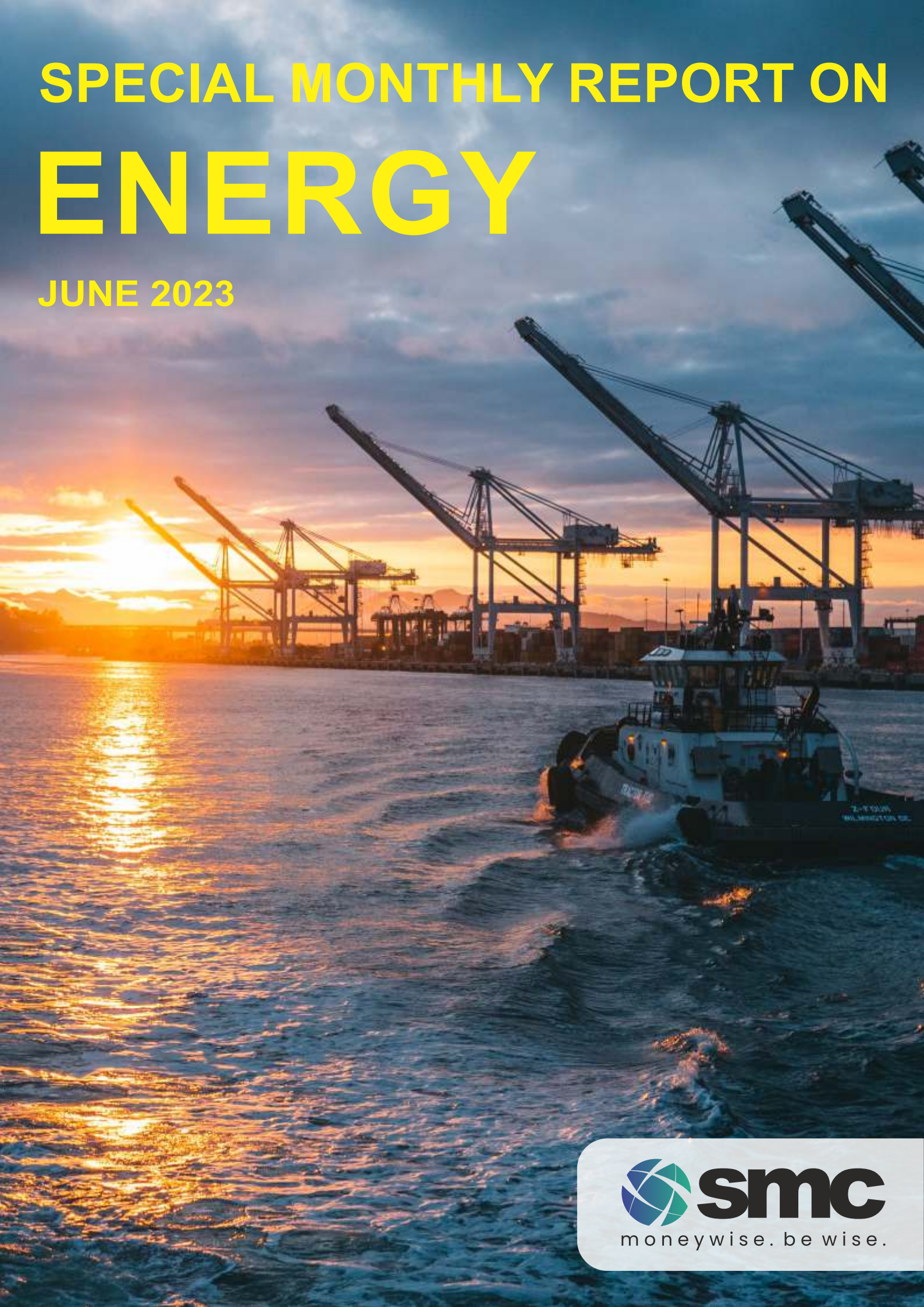


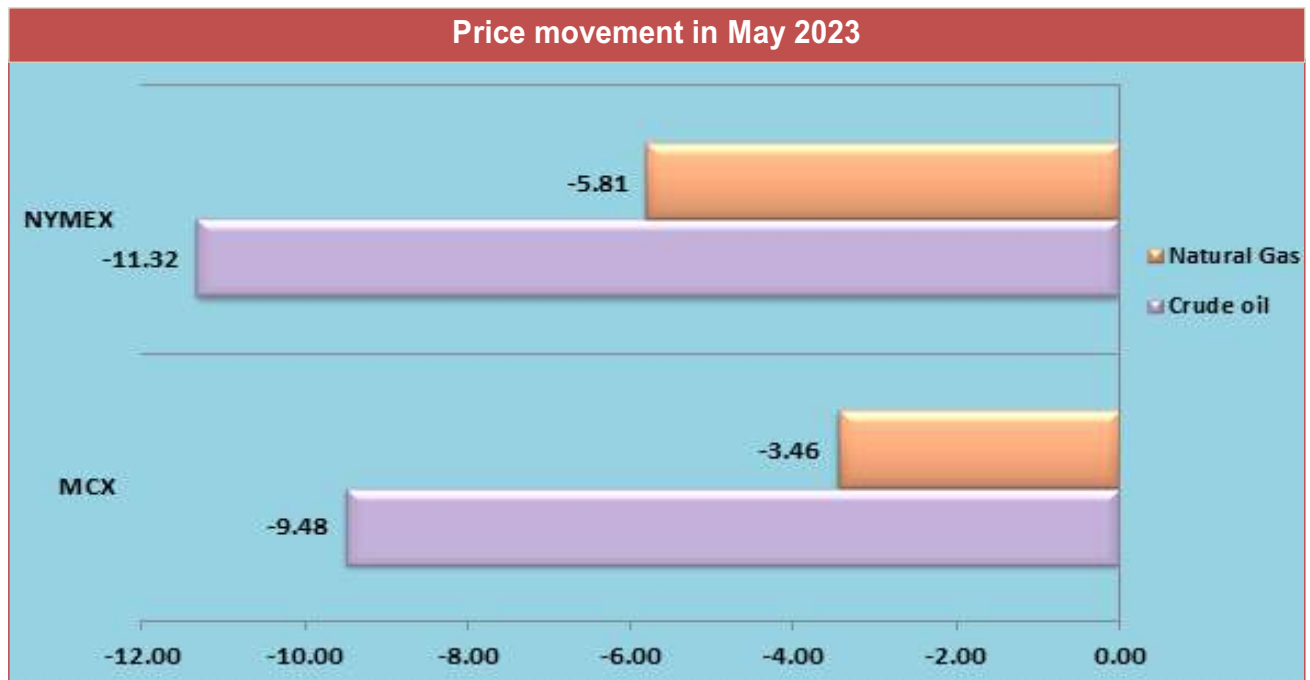
SPECIAL MONTHLY REPORT ON ENERGY

JUNE 2023

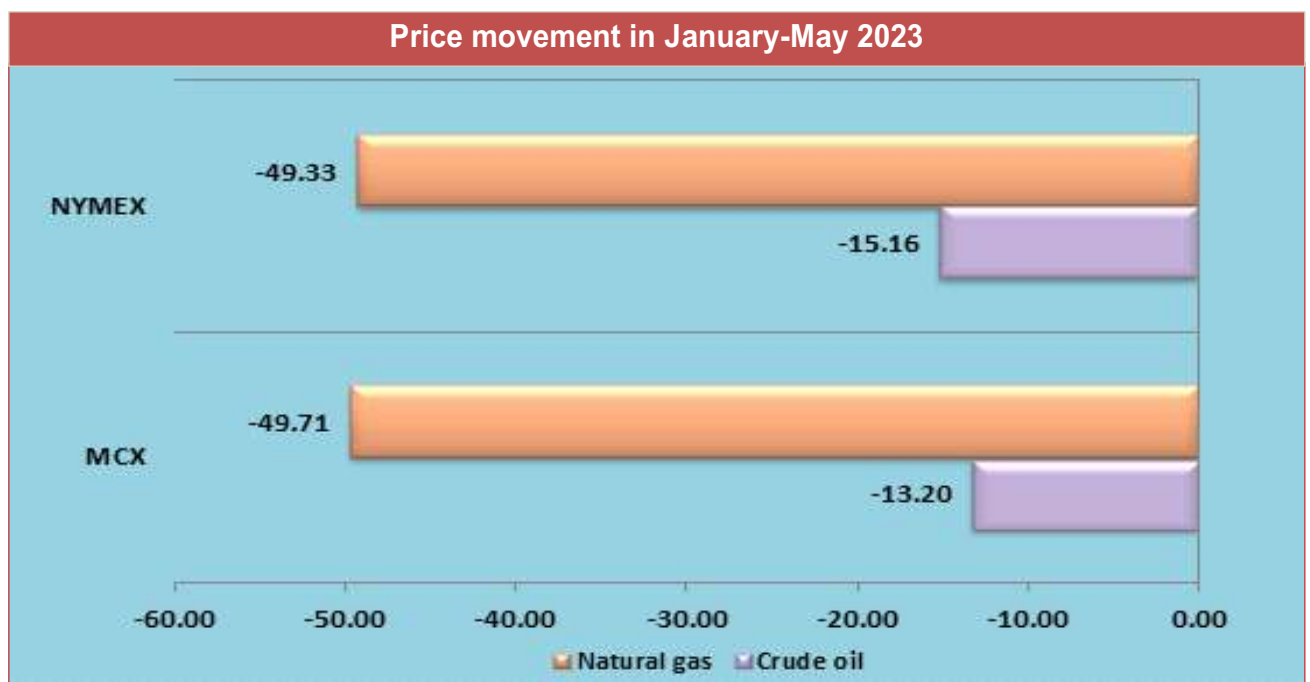


smc

moneywise. be wise.



Source: SMC Research & Reuters



Source: SMC Research & Reuters

In May, oil prices experienced a significant decline of over 11% as the market grappled with concerns surrounding supply and renewed economic worries in the United States and China. There was mounting apprehension that the United States, being the largest oil consumer globally, could potentially enter a recession. Weak manufacturing data from China, the world's largest crude importer, raised fears about oil demand growth in the second half of the year. This sentiment was fuelled by postponed talks over the U.S. government's debt ceiling and growing concerns regarding a crisis-hit regional bank. In the U.S., field production of crude oil rose in March to 12.696 million barrels per day, the highest since March 2020, when the coronavirus pandemic began to decimate global energy demand, Energy Information Administration data showed.

Outlook

- The recent volatility in oil prices may continue on fears of global recession, high inflation and as well as on-going geopolitical developments.
- Fears of a global recession, which could stymie oil demand this year, have kept oil prices depressed despite multiple efforts from the OPEC to reduce supply and improve prices.

- Weak Chinese trade data spurred more fears of slowing demand in the country as China's trade surplus sank to a 13-month low in May, driven chiefly by a surprise drop in exports as foreign demand for Chinese goods dried up. Imports also fell, signaling weak economic trends in the world's largest oil importer.
- The U.S. Energy Information Administration said that oil markets will tighten in the second half of the year as supply cuts by Saudi Arabia and the OPEC+ go into effect, somewhat supporting prices. The agency expects Brent to trend just below \$80 by end-2023.
- The Energy Information Administration projected U.S. crude output will rise from 11.9 million bpd in 2022 to 12.6 million bpd in 2023 and 12.8 million bpd in 2024, That compares with a record 12.3 million bpd in 2019.
- Saudi Arabia, the world's top oil exporter, raised the prices of its flagship crude Arab Light to Asian buyers in July to a six-month high, following its pledge to make a deep cut to its production next month.
- The official selling price for July-loading Arab Light to Asia was increased by 45 cents a barrel from June to \$3.00 a barrel over Oman/Dubai quotes, according to a statement issued by state oil giant Saudi Aramco.
- Saudi Arabia unexpectedly announced its biggest reduction in years of an extra output reduction of 1 million barrels per day (bpd) in July, bringing the kingdom's output to 9 million bpd next month from around 10 million bpd in May.

Weekly Price Movement of Crude Oil in MCX



Weekly Price Movement of Crude Oil in MCX



In June 2023, Crude oil prices may trade with high volatility within the range of 5500-6200 where buying near support and sell near resistance would be strategy.

Natural gas

In May, natural gas prices slipped almost 6% lower on NYMEX and almost 3.5% on MCX due to high production, subdued demand for LNG, or liquefied natural gas, and weak demand for cooling forced by unseasonably mild pre-summer weather. Pleasant temperatures across most of the United States resulted in very light national demand for natural gas. EIA reported that total gas in underground caverns in the United States for the week ended May 26 stood at 2.446 trillion cubic feet, or tcf – up 29.5% from the year-ago level of 1.889 tcf and 16.6% higher than the five-year average of 2.097 tcf.

Outlook

- In terms of supply, gas output in the U.S. Lower 48 states reached a new record of 102.5 billion cubic feet per day (bcfd) in May, surpassing the previous monthly all-time high. Additionally, gas flows from Canada to the United States were expected to increase to a near four-month high of 9.7 bcfd, with exports to Mexico on track to set a new record as well.
- The second half of June into early July suggests that consistent heat isn't too far off into the future and once that heat materializes, demand will rebound.
- Natural gas prices will rise this summer as power sector demand increases and production growth slows, according to updated projections from the Energy Information Administration (EIA).
- Meteorologists predict that weather in the Lower 48 states will remain mostly near normal until mid-June when it is expected to turn warmer than normal. This shift in weather patterns is likely to increase gas demand, including exports, in the coming weeks. Refinitiv forecasts indicate a rise in U.S. gas demand to 93.3 bcfd, reflecting the seasonal shift in temperatures.

Weekly Price Movement of Natural Gas in MCX



Source: Reuters

Weekly Price Movement of Natural Gas in NYMEX



Source: Reuters

In June 2023, MCX Natural gas Prices may witness some pullback and may target 220. However overall the prices may trade with bearish bias with high volatility where resistance is seen near 220 and support is seen near 160.

SMC COMMODITY RESEARCH DESK



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

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

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.