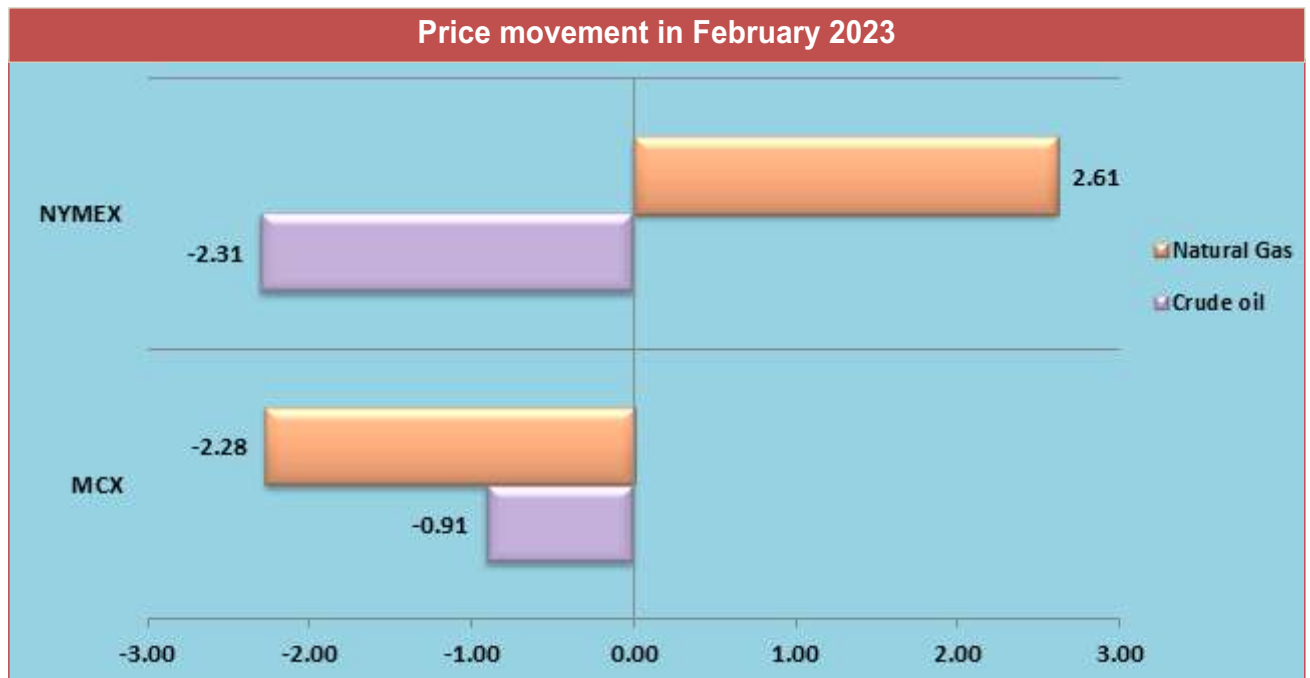


# SPECIAL MONTHLY REPORT ON ENERGY

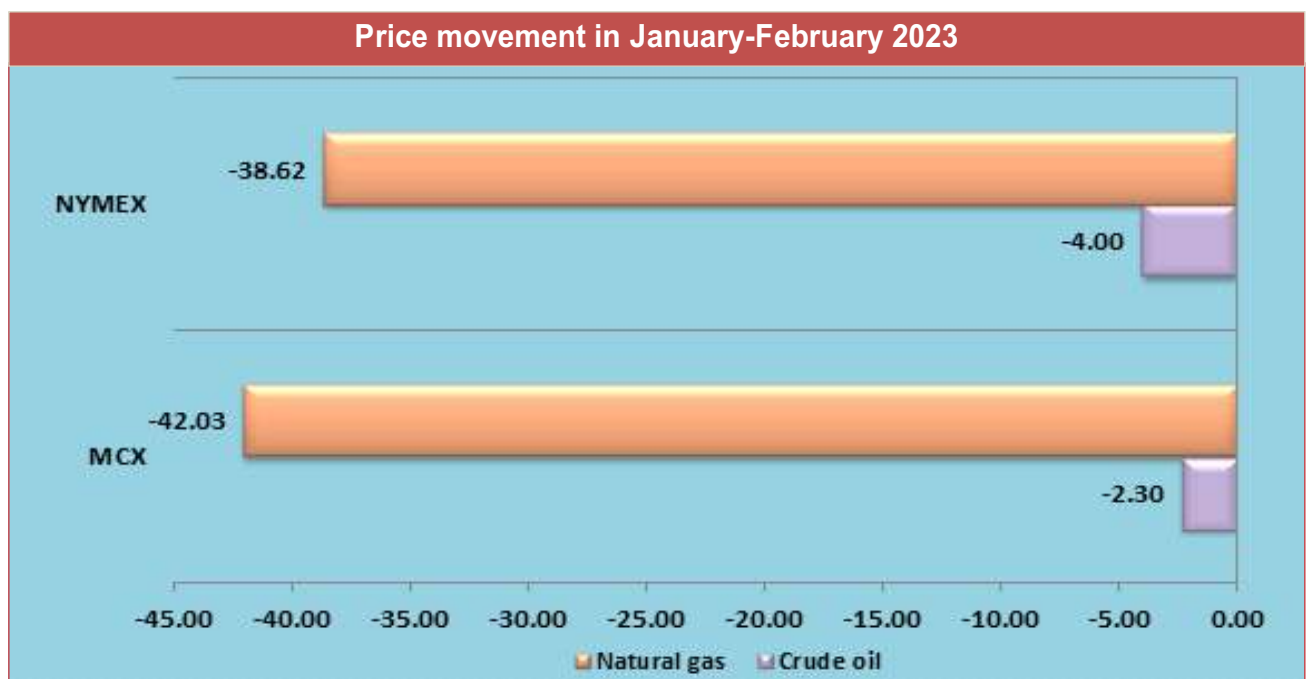
MARCH 2023



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Source: SMC Research & Reuters



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In February, crude prices traded with bearish bias as persistent concerns about global economic growth and worries about U.S. interest rate hikes dragging down consumption in the world's biggest economy outweighed supply curbs and hopes for a strong economic rebound in China. A bigger-than-expected build in U.S. crude inventories, which grew for a tenth consecutive week amid slowing consumption in the country also outweighed the prospect of deeper Russian supply cuts. U.S. crude stockpiles rose by 1.165 million barrels for a 10th straight week during the week ended Feb. 24, but the build was also the smallest in four weeks, government data showed. Urals crude exports to China from Russia's Western ports rose in February from the previous month, on lower freight costs and rising demand, Reuters sources said.

## Outlook

- The recent volatility in oil prices may continue on fears of global recession, high inflation and interest rate hikes and as well as ongoing geopolitical developments.
- Russia is set to cut output by 500,000 bpd and further slash oil exports from its western ports by up to 25%, as mounting Western sanctions drain its revenues. The world's second-largest oil exporter will seek to redirect its shipments of crude as well as refined products to countries such as China and India that have not sanctioned Moscow over its invasion of Ukraine.

- European Union (EU) ban on Russian seaborne oil imports and an international price cap having only a small impact on overall global supply.
- OPEC+ will be in no hurry to loosen their taps and may only change course late in 2023 if demand surprises on the upside.
- U.S. crude oil production fell in December to 12.10 million barrels per day (bpd), its lowest since August 2022, Energy Information Administration (EIA) data showed.
- Any global crude shortage is unlikely to be filled by U.S. shale producers, as the latest data from Baker Hughes showed that the U.S. oil rig count declined for a second consecutive week, by seven to a total rig count of 600.
- The Organization of the Petroleum Exporting Countries (OPEC) has pumped 28.97 million barrels per day (bpd) this month, the survey found, up 150,000 bpd from January. Output is still down more than 700,000 bpd from September.
- In China, service sector activity expanded at the fastest pace in six months in February and manufacturing activity in China also grew. China's seaborne imports of Russian oil are set to hit a record high this month.
- The world's top oil importer is becoming increasingly ambitious with its 2023 growth target, aiming as high as 6%, sources told Reuters.

### Weekly Price Movement of Crude Oil in MCX



Source: Reuters

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Source: Reuters

In March 2022, Crude oil prices may trade with high volatility within the range of 6100-6900 where buying near support and sell near resistance would be strategy.

## Natural gas

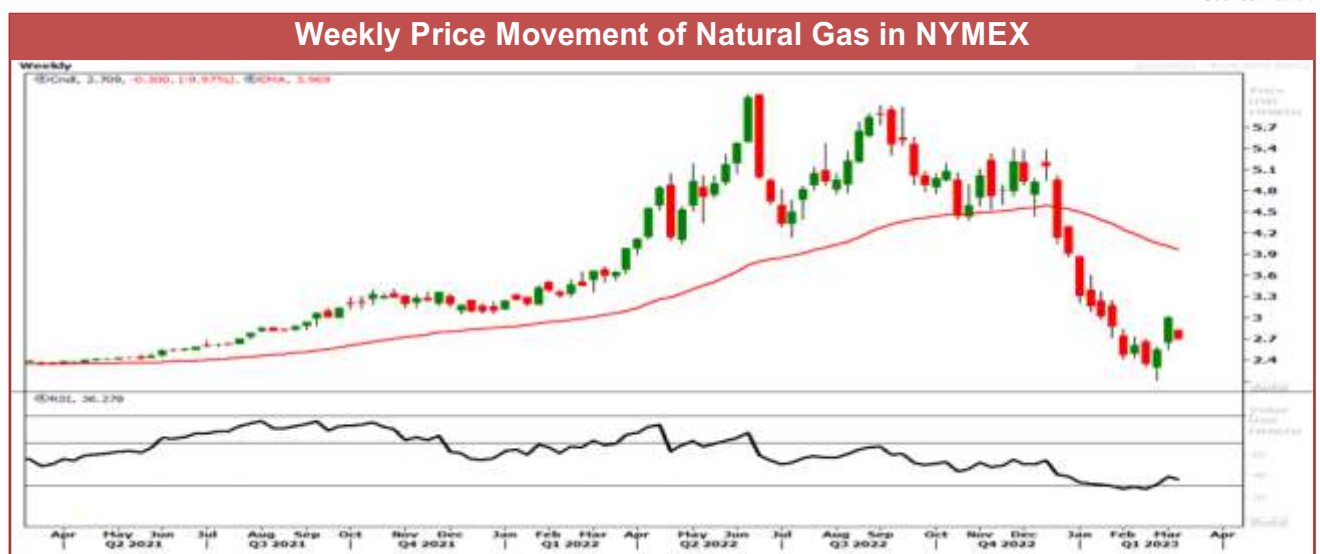
In February, natural gas prices jumped more than 2.5% on NYMEX supported by a dip in dry gas production to 97.5 billion cubic feet per day versus early February highs of well over 100 bcf daily. It also anticipated that rise in U.S. heating demand over the next two weeks due to colder-than-normal weather conditions in early March has been a supportive factor. Jump in US liquefied natural gas (LNG) exports and a bigger-than-expected weekly storage draw also supported the prices. The amount of gas flowing to the seven big US LNG export plants rose to 12.8 bcf so far in February from 12.3 bcf in January, compared with a monthly record of 12.9 bcf set in March 2022. However, the prices also recovered from lower level on MCX but not succeeded to close in green due to depreciation in INR.

## Outlook

- The fundamentals have quickly shifted to the bullish side in the natural gas market and this is fuelling a power short-covering rally. Driving prices higher is increasing heating oil and LNG demand.
- Gross natural gas production in the U.S. Lower 48 states is dropped by 3.1 billion cubic feet per day (bcfd) to 109.2 bcf in December from a record 112.3 bcf in November, according to EIA's monthly 914 production report.
- US gas demand is likely to ease next week on expectations that power generators would burn less gas to produce electricity, even though the colder weather is forecasted to last until March 17.
- Total gas flowing to U.S. LNG export plants has risen to 13.4 bcf so far in March from 12.8 bcf in February. That compares with a monthly record of 12.9 bcf in March 2022 before the Freeport LNG facility shut.
- Meteorologists forecast the weather in the Lower 48 states would remain mostly colder-than-normal through March 18 after some warmer-than-normal days from March 3-6.



Source: Reuters



Source: Reuters

MCX Natural gas trade in the range with high volatility where resistance is seen near 280 and support is seen near 160.

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