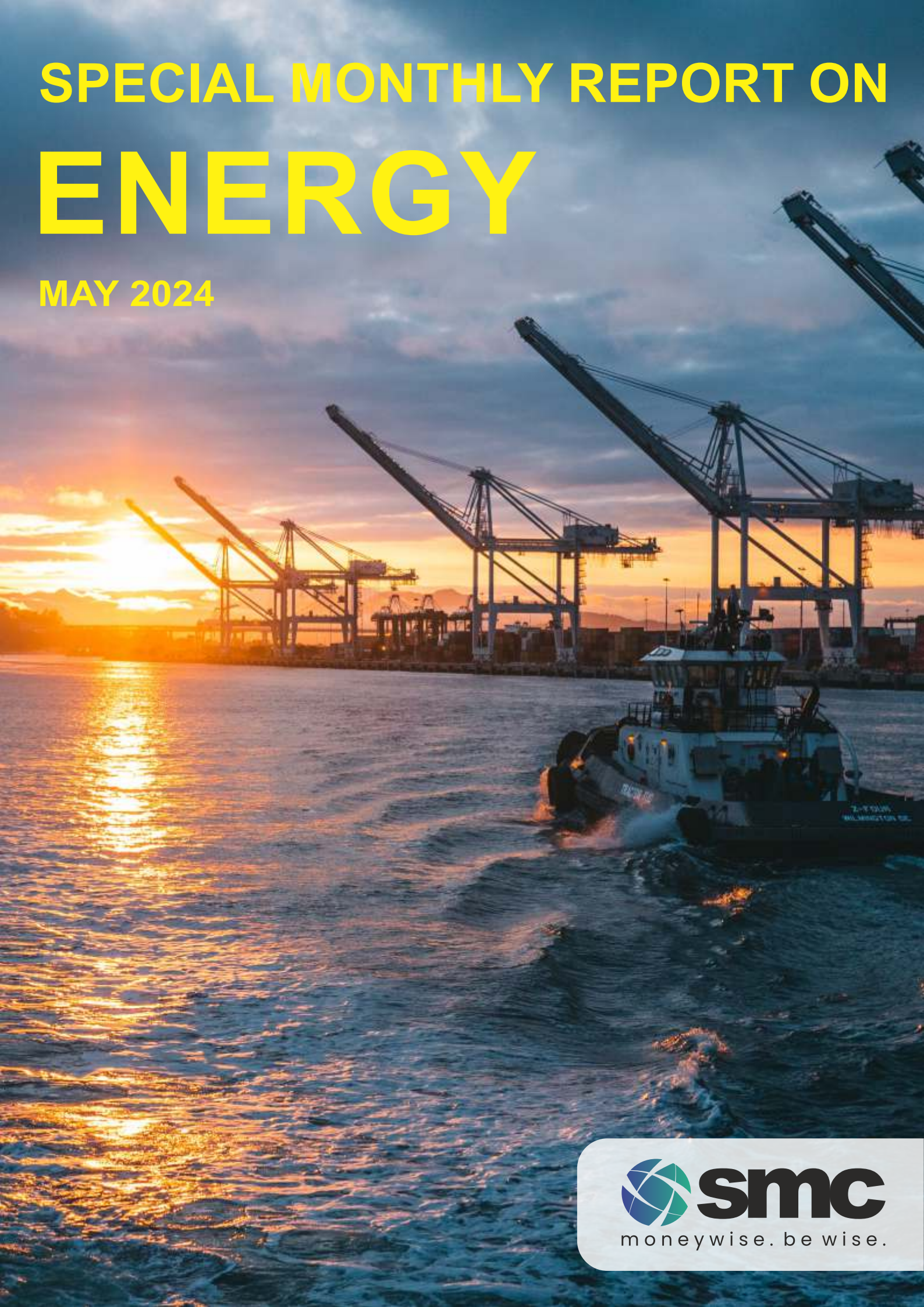
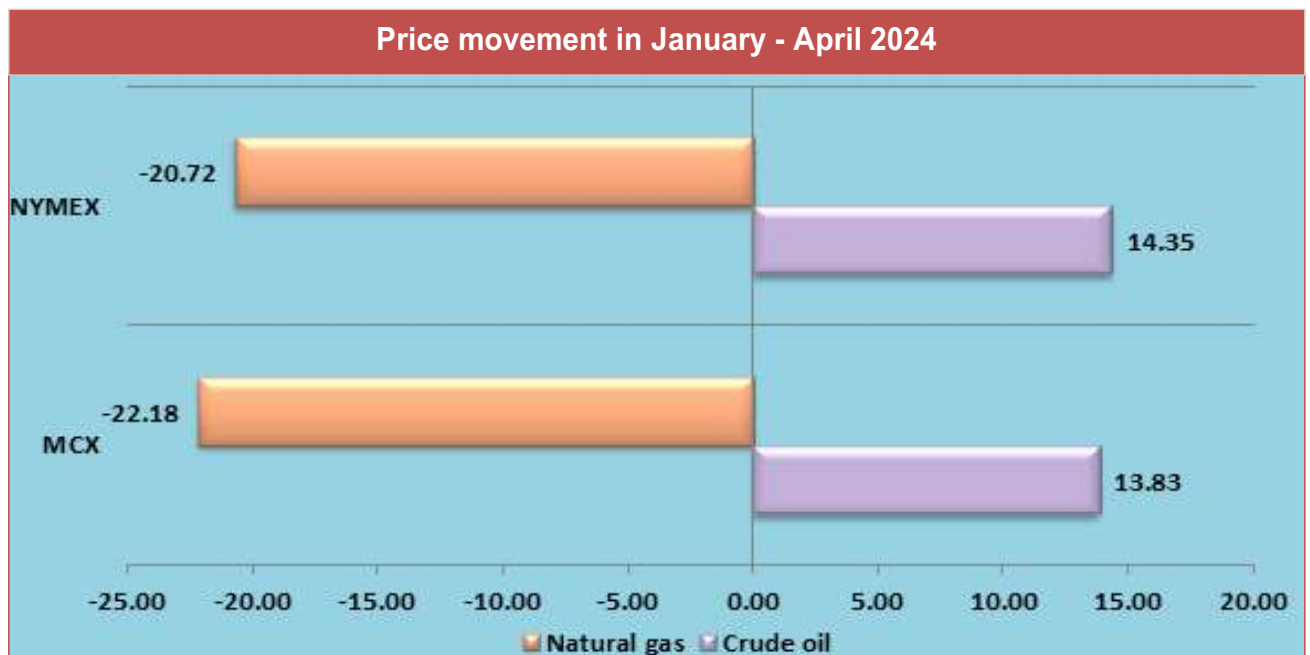
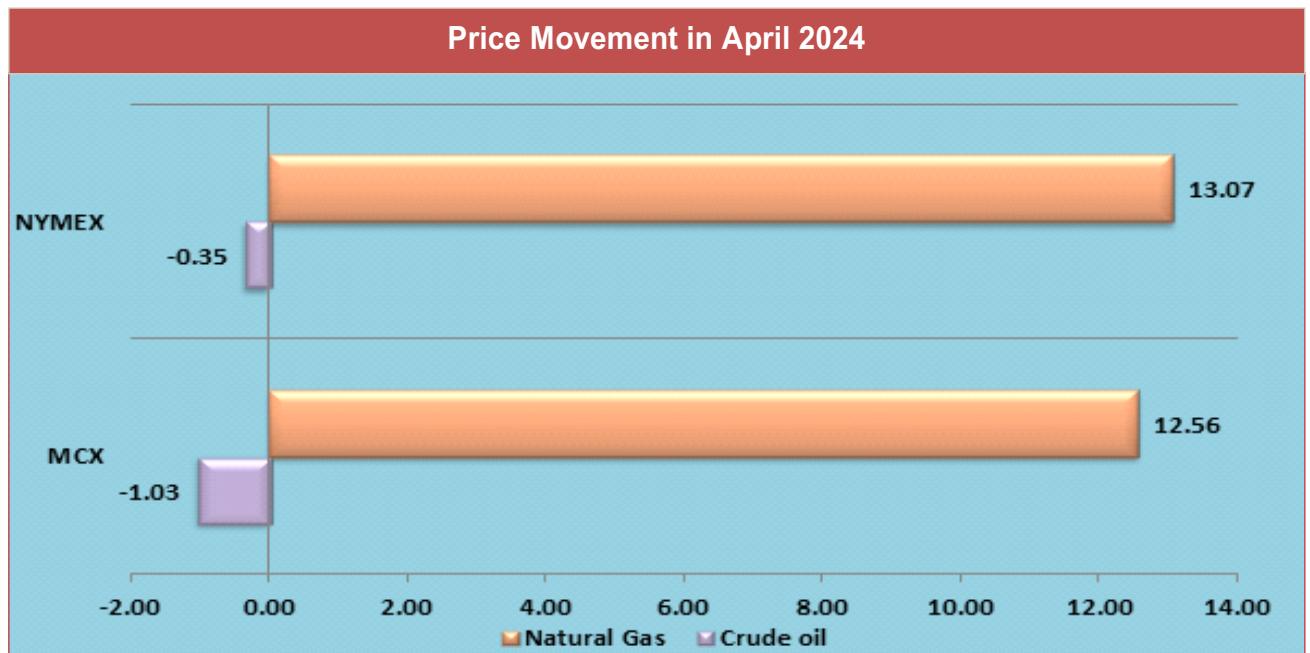


# SPECIAL MONTHLY REPORT ON ENERGY

MAY 2024





In April, Crude oil prices snapped a third-monthly gain and closed lower on the back of rising U.S. crude production, the prospect of a Middle East ceasefire agreement and as hopes faded for near-term U.S. interest rate cuts that could boost oil demand. U.S. crude production rose to 13.15 million barrels per day (bpd) in February from 12.58 million bpd in January in its biggest monthly increase since October 2021, the Energy Information Administration said. Meanwhile, exports climbed to 4.66 million bpd from 4.05 million bpd in the same period. Expectations that a ceasefire agreement between Israel and Hamas could be in sight have grown in recent days following a renewed push led by Egypt to revive stalled negotiations between the two. Balancing the market, output from the Organization of the Petroleum Exporting Countries has fallen in April, a Reuter’s survey found, reflecting lower exports from Iran, Iraq and Nigeria against a backdrop of on-going voluntary supply cuts by some members agreed with the wider OPEC+ alliance.

## Outlook

- The current state of the oil market reflects a complex interplay of geopolitical factors, production decisions by key players, and macroeconomic policies. As these elements continue to evolve, fluctuations in oil futures are expected to persist.
- Investors were concerned that higher-for-longer borrowing costs would curb economic growth in the U.S., the world's leading oil consumer, after the Federal Reserve decided this week to hold interest rates steady.
- Geopolitical risk premiums due to the Israel-Hamas war may fade as the two sides are considering a temporary ceasefire and hold talks with international mediators.



- The oil demand is expected to remain stagnant, with a still tight labour market in the United States and economic challenges in China. In the Americas, production growth appears sufficient to offset the expansion of consumption in emerging economies.
- Global petrol demand growth could halve in 2024, squeezing second-half refinery margins, analysts said, driven by a shift to electric cars in China and the United States and a return to normal consumption after last year's bounce following COVID-19.
- In the lowest growth since 2020, demand is likely to rise 340,000 barrels per day (bpd), to stand at 26.5 million bpd this year, says consultancy Wood Mackenzie, down from growth of 700,000 bpd last year, as China nears the point of peak transport fuel demand and the U.S. has surpassed it.
- Saudi Arabia raised the official selling prices (OSPs) for its crude sold to Asia, Northwest Europe and the Mediterranean in June, signalling expectations of strong demand this summer.
- The Organization of Petroleum Exporting Countries and allies, a group known as OPEC+, could potentially maintain their current run of 2.2 million barrels per day of production cuts beyond the end-June deadline, especially if demand does not pick up.
- It is currently cutting output by 5.86 million barrels per day, equal to about 5.7% of global demand, but just over 2 million barrels per day of voluntary cuts by some members expire at the end of June.
- Adnoc, the UAE's national oil company, has increased its production capacity by 200,000 barrels per day to 4.85 million b/d, leaving the producer with a spare capacity above 1.7m b/d, after producing a little over 3.1m b/d in April.

### Weekly Price Movement of Crude Oil in MCX



Source: Reuters

### Weekly Price Movement of Crude Oil in MCX



Source: Reuters

**In May 2024, oil prices are anticipated to trade within a broader range with bearish, with a potential trading range between 6200 and 7050. Profit booking at higher level cannot be denied.**

## Natural gas

The five-month long decline in natural gas prices came to a halt in the month of April and a jump of more than 12% was recorded in the prices on both NYMEX and MCX, due to uptick in demand, the full restart of Freeport LNG's third train, supply interruptions in the Permian Basin, and projections of warmer-than-normal weather across the Lower 48 states of US. US gas production was down about 9% so far in 2024 after several energy firms, including EQT and Chesapeake Energy, delayed well completions and cut back on other drilling activities after prices fell to 3-1/2-year lows in February and March. However, gas stockpiles were currently about 34% above normal levels for this time of year.

## Outlook

- The natural gas market may continue to witness volatility as it remained influenced by weather conditions. The combination of hot weather forecasts, substantial storage levels, and a cautious approach by producers points towards continued upward pressure on prices.
- The amount of gas flowing to liquefied natural gas export plants increased with the return of Freeport LNG in Texas and on forecasts for much warmer weather next week, especially in Texas, that will prompt power generators to burn more gas to meet air conditioning demand.
- Financial firm LSEG said gas output in the Lower 48 US states fell to an average of 96.3 billion cubic feet per day (bcfd) so far in May, down from 98.1 bcfd in April. That compares with a monthly record of 105.5 bcfd in December 2023.
- LSEG forecast gas demand in the Lower 48, including exports, would rise from 91.4 bcfd this week to 92.3 bcfd next week before sliding to 89.5 bcfd in two weeks.
- Meteorologists projected weather across the Lower 48 states would remain mostly near-normal to warmer than normal through May 18.
- Gas flows to the seven big U.S. LNG export plants rose from an average of 11.9 bcfd in April to 12.2 bcfd so far in May with the slow return to service of Freeport LNG's plant in Texas. That compares with a monthly record of 14.7 bcfd in December.
- Wind energy generation has been robust this spring and is expected to remain strong over the next 15 days, offsetting increased natural gas usage. Additionally, solar generation has shown year-over-year strength

### Weekly Price Movement of Natural Gas in MCX



Source: Reuters

### Weekly Price Movement of Natural Gas in NYMEX



Source: Reuters

In May 2024, natural gas prices are expected to trade in both sides, with support around 145 and resistance near 195.

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