

SPECIAL MONTHLY REPORT ON ENERGY

FEBRUARY 2023



Moneywise. Be wise.

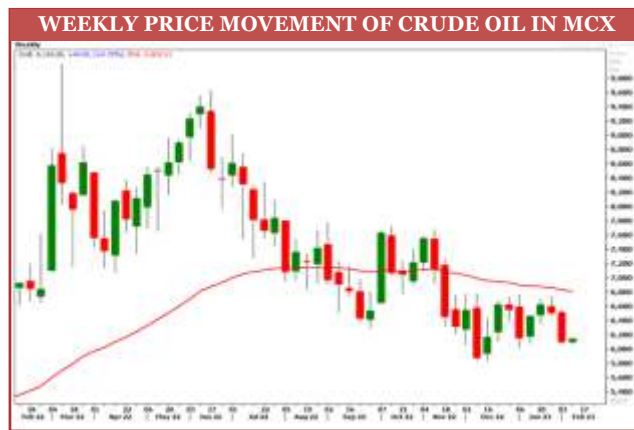


Source: Reuters & SMC Research

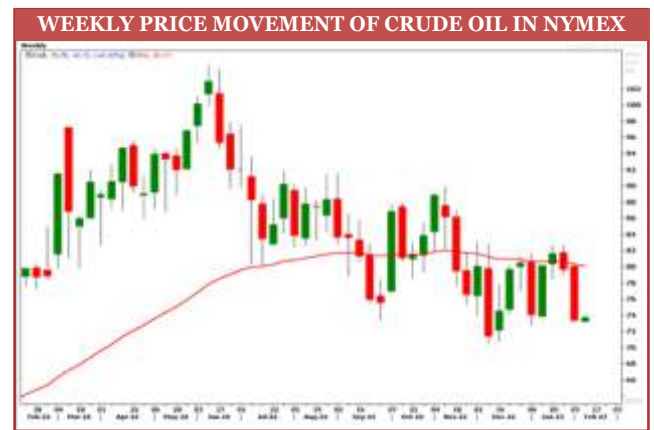
In January, crude prices traded in a tight range with marginal loss as the markets were seeking more cues from a Federal Reserve meeting and a potential economic recovery in China. The prices got some support as OPEC's oil output fell in January, as Iraqi exports dropped and Nigerian output did not recover, with the 10 OPEC members pumping 920,000 barrels per day (bpd) below OPEC+ targeted volumes, a Reuters survey found. Chinese business activity grew more than expected in January, government data showed, indicating that the country's economy was clearly on a path of recovery after it relaxed most anti-COVID restrictions earlier in the month. The data helped further the notion that a Chinese economic recovery will help spur increased crude demand in 2023. The International Energy Agency recently forecast that crude demand will rise to record highs in 2023 on the back of a Chinese recovery. But anticipation of a slew of central bank meetings in start of February month and fears of a near-term supply glut limited gains in oil prices.

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.
- Producer group OPEC+ angered the United States and other Western nations in October when it decided to cut output by 2 million barrels a day from November through 2023, instead of pumping more to cut fuel prices and help the global economy as the U.S. advised.
- Saudi Arabia is waiting for clearer signs of rising oil demand before committing to hike crude production with its OPEC+ counterparts, its energy minister said, while also warning that current global geopolitics and a lack of industry investment could create supply shortages.
- China's reopening and encouraging economic data from some major consuming countries in recent weeks have prompted some oil market forecasters to project firmer demand in the coming months, but Prince Abdulaziz bin Salman told an energy economics conference in Riyadh that he was yet to be convinced.
- Demand for U.S. crude and petroleum products rose 178,000 barrels per day (bpd) in November to 20.59 million bpd, the highest since August, the U.S. Energy Information Administration (EIA) said.
- The European Union – together with the international G7+ Price Cap Coalition – have been implemented from 5 February 2023 on seaborne Russian petroleum products (such as diesel and fuel oil). The embargo will take effect exactly two months after the West took by far the most significant step to curtail fossil fuel export revenue funding Russia's war.
- The combined measures are expected to cause Russia to cut oil production by 500,000 b/d by March, according to S&P Global Commodity Insights, though about 270,000 b/d of that will return by the end of 2023 as the market finds ways to overcome logistical hurdles in trading and shipping Russian barrels.



Source: Reuters



Source: Reuters

In February 2022, Crude oil prices may trade with high volatility within the range of 5800-6600 where buying near support and sell near resistance would be strategy.

Natural gas

In January, natural gas prices nosedived more than 40% on NYMEX & MCX, as an unusually warm start to the 2022/23 winter has led to considerably less heating demand in the United States versus the norm, leaving more gas in storage than initially thought. Due to weak consumption, at the week ended Jan. 27, U.S. gas storage stood at 2.583 tcf, or trillion cubic feet, up 9.4% from the year-ago level of 2.361 tcf, data from the Energy Information Administration showed. Responding to the warmth and lackluster storage draws, gas prices plunged from a 14-year high of \$10 per mmBtu in August, reaching \$7 in December and mid-\$2 levels this week despite growing forecasts for bitter cold later this month.

Outlook

- In the major weather forecast models, including the U.S.-based Global Forecast System and the European ECMWF models, showed that the looming cold weather event would be limited to the portions of the northern U.S. without meaningfully impacting the southern Plains and the Southeast region of the country.
- Europe is nearing the end of winter with record-high levels of natural gas in storage—news that has been appropriately celebrated in the media.
- EU gas demand needs to remain 13 percent lower than the 5-year average if the EU wants to meet its storage goals.
- In Europe, a milder-than-expected winter so far has meant that higher gas storage levels at the end of last year haven't been adequately utilized. At the end of January, reports suggest storage was about 72% full, well above the five-year average of 54% for this time of the year.
- U.S. gas production surged over the past two years, making ample supply available in response to higher demand. Production is set to continue to grow this year, as well, according to the Energy Information Administration.



Source: Reuters



Source: Reuters

MCX Natural gas trade in the range with high volatility where resistance is seen near 240 and support is seen near 170.

Commodity Research Desk

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court,
Gate No-4, 5th Floor, Kolkata-700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

DISCLAIMER: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.