DAILY ANALYSIS REPORT

Tuesday, February 15, 2022

ABANS

Positive trend to continue in Crude oil

POSITIVE TREND TO CONTINUE IN CRUDE OIL

- WTI crude oil is now trading at $94.91, up from a low of $88.41 last week, and is at its highest level since October 2014. Vulnerable geopolitical issues between Russia and Ukraine have increased long bets in crude oil, as a supply disruption is likely in the event of an aggressive move by the two. Russian invasion of Ukraine could disrupt global crude supplies. Russia is one of the largest crude oil producers, with a capacity of about
- 11.2 million barrels per day. Prices are capped, however, due to a mixed message from Russian President Putin, who said he supported continued diplomatic efforts with the West. US National Security Advisor Sullivan said last Friday that Russia could take offensive military action or attempt to spark a conflict inside Ukraine as early as next week. A potential Russian invasion of Ukraine could disrupt crude supplies from Russia and could also spark retaliatory sanctions from the U.S.
- According to Rystad Energy, an independent energy research and business intelligence firm, if crude prices rise to $100 per barrel, US shale oil crude production could increase by up to 2.2 million bpd by 2023. Higher output is likely to keep oil prices under control.
- The International Energy Agency (IEA) increased its global 2022 oil demand forecast to 100.6 million bpd from 99.7 million bpd previously. The IEA also warned that global oil prices could rise further as a result of OPEC+'s "chronic" struggle to restart production.
- On the negative side, Bank of America stated in a report that if a nuclear agreement with Iran is reached and sanctions are lifted, there could be a global oil surplus of 500,000 bpd to 1.0 million bpd if Iranian crude supplies are allowed back into the global market.
- OPEC in January agreed to boost its crude production in March by +400,000 bpd. Crude prices moved higher on relief that OPEC+ did not boost crude output by more than 400,000 bpd. OPEC crude output in January increased by +50,000 barrels per day to 28.14 million barrels per day, a 1-3/4 year high. However, this gain in OPEC crude output was constrained as Libya's January crude production plummeted by -140,000 bpd owing to a militia siege of its oilfields.
- Reduced fear of the omicron version spreading may allow travel restrictions to be relaxed, which is good news for energy demand and crude prices. The seven-day average of new Covid infections in the United States plummeted to a one-and-a-half-month low of 173,857 on Sunday.
- According to last Wednesday's weekly EIA report, U.S. crude oil inventories were -10.3 percent lower than the seasonal 5-year average as of February 4, gasoline inventories were -2.4 percent lower than the seasonal 5-year average, and distillate inventories were -19.6 percent lower than the seasonal 5-year average.
- U.S. crude oil production in the week ended Feb 4 rose +0.9% w/w to 11.6 million bpd, which is -1.5 million bpd (-11.5%) below the Feb-2020 record-high of 13.1 million bpd.

- Baker Hughes reported last Friday that active U.S. oil rigs increased by +19 rigs in the week ended February 11 to a 1-3/4 year high of 516 rigs. These rising oil rig counts indicate that the United States will be able to produce more crude oil in the future. The number of active oil rigs in the United States has risen sharply from a 16-1/2 year low of 172 rigs in August 2020.
- According to the CFTC Commitments of Traders report for the week ending February 8, the net long position in crude oil futures fell by 5521 contracts to 363383. Speculative longs fell by 7046 contracts, while shorts fell by 1525 contracts.

Outlook

- WTI Crude oil prices are likely to continue positive trend as long as it remains above key support level of $90.73-$89.3 . It may find some resistance near $98.2-$100.56

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