Monday, January 12, 2026

Crude's recent price strength primarily reflects risk premium accumulation rather than actual supply losses, and prices could extend further on perceived disruption risks involving major producers. Geopolitical tensions have intensified, with U.S. President Trump stating that the U.S. military is considering "very strong options" for Iran, a clear escalation in rhetoric. What began as economic protests in Iran has evolved into a geopolitical confrontation, with Tehran warning that any attack would make U.S. bases and shipping legitimate targets. While Iranian production has not yet been disrupted, the core market risk lies in escalation scenarios affecting the Strait of Hormuz, through which roughly 20% of global oil flows.

In a structurally loose market that spent much of last year pricing surplus risk, geopolitical escalation has interrupted supply-led weakness and triggered a sharp, sentiment-driven reversal. The U.S. capture of Venezuela's president initially raised concerns over supply, but subsequent data confirmed that Venezuela lacks the capacity to act as a meaningful swing supplier. Executive orders by President Trump blocking the seizure of Venezuelan oil revenues, threats to exclude Exxon, and political control over investment approvals have increased operational uncertainty, reinforcing Venezuela as a long-term, high-risk supply story rather than a near-term relief valve. OPEC output fell in December due to declines in Iran and Venezuela, while planned OPEC+ increases were largely offset by compensation cuts, limiting effective supply growth.

Near-term price action remains skewed to the upside, with pullbacks likely shallow and tactical unless clear geopolitical de-escalation occurs. However, structural oversupply continues to cap long-term upside, as the market exited 2025 in a loose position with resilient U.S. output, steady non-OPEC growth, and continued sanctioned flows. Weak Asian demand, reflected in demand softness and OSP cuts by Saudi Arabia and Iraq, confirms that the physical market is not tight, placing a ceiling on balance-driven rallies.

Crude Oil			
Exchange	**MCX**	**NYMEX-WTI**	**ICE-Brent**
Open	5223	58.4	62.6
Close	5352	59.12	63.34
1 Week Chg.	129	0.72	0.74
%change	3.82%	3.14%	4.26%
OI	13057	199888	0
OI change	6027	-115622	0
Pivot	5318	58.83	63.03
Resistance	5434	60.06	64.23
Support	5236	57.90	62.14

	Natural Gas	
Exchange	**MCX**	**NYMEX-NG**
Open	307	3.41
Close	294.2	3.17
1 Week Chg.	-12.8	-0.24
%change	-4.17%	-7.07%
OI	30296	160065
OI change	22.85%	-4.87%
Pivot	300.6	3.27
Resistance	309.6	3.40
Support	285.1	3.03

Front Month Calendar Spread		
Exchange	**MCX**	**NYMEX($)**
1st month	14	-0.33
2nd month	10	-0.12

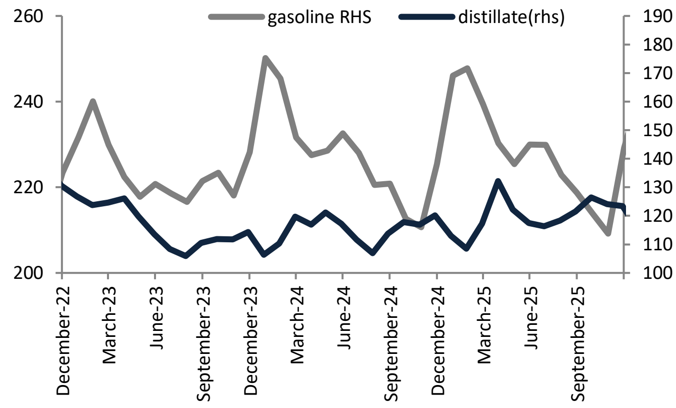
WTI-Brent spread$	
1st month	-0.55
2nd month	-0.32

For natural gas, prices remain largely weather-driven rather than supply-driven. While colder risks persist across the Northeast and Midwest, the broader temperature outlook remains warmer across high-demand southern and western U.S. regions, keeping heating demand fragmented and limiting scope for sustained price recovery.

Over the weekend, near-term forecasts from both the GFS and ECMWF models trended colder, with higher GWDDs, especially in the 6–10 day period, and hints of a reinforcing arctic shot in the 14–18 day period. However, this has not yet triggered significant price movement, and while later contracts are seeing some buying, sustained cold anomalies will be required for an extended upswing.

According to NOAA's 3–4 week outlook, late January to early February is likely to bring warmer-than-usual weather to the Southwest and Gulf Coast, while the Midwest, Great Lakes, and Northeast may see cooler conditions. The Pacific Northwest and northern Rockies are expected to get more rain or snow, with uncertain patterns elsewhere in the East.

US Product Stock(million barrels)



Source: EIA

Technical Outlook

Crude Oil

In the last week, crude oil closed on a positive note by 3.66% resembling buying interest. The 14- period Relative Strength Index (RSI) on the daily chart is currently trading above the midpoint mark of 50 indicating strength. It has formed a bullish reversal pattern coupled with a breakaway gap well-positioned for further upside. Immediate support can be identified at Rs. 5180 level whereas immediate resistance is observed at Rs. 5510. Buying on dips seems likely testing Rs. 5510 level on the higher side till it holds above 5240 level

Natural Gas

In the last week, natural gas prices closed on a negative note by -4%. 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. 255 on the lower side till the prices hold below Rs. 327 level

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