



Monday, September 08, 2025

Oil prices settled down by more than 2% amid expectations for swelling supplies from OPEC+ along with weak U.S. jobs numbers report, dimming the positive outlook for crude oil. Prices however saw a relief recovery after OPEC+ reported to increase 1,37,000 Bpd of crude oil, a slower pace from October on expectations of weaker global demand, to regain market share.

At this pace, it will take OPEC+ 12 months to remove the full tranche of 1.65 Mbpd of cuts, leaving the alliance with another 2 Mbpd of production cuts still in place until end of 2026. OPEC+ said it retained options to accelerate, pause or reverse hikes at future meetings. The group has already raised production quotas by about 2.5Mbpd, around 2.4% of global demand, between April and Sep. This has put downward pressure on oil prices which has fallen by 18% from their highs of 2025 Jan levels. Now, OPEC+ is now scheduled the next meeting of eight countries for Oct 5.

The announced production increase is less bearish than it appears, as the actual rise is likely to be far smaller than narrative suggests. Most OPEC+ members are already pumping at or near full capacity. Back in March 2025, just before the bloc began unwinding its initial layer of cuts, joint output stood at 31.83Mbpd—only about 1 Mbpd below September target of 32.88Mbpd. This was largely because countries like Kazakhstan, UAE, and Iraq had already exceeded their official quotas. By July, these three alone were producing roughly 500,000 bpd above their Sep allocations. As result, new quotas won't translate into a major influx of fresh barrels, since they mostly align with current production realities.

For Saudi Arabia, however, impact is much more significant. Its output will climb from 9.07Mbpd in March to 9.98Mbpd in Sep, leaving it with estimated 2.2Mbpd of spare capacity—the largest cushion among OPEC+ members. Under recently unwound tranche of cuts, both Saudi Arabia and Russia lowered production by about 500,000 bpd each. But Russia, constrained by sanctions that restrict new investment, has little

Crude Oil			
Exchange	MCX	NYMEX-WTI	ICE-Brent
Open	5591	63.33	66.82
Close	5447	61.87	65.50
1 Week Chg.	-144	-1.46	-1.32
%change	-3.06%	-4.23%	-3.65%
OI	11759	249991	0
OI change	27	-39240	0
Pivot	5494	62.27	65.87
Resistance	5566	63.09	66.68
Support	5376	61.05	64.70

Natural Gas		
Exchange	MCX	NYMEX-NG
Open	272.7	3.078
Close	268.9	3.05
1 Week Chg.	-3.8	-0.03
%change	-1.39%	-0.97%
OI	22317	212907
OI change	18.19%	-12.58%
Pivot	270.8	3.07
Resistance	274.0	3.11
Support	265.8	3.00

Front Month Calendar Spread		
Exchange	MCX	NYMEX(\$)
1st month	-13	-0.69
2nd month	7	-0.15

WTI-Brent spread\$	
1st month	-0.39
2nd month	-0.28

spare capacity left. By contrast, Saudi is positioned to capitalize on rollback, boosting its market share at expense of U.S. shale producers, expected to scale back drilling as prices soften.

OPEC+'s new production targets are therefore unlikely to significantly disrupt the oil market and probably will not massively shift prices but could still have long-term consequences because of geopolitical backdrop as ongoing Western sanctions on Russia and Iran continue to keep a tight lid on truly global surplus supply, dampening broader market shocks. Market positioning data confirmed that speculators were notable buyers of crude oil, though post OPEC+ rumours sell off like reversed much if not all of this recent buying effort.

On the other hand, supply risk continues to support prices at lower level with U.S. President imposing fresh set of new sanctions on Russia, in an attempt to compel President Putin to negotiating table. President Trump have reportedly told European leaders to stop buying Russian oil. This can remove approximately 6Mbpd of Russian crude oil out of the market balances, thus providing a floor to oil prices.

EIA inventory numbers reported a surprise increase of 2.415 Mbs, compared to a sharp forecast for a decrease of 2Mbs, underscoring a weaker than expected demand for crude oil. The surprise increase brings commercial stockpiles to 420.7 Mbs, which is 4% below five-year average for this time of year. Gasoline inventory saw a decrease of 3.8Mbpd while distillate saw sharp decrease of 1.8Mbpd. Gasoline demand averaged 9.1 Mbpd over last four weeks, while distillate four-week average supplied at 3.9 Mbs, up 4.2% YoY.

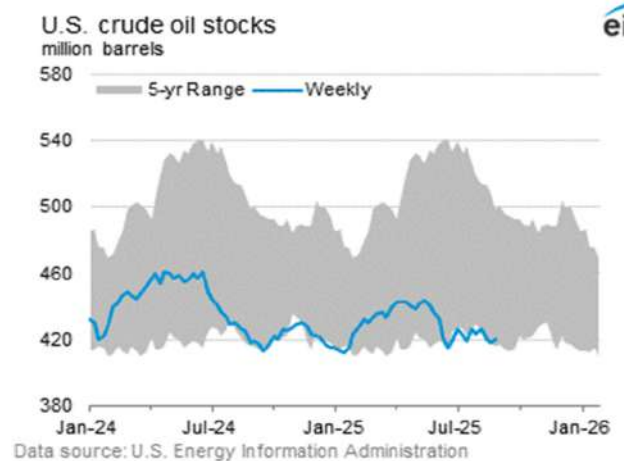
Refined products markets strengthened on back of numerous refinery outages, including upped Ukraine attacks against Russia refining fleet, likely month's long loss of Dangote's gasoline producing units as well as Europe's largest refinery confirming heavy maintenance. Timespreads are weakening once again; the front of Brent futures curve slipped to weakest backwardation since early May and already-depressed belly of the curve slipping deeper still, erasing what was more than a year of priced [if modest] backwardation to barely 4 months of remaining backwardation today before contango takes hold early next year.

Market positioning data confirmed that speculators were notable buyers of crude oil, though post OPEC+ rumors sell off likely reversed much if not all of this recent buying effort. Prices are expected to stay positive this week however, uncertainties remain demand concerns still prevail with U.S. summer driving season is drawing to a close with Labor Day holiday, signaling weaker fuel demand ahead.

October 2025 Required Production Table (kbd)

Country	October 2025 Production Increments (kbd)	October 2025 Required Production (kbd)
Algeria	4	963
Iraq	17	4,237
Kuwait	11	2,559
Saudi Arabia	42	10,020
UAE	12	3,387
Kazakhstan	6	1,556
Oman	3	804
Russia	42	9,491
Total	137	

Source: OPEC



Uncertainty persists over whether U.S. and Europe will impose stricter sanctions on Russia following its latest attack on Ukraine, as well as over possible consequences of newly announced U.S. tariffs on India. These factors have made investors cautious about taking on larger positions as oil prices remain volatile.

Natural gas prices ended last week as mixed weather forecast pushed prices higher. Fundamentals remained mixed with as elevated production, and robust storage levels capped bullish enthusiasm. Lower-48 dry gas output remained elevated at 108.2 Bcfd, up 5.6% from year ago. That strength continues to overwhelm demand, which fell to 74.4 Bcfd, down 3.7% YoY. Despite steady LNG feedgas flows near 15.2 Bcfd, overall supply-demand balance remains bearish. EIA showed a +55 Bcf injection, matching expectations but exceeding the five-year average of +36 Bcf. Total storage now stands at 3,272 Bcf - 5.6% above 5 yr norm and just 2.2% below last year's level. This confirms market remains comfortably supplied as it enters seasonal transition, reducing urgency for aggressive buying even with production volatility in background.

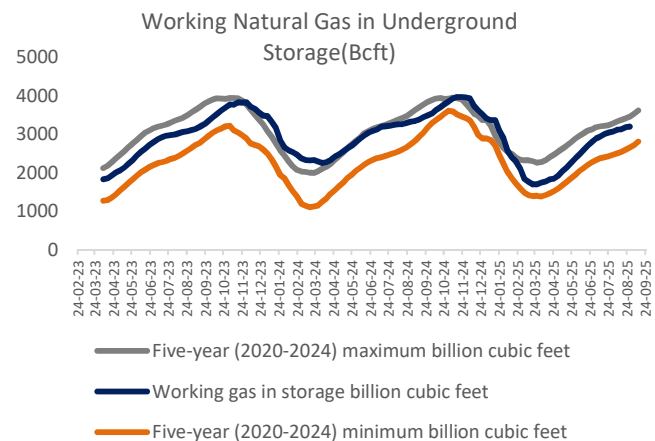
Technical Outlook

Crude Oil

Crude Oil futures on the MCX ended the week with a loss of 3.66%. On the daily chart, prices remain stuck in a broad consolidation phase, reflecting the absence of a clear trend. The contract is hovering around 21-period Exponential Moving Average (EMA), highlighting ongoing market indecision. A breakout above ₹5,720 could open door for bullish momentum, with upside potential towards ₹5,950. Conversely, a breakdown below ₹5,380 may invite renewed selling pressure, exposing downside levels near ₹5,150. Until a decisive move occurs, prices are likely to continue oscillating within this range.

Natural Gas

Natural Gas futures on the MCX registered a weekly gain of 1.86% (₹4.90). On the daily chart, the price has given a breakout above a downward-sloping trendline and is moving in a higher-high, higher-low formation. The contract is sustaining above the 21-day Exponential Moving Average (EMA), which supports the prevailing bullish sentiment. Additionally, the 14-period Relative Strength Index (RSI) remains above 50, signaling sustained upward momentum. In this backdrop, a "buy on dips" approach is advisable. Key support is placed in the ₹264–₹252 range, while on the upside, targets are seen at ₹290 and ₹305 in the near term.



Navneet Damani	Research-Head	navneetdamani@motilaloswal.com
Shweta Shah	Analyst- Energy	shweta.vshah@motilaloswal.com

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600

commoditiesresearch@motilaloswal.com**Commodity Disclosure & Disclaimer:**

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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