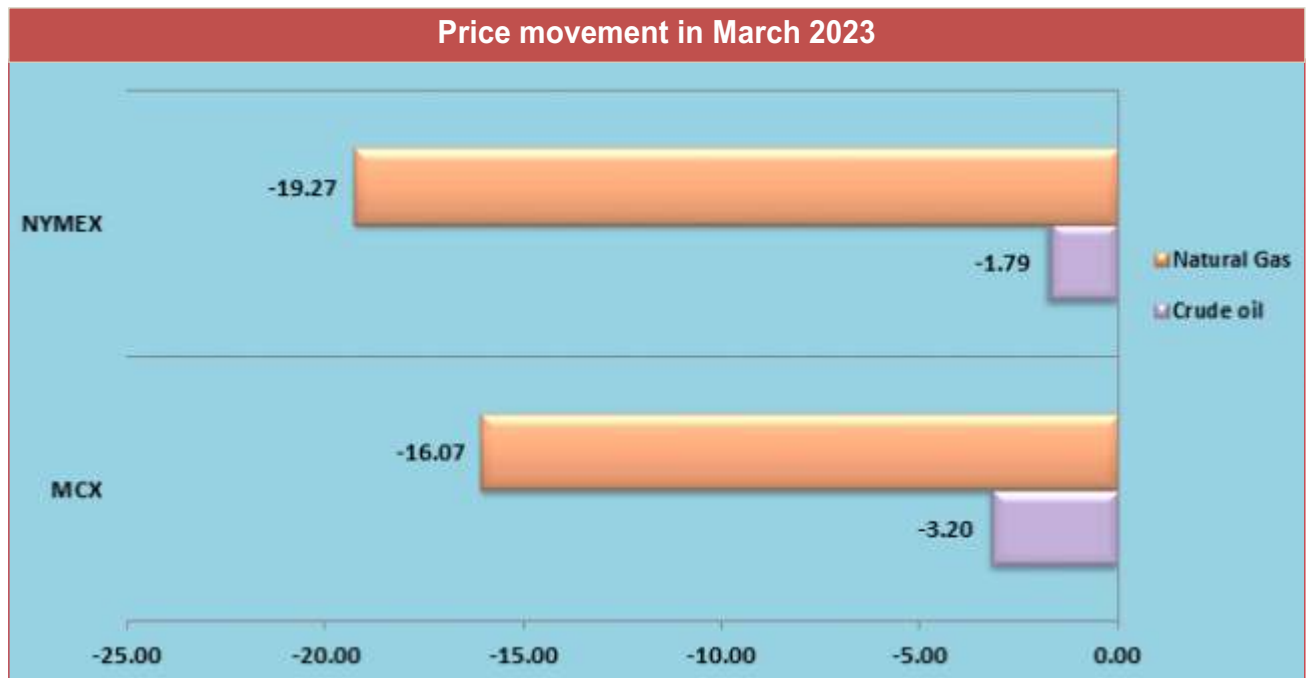


SPECIAL MONTHLY REPORT ON ENERGY

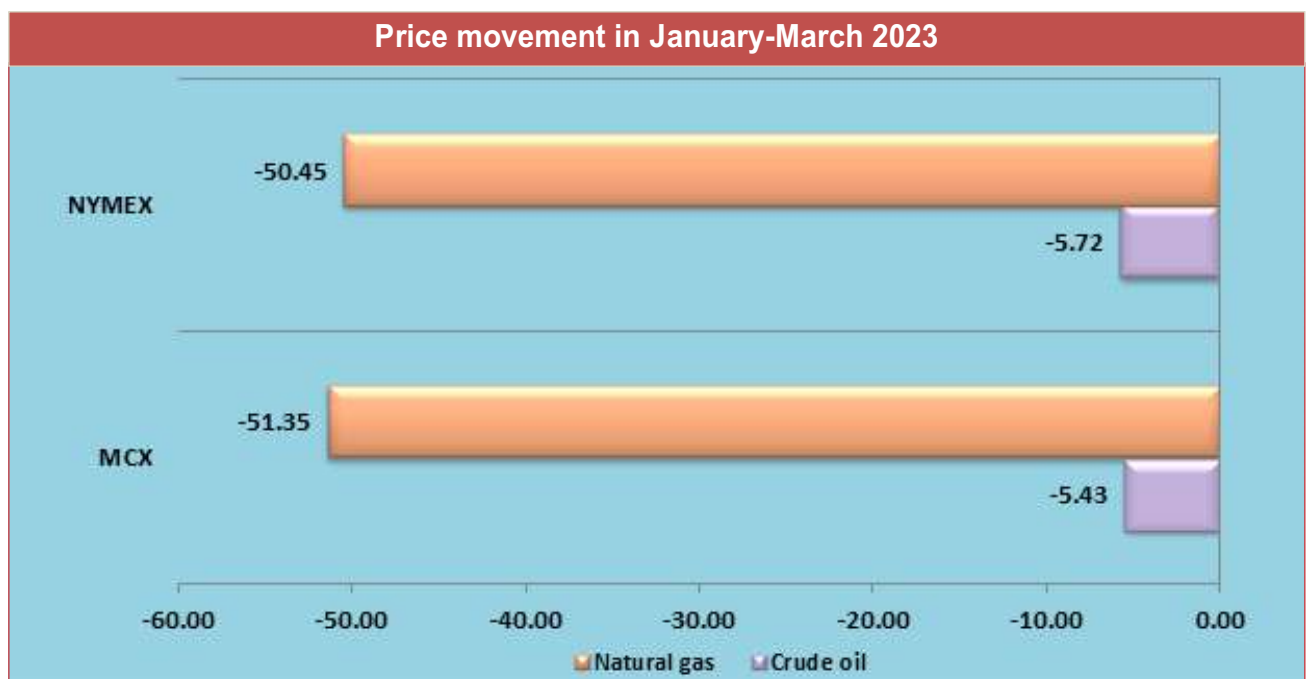
APRIL 2023



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Source: SMC Research & Reuters



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In March, 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. The U.S. crude benchmark was also off by 6% on quarterly basis. The benchmarks hit their lowest since 2021 on March 20 in the wake of large bank failures, and while they have recouped some of the losses since then, they remain well below the levels at which they were trading at the start of March. But Prices got some support after producers shut in or reduced output at several oilfields in the semi-autonomous Kurdistan region of northern Iraq following a halt to the northern export pipeline.

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.
- The Organization of the Petroleum Exporting Countries and allies including Russia, a group known as OPEC+, shook markets with announcement that it will lower its production target by a further 1.16 million barrels per day (bpd). The latest pledges bring the total volume of cuts by OPEC+ to 3.66 million bpd including a 2 million barrel cut last October, according to Reuters calculations, equal to about 3.7% of global demand.

- Goldman Sachs said OPEC's power has increased in recent years as U.S. shale responses to higher prices have become slower and smaller, in part because of pressure on investors to stop funding fossil fuel projects.
- Market participants have been betting that the oil market will tighten as expected growth in Chinese demand picks up strongly with the Asian economic giant, the world's largest crude importer, fully emerging from the strictures it imposed on itself with its zero-COVID policy.
- This growth is expected to more than offset a slowdown in Western demand as the economies in Europe and the U.S. retreat, weighed by further central bank tightening.
- Saudi Arabia, the world's top oil exporter, has raised the prices of its flagship crude for Asian buyers for the third straight month. The official selling price for May-loading Arab Light to Asia was raised by 30 cents a barrel from April to \$2.80 a barrel over Oman/Dubai quotes.
- Russia reduced its production of crude oil by 700,000 barrels a day last month, a larger cut than previously pledged, Bloomberg reported.
- In February, Russia announced plans to cut 500,000 barrels a day of its crude oil production throughout March, in retaliation to Western sanctions and energy price caps over its invasion of Ukraine.

Weekly Price Movement of Crude Oil in MCX



Source: Reuters

Weekly Price Movement of Crude Oil in MCX



Source: Reuters

In April 2022, Crude oil prices may trade with high volatility within the range of 6200-7000 where buying near support and sell near resistance would be strategy.

Natural gas

In March, natural gas prices nosedived more than 19% on NYMEX and 16% on MCX and experienced a worst quarterly drop of 50% as an unusually warm winter led to a huge inventory of the fuel used for heating. The selloff in gas came amid weaker-than-usual demand for heating that has left 1.853 trillion cubic feet of gas in U.S. storage, the Energy Information Administration, said in its inventory reading for the week ended March 24. The current U.S. gas storage is 31% higher from the balance at the same time a year ago and 21% up versus the five-year average for storage, the EIA said.

Outlook

- This year’s gas balance is one of the highest in recent memory and remains the bane of gas longs who’ve been trying to restart a spectacular rally they enjoyed just months ago, before an unusually warm winter season led to less heating demand.
- Freeport LNG’s export plant is slightly over-producing, and Shell expects higher LNG output in the first quarter.
- Refinitiv reported that the U.S. Lower 48 states had an average gas output of 99.9 billion cubic feet per day in April, up from 98.7 bcf/d in March.
- Despite several days of shattering cold immediately before Christmas, the winter was fairly mild across the main population centers of the United States, depressing gas consumption. Working stocks in underground storage amounted to 1,900 billion cubic feet, according to the U.S. Energy Information Administration (EIA), the highest for the time of year since 2020 and before that in 2017.

Weekly Price Movement of Natural Gas in MCX



Source: Reuters

Weekly Price Movement of Natural Gas in NYMEX



Source: Reuters

MCX Natural gas trade in the range with high volatility where resistance is seen near 220 and support is seen near 155.

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