Monday, July 28, 2025

Crude Oil, Natural Gas, Trade & Economic Data

Crude oil prices concluded week lower, as concerns over weakening economic signals from US and China pressured prices. U.S. consumers are currently facing overall average effective tariff rate of 20.2%, marking highest level since 1911. Prices however got support from news of U.S. and EU officially reached a tariff agreement, thereby averting a potentially damaging transatlantic trade conflict. This breakthrough follows months of contentious negotiations, with deal being announced jointly by U.S. President in Scotland. Although 15% tariff is significantly lower than threatened 30%, it still represents a substantial increase from pre-agreement levels. The new tariff will apply to wide range of goods, including automobiles, pharmaceuticals, and semiconductors—industries crucial to EU economy.

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	5750	66.15	69.36
Close	5648	65.16	68.44
1 Week Chg.	-102	-0.99	-0.92
%change	-1.03%	-1.35%	-1.21%
OI	11510	359308	0
OI change	2019	-13949	0
Pivot	5690	65.63	68.87
Resistance	5738	66.27	69.43
Support	5599	64.53	67.88

On Supply risk front, prices found support following the European Union's latest round of sanctions against Russia. This comprehensive package notably included a new, dynamic price cap on Russian oil set at 15% below the prevailing market rate. Additionally, the sanctions extended to 105 vessels comprising the 'shadow fleet' involved in transporting Russian oil and prohibited the import of refined products from third countries derived from Russian crude.

Natural Gas		
Exchange	MCX	NYMEX-NG
Open	273.3	3.169
Close	273.4	3.16
1 Week Chg.	0.1	-0.01
%change	0.04%	-0.35%
OI	27739	272422
OI change	334.03%	18.55%
Pivot	274.0	3.16
Resistance	277.0	3.20
Support	270.5	3.12

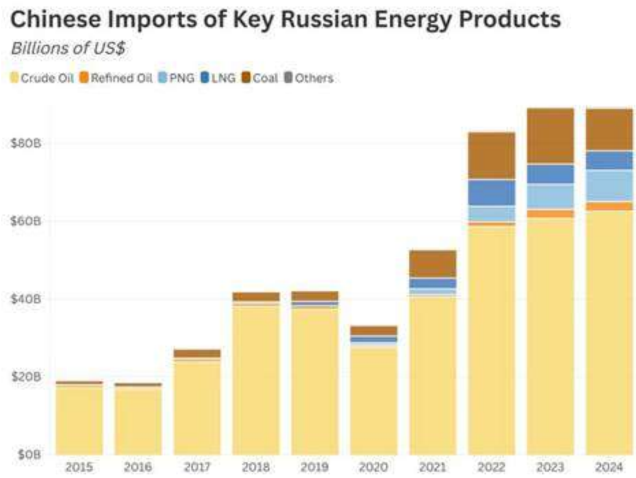
While new measures are designed to curb Russian oil revenues, their near-term impact on total Russian oil exports is anticipated to be moderate, primarily due to continued exports to Asia, expansion of shadow fleet, and potential weaknesses in enforcement, particularly in absence of full U.S. participation. Major Russian refineries are ramping up operations after completing maintenance, increasing short-term crude refinery intake and reducing exports.

Front Month Calendar Spread		
Exchange	MCX	NYMEX($)
1st month	-47	-0.82
2nd month	-66	-0.59

WTI-Brent spread$	
1st month	**-0.78**
2nd month	**-0.61**

On other side, supply bearish forces continue to pressure prices after news of potential restart of oil exports from Iraq's Kurdistan region: A new agreement between Baghdad and KRG could bring at least 220,000 Bpd of KRG oil exports back to the market under the authority and

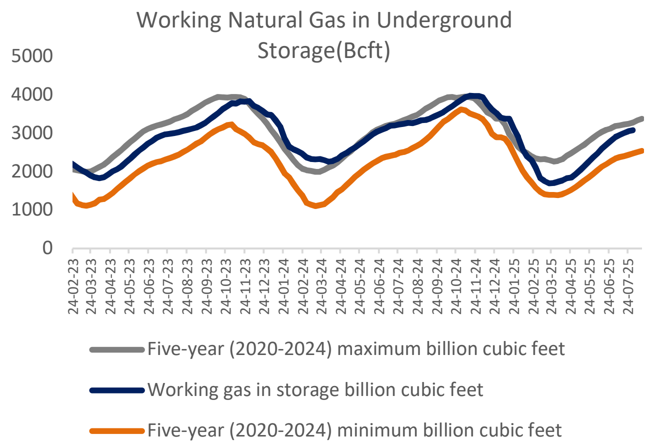
management of Iraq's official oil marketer and pressure Mediterranean sour crude market. Once agreement is reached and implemented, exports through Turkey could gradually increase beyond 220,000 Bpd especially given that in 2022, they were estimated at over 400,000 b/d. Longer term, expiration of the pipeline deal between Iraq and Turkey in July 2026 and expected negotiations on new deal in coming months may have more lasting effects on transport of Iraqi oil exports via Turkey.



The US is also preparing to allow Chevron and other firms to resume limited operations in Venezuela, which could boost crude exports by over 200K barrels per day and ease supply tightness for heavier grades. Middle East crude exports fell by 2.01 Mbpd (11.3%) in the week ending July 20. Crude exports from Iraq fell by 890,000 b/d (22.9%), to 2.99 million b/d last week. Reasons behind this fall could be the halt in Iraq's Kurdistan oil production last week due to drone attacks, compliance with OPEC+ production levels and timing and scheduling of tanker loadings.

On inventory front, EIA report was mixed for crude and products with EIA distillate stockpiles unexpectedly rose +2.9 Mbpd versus expectations of a -1.25 Mbpd draw. Also, crude supplies at Cushing, the delivery point of WTI futures, rose by +455,000 bbl. On the positive side, crude inventories fell -3.17 Mbpd, a larger draw than expectations of 1.5 million bbl. Also, EIA gasoline supplies fell -1.7 Mbpd, a larger draw than expectations of a -200,000 bpd draw.

Prices have been in a holding pattern this month, with tightness in global diesel markets offset by expectations of a deluge of crude supply from OPEC+ as the group raises production quotas. While diesel inventories in the US are starting to build back up, they're still at the lowest seasonal level since 1996. On demand front, China data showed a drastic improvement in economic data with expectations boosting regarding revival, thus supporting oil prices. However, behind China's strong headline growth, there are signs of trouble. The real estate market's decline is worsening, and growth in consumer retail sales is slowing, suggesting future oil demand inside country could further weaken.



Hedge funds cut their bullish position on US crude to the lowest since early April as President Donald Trump's Aug. 1 deadline for trade deals stoked concerns trade war will sap energy demand. Money managers decreased their net long position on WTI by 10,018 lots to 86,088 lots in the week ending July 22. That's lowest since April 8.

Natural gas futures concluded last week on positive note, driven by updated forecasts indicating hotter temperatures across the central and eastern U.S. for early August. This shift is anticipated to significantly increase short-term cooling demand and electricity usage, providing a lift to natural gas prices.

U.S. electricity output has already shown a 2.1% YoY rise for week ending July 19, underscoring this growing demand. Despite the positive demand outlook, gains were tempered by robust U.S. supply metrics. Lower-48 dry gas output reached 107.2 Bcf/day, a 3.1% increase YoY, significantly outpacing demand growth of just 0.9% YoY (80.9 Bcf/day). Furthermore, net LNG flows to U.S. export terminals experienced a 5.4% WoW drop to 14.7 Bcf/day, raising concerns about near-term export-driven price support.

The latest EIA storage report, however, offered a bullish surprise, contributing to the late-week price recovery. Inventories for the week ended July 18 rose by only 23 Bcf, falling short of both consensus estimates (+27 Bcf) and the five-year average (+30 Bcf). While current storage levels remain 5.9% above their seasonal average, they are still 4.8% lower than a year ago, suggesting some tightening in the market. The number of active U.S. natural gas rigs climbed by 5 to 122, marking the highest level in nearly two years since a four-year low in Sept 2024. In summary, near-term outlook for natural gas leans cautiously bullish due to projected hot U.S. weather and supportive storage data.

Crude Oil:

Crude Oil futures on the MCX closed the previous week with a decline of 2.59%. On daily chart, prices continue to move within a broad consolidation range, showing a lack of strong directional bias. The price is currently hovering around 21-period Exponential Moving Average (EMA), reflecting ongoing market indecision. A break above ₹5820 could signal bullish momentum, potentially pushing prices towards ₹6000. On other hand, a break below ₹5600 may trigger fresh selling pressure, dragging prices down to ₹5400. Until either level is breached, Crude Oil prices are expected to oscillate within current range, awaiting a decisive breakout.

Natural Gas:

Natural Gas futures on the MCX posted a sharp weekly loss of 11.66% (₹35.40). On the daily chart, the price action remains in a clear downtrend, characterized by a pattern of lower highs and lower lows. The contract continues to trade below the 21-day Exponential Moving Average (EMA), reinforcing the bearish bias. Moreover, the 14-period Relative Strength Index (RSI) is holding below the 50 level, indicating persistent downward momentum. Given this technical setup, a sell-on-rise strategy is recommended. Immediate support lies in the ₹258–₹240 zone. However, a decisive daily close above the ₹297–₹315 resistance range would invalidate the bearish outlook and could signal the beginning of a potential trend reversal.

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