
Concerns over supply and a strong demand forecast are expected to keep crude oil prices high

CONCERNS OVER SUPPLY AND A STRONG DEMAND FORECAST ARE EXPECTED TO KEEP CRUDE OIL PRICES HIGH

- On the basis of increasing supply fears and robust demand forecasts from China and India, WTI Crude oil is now trading near \$85.66, its highest level since November 2014. Data from India's oil ministry showed India Dec oil-product consumption rose +0.4% y/y to 18.3 MMT, the highest in 9 months. Additionally, China positive economic data is also supportive for energy demand. China's Dec exports rose +20.9% y/y, stronger than expectations of +20.0% y/y.
- As per research report from UBS Group, Global oil demand will likely hit a record this year, and crude oil may trade between \$80/bbl and \$90/bbl. Supply disruptions, concerns about tensions in eastern Europe and the Middle East, and stronger-than-expected demand have supported prices this year. Additionally, Goldman Sachs predicts crude to reach for \$100 a barrel by Q3 this year. A drop in OECD crude inventories to their lowest levels since 2000 alongside a decline in OPEC+ spare capacity to historically low levels of 1.2 million bpd is supportive for oil prices.
- In its monthly report Tuesday, OPEC said it expects global oil markets to remain "well-supported" this year by robust demand as "the impact of the omicron variant is projected to be mild and short-lived."
- The quick spread of the omicron form, on the other hand, is expected to restrict the increase in oil prices. To curb the spread of the virus, many countries are likely to impose travel restrictions, which will reduce demand for fuel. According to Johns Hopkins University, the global coronavirus caseload has surpassed 333.5 million, with over 5.55 million deaths and over 9.68 billion vaccines. According to the CSSE, the United States continues to be the worst-affected country, with 67,581,992 illnesses and 853,951 deaths. India is the country with the second-highest number of cases (37,618,271 infections and 486,761 deaths), followed by Brazil (23,229,851 infections and 621,803 deaths).
- According to the CFTC Commitments of Traders report for the week ended January 11, net long of crude oil futures increased by 27680 contracts to 360505. Speculative longs increased by 21776 contracts while shorts dropped by 5904 contracts.
- On inventory front, US crude oil inventories as of Jan 7 were -8.5% below the seasonal 5-year average, gasoline inventories were -1.2% below the 5-year average, and distillate inventories were -13.8% below the 5-year average. Meanwhile US, crude oil production in the week ended Jan 7 fell -0.8% w/w to 11.7 million bpd, which is -1.4 million bpd (-10.7%) below the Feb-2020 record-high of 13.1 million bpd. A drop in production in inventory is looking supportive for crude oil prices. Weekly inventory report from EIA later tomorrow is likely to provide fresh direction to the market.
- Rising oil rig in USA is an early indication increasing crude oil production capacity. As per latest Baker Hughes report active US oil rigs in the week ended Jan 14 rose by +11 rigs to a 1-3/4 year high of 492 rigs. U.S. active oil rigs have risen sharply from the Aug-2022 15-year low of 172 rigs.

Outlook

- WTI Crude oil is likely to trade firm while above key support level of \$83.75-\$80.62 meanwhile immediate resistance level is seen around \$86.88-\$88.32

DISCLOSURE & DISCLAIMER: ABANS BROKING SERVICES PVT. LTD. (ABSPL)

Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). ABans Broking Services Pvt. Ltd. (ABSPL) is a SEBI Registered Research Analyst having registration no. INH000006369. ABSPL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. ABSPL is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.

One of the group companies of ABSPL is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website www.abans.co.in Mandatory Disclosures as per the Regulations:

- ▲ Ownership & Material conflicts of interest –
 - ▲ Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
 - ▲ Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance – No
 - ▲ Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance – No
- ▲ Receipt of Compensation –
 - ▲ Whether ABSPL, or its associates have received any compensation from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – No
- ▲ Whether the Research Analyst has served as an officer, director or employee of the subject company – No
- ▲ Whether the Research Analyst or ABSPL has been engaged in market making activity for the subject company – No
- ▲ Other material disclosures, if any

Disclaimer:

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on compliance@abans.co.in