DAILY ANALYSIS REPORT Wednesday, January 19, 2022	ABANS
Concerns over supply and a strong demand forecast are expected to keep crude oil prices high	

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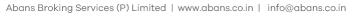


CONCERNS OVER SUPPLY AND A STRONG DEMAND FORECAST ARE EXPECTED TO KEEP CRUDE OIL PRICES HIGH

- 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





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