Monday, August 25, 2025

Crude oil prices rose last week amid uncertainty surrounding a potential peace deal between Russia and Ukraine, with prices gaining on the week for the first time in three weeks. The expectations that lower borrowing costs will stimulate economic activity and strengthen fuel demand. Supply concerns also contributed, as fears of potential disruptions to Russian exports persisted. Adding to market tension, U.S. trade adviser Peter Navarro indicated that U.S. plans to double tariffs on India from August 27, in response to New Delhi's purchases of Russian crude.

There is still uncertainty surrounding a potential ceasefire, as negotiations are progressing more slowly than markets had hoped. The 3½-year conflict showed no signs of easing this week, with Russia launching an airstrike near Ukraine's border with the European Union. In response, Ukraine reported strikes on a Russian oil refinery and the Unecha pumping station, a key component of the Druzhba pipeline that transports oil to Europe.

The slimmer the chances of a ceasefire, the greater the likelihood of Washington imposing harsher sanctions on Russia. At the same time, U.S. and European officials have put forward military options to their national security advisers, following the first face-to-face meeting between the U.S. and Russian leaders since the start of the Ukraine invasion.

Pressure grew further when former President Trump reiterated his threat to impose sanctions on Moscow unless tangible progress is made toward a peace agreement with Ukraine, giving President Putin a two-week window to show greater willingness to end the conflict. Even so, crude's upside was capped by the prospect of rising OPEC supply, with the group accelerating the rollback of its

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	5565	63.5	67.59
Close	5572	63.66	67.73
1 Week Chg.	7	0.16	0.14
%change	0.63%	1.00%	1.33%
OI	12637	328768	0
OI change	957	14533	0
Pivot	5575	63.63	67.72
Resistance	5600	63.96	68.01
Support	5547	63.34	67.43

Natural Gas		
Exchange	MCX	NYMEX-NG
Open	254.8	2.903
Close	245	2.80
1 Week Chg.	-9.8	-0.10
%change	-3.85%	-3.55%
OI	30997	251902
OI change	232.19%	14.96%
Pivot	248.3	2.83
Resistance	252.1	2.88
Support	241.2	2.75

Front Month Calendar Spread		
Exchange	MCX	NYMEX($)
1st month	-14	-0.43
2nd month	-12	-0.33

WTI-Brent spread$	
1st month	-0.51
2nd month	-0.45

2.2 mb/d voluntary production cuts, a move expected to tip the oil market into a notable surplus in Q4.

In trade news, the U.S. will impose an additional 25% penalty tariff on Indian goods starting August 27, effectively doubling the total tariff rate to 50%. The decision comes in response to India's rising imports of Russian crude oil. Indian officials have voiced strong frustration over the measures, stressing the need to safeguard the country's strategic interests. Meanwhile, several Indian refiners have signaled plans to keep purchasing Russian oil, suggesting continued demand that may lend support to global crude prices.

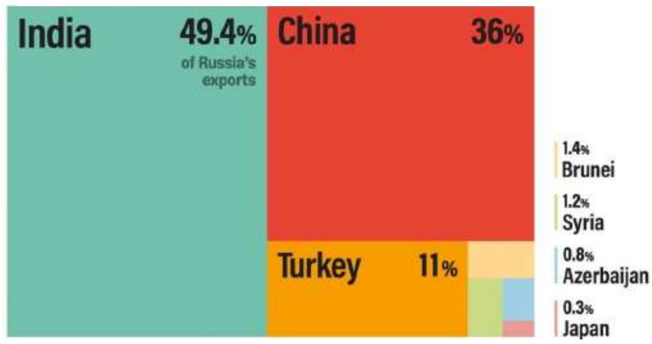
On economic data front, Federal Reserve Chair Jerome Powell's comments at last week's Jackson Hole symposium have shifted market expectations. He signaled that the Fed may have to lower interest rates in September, pointing to mounting risks in the labor market. Traders are now pricing in an 87% chance of a quarter-point cut at the upcoming meeting. A reduction in rates would ease borrowing costs for businesses and households, spurring investment and spending that could in turn lift energy demand.

Prices got further supported by a sharper-than-expected drawdown in U.S. crude inventories last week pointed to firm demand. The EIA reported that stocks fell by 6 Mbs, well above forecast for a 1.8 Mbs decline. At the same time, Baker Hughes reported on Friday that U.S. energy firms reduced the number of active oil and natural gas rigs for the fourth time in five weeks. The steep inventory reduction reflected lower imports and a surge in exports, alongside increased refinery throughput, which lifted refinery utilization to nearly 97%. Gasoline stocks dropped significantly by 2.7 Mbs, supporting signs of strong fuel demand, while distillate fuel inventories increased moderately but remained below their five-year average.

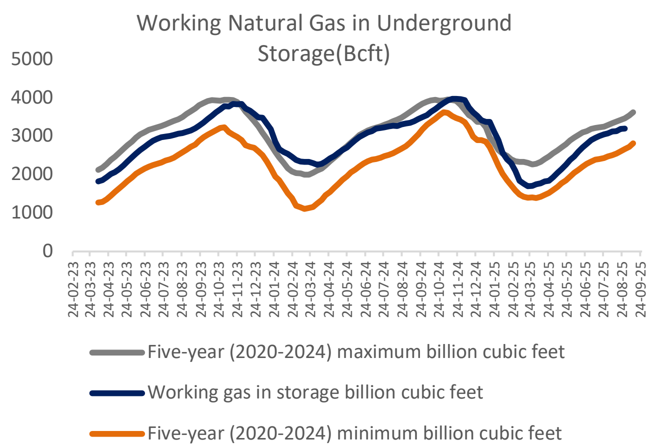
However, gains were capped by expectations of significant increase in OPEC supply as group accelerated rollback of voluntary production cuts, which is set to push market into surplus territory in Q4.

Natural gas prices declined last week as supply remained abundant despite continued summer demand. U.S. production in Lower 48 states reached a record average of about 108.4 Bcfd in Aug, slightly exceeding July's already high output. This strong supply, combined with natural gas stocks remaining around 5.8% above five-year average for this time of year, exerted downward pressure on prices.

Who is buying Russian oil in 2025?



Source: Reuters



Although August saw hotter-than-average temperatures elevating cooling demand in some regions, injections into storage were slower than 5 Yr Avg, indicating moderate demand pressure. LNG export volumes increased modestly, averaging approximately 15.8 bcfd in August, contributing to steady global demand. Regional price variations were notable, with western U.S. markets such as Pacific Northwest and California experiencing price increases linked to seasonal heat and electric power demand. Overall, market balance reflected high production and inventories keeping prices under pressure, with forecasts projecting natural gas prices to remain subdued near current levels through early Sept.

Technical Outlook

Crude Oil

Crude oil prices on MCX traded largely sideways in the previous week with no major change in overall levels. The price action continues to remain within a broader downward sloping channel, reflecting a lack of clear direction. Key support is placed near ₹5,390 (S1) followed by ₹5,130 (S2), while resistance levels are seen at ₹5,800 (R2) and ₹6,200 (R1). As long as prices hold within this range, the broader trend is expected to remain sideways with a consolidative bias. A decisive break above ₹5,800 or below ₹5,390 will be needed to provide fresh directional cues.

Natural Gas

Naturalgas prices on MCX extended their weakness in the previous week, declining by more than ₹12 or nearly 5%. The chart structure shows a sustained downtrend with prices moving within a descending channel, making lower highs and lower lows. Key support levels are placed at ₹228 (S1) and ₹210 (S2), while immediate resistance is seen at ₹250 (R2) followed by ₹266 (R1). The overall trend remains bearish as long as prices stay below the ₹250–266 zone. Hence, the strategy should be to sell on rise towards resistance levels, keeping a downside bias for targets near the lower support zone.

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