# SPECIAL MONTHLY REPORT ON

# ENERGY

## SEPTEMBER 2023

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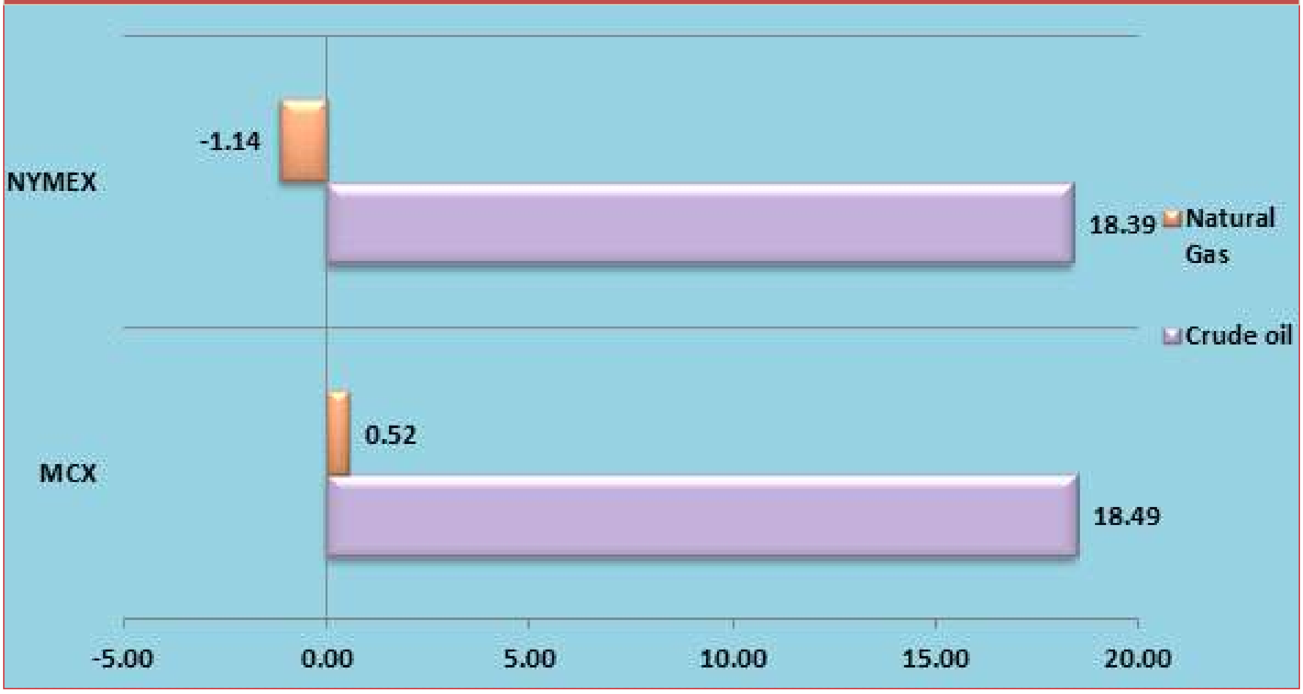
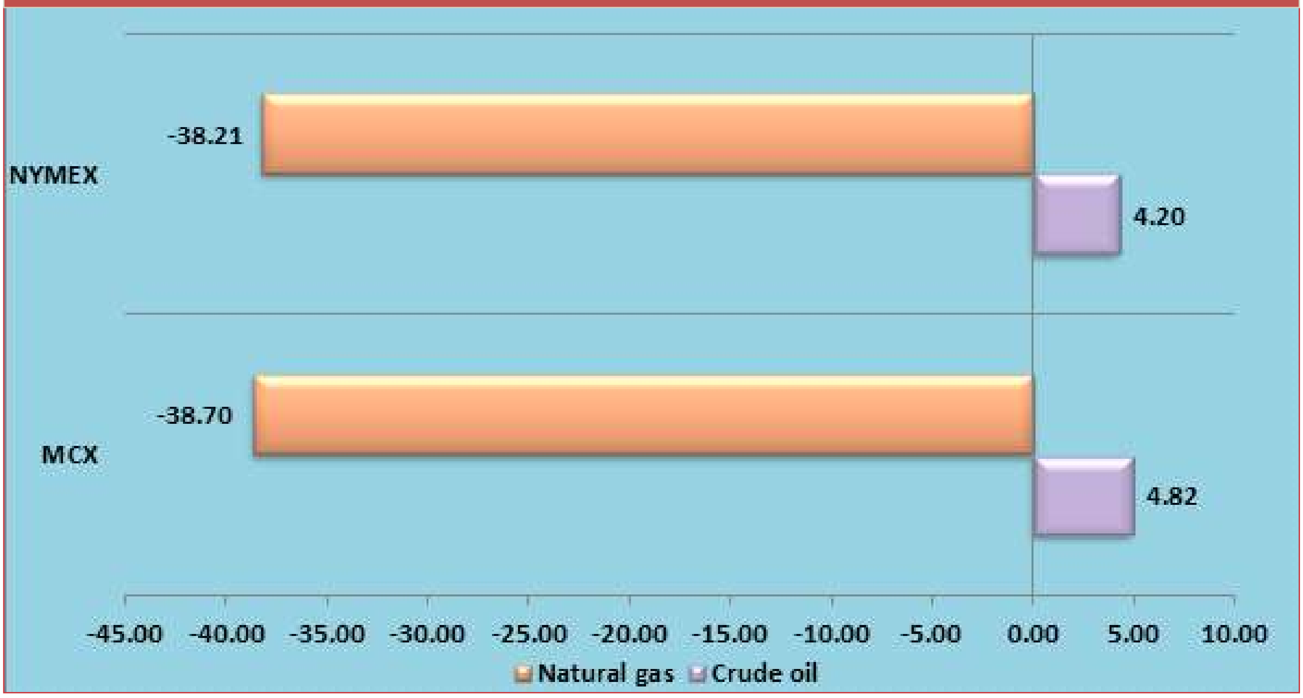
## Price movement in August 2023




**Source:** SMC Research & Reuters

## Price movement in January-August 2023




**Source:** SMC Research & Reuters

In August, Crude oil prices recorded their steepest monthly gains of more than 18% since January 2022, supported by signs of tightening global supply and rising demand through the rest of this year. Signs of tightening supplies, following production cuts by major oil exporters Saudi Arabia and Russia, were the biggest boost to the market over the past month. Recent production cuts from the two nations are also expected to keep markets tight for the remainder of the year. Saudi Arabia on Tuesday extended its 1 million barrel per day voluntary crude oil production cut until the end of the year, according to the state-owned Saudi Press Agency. Russia also said that it will extend its 300,000 barrels per day reduction of exports until the end of December 2023 and will likewise review the measure on a monthly basis, according to the Kremlin.

## Outlook

- The recent rally in oil prices may continue as the extended oil production cuts from Saudi Arabia and Russia will lead to the next round of uptrend in crude oil prices.

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- OPEC member Saudi Arabia and Russia extended their voluntary supply cuts of a combined 1.3 million barrels per day to the end of the year.
- The EIA said it expects Brent will average $93 per barrel in the fourth quarter, up $7 from its forecast just one month ago, before easing to $87 per barrel by the second half of 2024.
- The EIA said that global oil inventories in our forecast fall by 0.2 million b/d in the fourth quarter of 2023 (4Q23) based on the extension of this production cut.
- OPEC said in its monthly report that supply shortfalls could reduce global crude inventories by 3.3 million barrels a day in the fourth quarter. That would represent the biggest global deficit since 2007.
- In its latest monthly oil market report for September, the Organisation of Petroleum Exporting Countries (OPEC) revised down the global oil demand for 2023 by 1 lakh barrels per day to 29.2 million barrels per day (bpd) - which is 8 lakh bpd higher than 2022.
- The EIA, in a separate monthly report, predicted consumption would outstrip production by just 230,000 barrels a day in the fourth quarter.
- Rising global oil production in 2024 is expected to keep pace with oil demand and put downward pressure on crude oil prices beginning in the second quarter of 2024.
- Any signs of sticky inflation give the Federal Reserve more impetus to hike interest rates- a scenario that could dent economic activity, and weigh on oil demand in the coming months. The Fed is set to decide on interest rates next week.

## Weekly Price Movement of Crude Oil in MCX


**Source:** Tradingview

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**Source:** Tradingview

**In September 2023, Crude oil prices may trade with bullish bias and possible trading range would be 6900-8000 where buying near support would be strategy.**

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## Natural gas

In August, natural gas prices trade almost sideways on NYMEX and MCX influenced by the potential demand disruption from Hurricane Idalia and anticipated cooler weather conditions while a significant drop in U.S. output has supported the prices. August witnessed a slight dip in the average gas output in the lower 48 U.S. states, decreasing to 101.1 bcfd from 101.8 bcfd in July. Various factors are contributing to the current subdued state of the market, including reduced summer demand in the northern hemisphere and geopolitical tensions affecting European supply. However, the market's potential remains promising, with the upcoming winter months potentially leading to increased natural gas demand for residential heating.

## Outlook

- The natural gas market witnessed volatility as it remained influenced by weather conditions. Traders and investors closely monitored the supply and demand outlook, with weather forecasts, inflation data, and storage levels playing significant roles in shaping market sentiment.
- Natural gas futures may experience a rise, primarily influenced by a reduction in U.S. production estimates and warmer forecast trends.
- The impending winter season prompts thoughts of heightened heating requirements, driving up the demand for natural gas.
- The European Union's interest in securing natural gas from the United States due to local shortages adds complexity to the equation.
- EIA projected U.S. gas production and demand would rise to record highs in 2023, while U.S. power consumption will ease from last year's record high.
- Meteorologists forecast the weather would remain mostly near normal during the Sept. 12-18 period before turning hotter than usual from Sept. 19 through at least Sept. 27.
- As of September 1, 2023, there were 3.148 trillion cubic feet in storage, 17.2% higher than the previous year and 7.6% above the five-year average. The injection season will end in November.

**Weekly Price Movement of Natural Gas in MCX**


**Source:** Tradingview

**Weekly Price Movement of Natural Gas in NYMEX**


**Source:** Tradingview

**In September 2023, prices may witness sideways to bullish movement where it may take support near 200 and resistance near 260.**

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