapid clip. Brent futures curve remains in backwardation over the next four to six months—a pattern that typically signals a tight market. This is due to an uneven distribution of inventory builds, with stock increases concentrated in the Pacific, while Brent pricing is primarily driven by the Atlantic market.

Working Natural Gas in Underground Storage(Bcft)



Meanwhile, Natural gas saw a gap down opening in early morning session today after sharp rally last week as mixed weather forecast along with news of sanctions on Russian pipeline gave support to natural gas prices. Over the weekend, weather forecast saw a U turn with forecast for cool weather for coming week along with increase in natural gas production, pushing prices lower. LNG feed gas flows remain robust, hovering near 15.1–15.3 Bcf/d, down slightly on the week but still historically strong. While European storage sits at 63%, below its five-year average of 72%, there's no immediate urgency from overseas buyers, though the gap could support U.S. exports in the medium term. Inventory data still remains a big disappointment, with EIA reporting a +46 Bcf injection for the week ended July 11, slightly above both the +45 Bcf estimate and the +41 Bcf five-year norm.

U.S. inventories are now 6.2% above seasonal averages, despite being 4.9% lower than year-ago levels. The result reinforces that supply continues to outpace demand, limiting how far prices can rally without stronger draws. While natural gas inventories are down 6.0% year-over-year, they remain 6.1% above their five-year seasonal average, signaling adequate supplies. Dry gas production in the Lower 48 rose to 108.3 Bcf/d, up 5.3% y/y, while domestic demand held flat near 78 Bcf/d.

This imbalance continues to build, with rising rig activity suggesting further gains ahead. Baker Hughes reported nine additional gas rigs this week, pushing the total to 117, marking the highest count since early 2023 and underscoring that producers are positioning for heavier output into late summer. For prices to push materially higher, traders will need to see hotter-than-expected weather and a meaningful pickup in LNG demand. Otherwise, supply-side pressures could limit further upside.

Crude oil prices are expected to stay in a narrow range as market await clarity on new sanctions and escalating Geo political tensions in Middle East. The divergence between higher cash market prices and futures market sentiment suggests underlying near-term demand strength, but abundant overall supply presents a persistent challenge to sustained rallies.

Crude Oil:

Crude oil futures on the MCX ended the previous week with a mild decline of 1.25%. Despite the pullback, the four-hour chart continues to reflect a technically positive structure, with prices forming higher highs and higher lows—signaling a sustained uptrend. The price remains above the 21-period Exponential Moving Average (EMA), underscoring ongoing bullish momentum. Additionally, the 14-period Relative Strength Index (RSI) is holding above the 50 level, suggesting continued strength. Given this setup, a buy-on-dips strategy is recommended, with the ₹5600–₹5550 zone serving as a crucial support area. On the upside, a move toward ₹6050 appears achievable in the near term. However, a decisive break below ₹5350 would invalidate the bullish outlook and signal a possible trend reversal.

Natural Gas:

Natural Gas futures on the MCX registered a strong weekly gain of 6.15% (₹17.60). However, on the daily chart, the price structure continues to follow a pattern of lower highs and lower lows, highlighting a prevailing downtrend. Prices are still trading below the 21-day Exponential Moving Average (EMA), reinforcing the bearish bias. Additionally, the 14-period Relative Strength Index (RSI) remains below the critical 50 mark, indicating sustained downward momentum. Given this technical backdrop, a sell-on-rise strategy is advisable, with near-term support located in the ₹270–₹258 zone. On the other hand, a decisive daily close above the key resistance range of ₹318–₹330 would negate the bearish view and signal a potential trend reversal.

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