Monday, August 18, 2025

Oil prices slipped below $66 this week as investors awaited the high-profile summit between U.S. President Trump and Russian President Vladimir Putin, an event with the potential to influence crude supply from one of the world's largest producers.

Putin praised Trump's efforts toward ending the war in Ukraine, although Trump tempered expectations, estimating only about a 25% chance of a meaningful breakthrough. The possibility of peace talks reduced geopolitical risk premiums that had been supporting oil prices amid fears of supply disruptions.

In the lead-up to the summit, Trump threatened secondary tariffs on major Russian oil buyers such as India—doubling tariffs on Indian goods to 50% to penalize imports of discounted Russian crude. While exploring additional sanctions on shadow fleets transporting Russian oil, Trump refrained from targeting China, mindful that sharp oil price spikes could harm U.S. consumers.

Summit concluded without an immediate ceasefire, dampening expectations for new sanctions and easing concerns about Russian supply constraints. Trump emphasized pursuing a comprehensive peace agreement rather than a preliminary ceasefire, planning a swift follow-up meeting with Ukrainian President Zelenskiy and European leaders to seek a lasting resolution.

Despite diplomatic efforts, European leaders remain firm on protecting Ukraine's territorial integrity, keeping geopolitical uncertainties alive. Alongside expectations of a global oil surplus in 2026—driven by OPEC+ restoring production cuts and risks to trade-related demand—these factors have contributed to roughly a 10% decline in oil prices year-to-date.

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	5503	62.79	65.76
Close	5600	63.96	66.84
1 Week Chg.	97	1.17	1.08
%change	-0.18%	0.13%	0.38%
OI	8563	129825	0
OI change	3072	-146884	0
Pivot	5564	63.55	66.46
Resistance	5644	64.51	67.37
Support	5519	62.99	65.93

	Natural Gas	
Exchange	MCX	NYMEX-NG
Open	250.3	2.818
Close	248.3	2.84
1 Week Chg.	-2	0.02
%change	-0.80%	0.82%
OI	39780	125054
OI change	5.48%	-43.70%
Pivot	247.4	2.82
Resistance	251.3	2.87
Support	244.4	2.79

Front Month Calendar Spread		
Exchange	MCX	NYMEX($)
1st month	-63	-1.54
2nd month	-50	-0.41

WTI-Brent spread$	
1st month	-0.68
2nd month	-0.47

On the supply front, bearish factors intensified. Oil has fallen over 10% this year as OPEC and its partners complete the reversal of output curbs initiated in 2023. Price movements recently quieted amid lighter summer trading in the northern hemisphere. Outlooks for a record supply glut in 2025 and 2026 continue to weigh on the market.

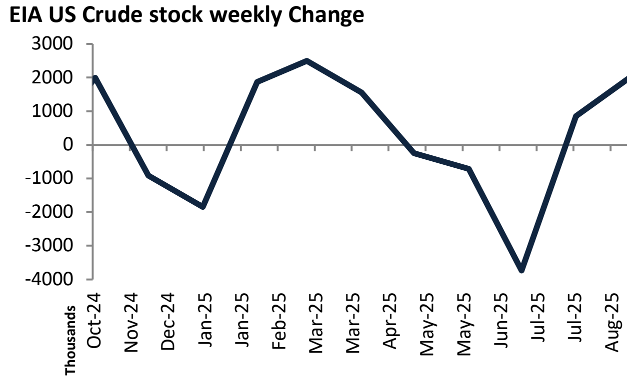
The International Energy Agency (IEA) warned that global oil supplies appear "bloated," particularly given OPEC+'s steady production increases this year. The agency forecasts a supply surplus of 3 million barrels per day in 2026 and expects demand to moderate in the coming months.

Bearish sentiment was further supported by U.S. data revealing a 3 million barrel build in crude inventories over the past week—well above market expectations of a 0.9 million barrel draw. This inventory increase signals the end of the seasonal travel-heavy U.S. summer demand period, which typically sustains fuel consumption at elevated levels for three months before tapering off in autumn and winter.

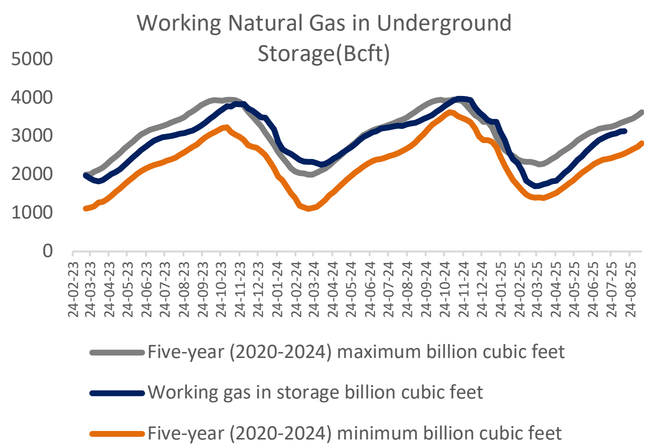
Looking ahead, markets may remain under pressure as negotiations evolve and investors await clearer signals regarding potential changes in sanctions or trade policies.

Meanwhile, natural gas prices experienced volatility throughout the week as the market sought to establish a firm floor. Whether it can successfully do so is uncertain. The market is attempting to reverse the downward momentum and break back above the $3 level, but any rally may struggle to sustain gains. Seasonal factors and mild U.S. temperatures have subdued demand, particularly for air conditioning, which is limiting buying interest.

The U.S. Energy Information Administration (EIA) raised its forecast for 2026 natural gas production by 0.7%, projecting output at 106.09 billion cubic feet per day—up from 105.4 bcf/day in July. Production remains near record highs, with active rigs recently hitting a two-year peak. The latest EIA report was slightly bearish, showing natural gas inventories for the week ended August 1 increased by 56 billion cubic feet—above consensus expectations of 54 bcf and well above the five-year average build of 33 bcf.



Source: Reuters



As of August 8, U.S. natural gas stocks were 2.4% lower year-over-year but remained 6.6% above the five-year seasonal average, indicating adequate supply. In Europe, gas storage stood at 72% full as of August 9, below the five-year seasonal average of 79% for this time of year.

Overall, both oil and natural gas markets are navigating a complex mix of geopolitical developments, supply dynamics, and seasonal demand shifts that are likely to maintain market uncertainty in the near term.

Technical Outlook

Crude Oil

In the last week, crude oil closed on a flat note resembling indecisive. 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 indicating further weakness. It has convincingly given an upward sloping trend line breakdown and is well-positioned for further downside. Immediate support can be identified at Rs. 5200 level whereas immediate resistance is observed at Rs. 5850. Selling on rise seems likely testing Rs. 5200 level on the lower side till it holds below 5850 level. The current view will get negated if prices hold above 5800 level closing basis.

Natural Gas

In the last week, natural gas prices gave a negative close with a loss of around 12 rupees or -5%. The 14- period Relative Strength Index (RSI) is currently trading below midpoint mark of 50 signalling negative momentum. Key significant pullbacks are sold in the past as prices fail to hold on the higher side followed by a series of lower high and lower low structure indicating bearish momentum. There is a possibility for it to trade in a sideways to lower range testing Rs. 234 on the lower side till the prices hold below Rs. 256 mark.

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