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Crude oil prices are expected to continue their upward trend

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## CRUDE OIL PRICES ARE EXPECTED TO CONTINUE THEIR UPWARD TREND

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- Nov WTI crude oil is currently trading near \$82.0 per barrel, down from a high of \$83.87 per barrel yesterday. Concerns over constrained global crude supplies drove crude prices to new 7-year highs Wednesday. However, the strength of the US dollar index stifled any additional price gains.
- Concerned about rising crude oil prices, Japan's Prime Minister Fumio Kishida stated that the country is keeping a watch on the recent spike in oil prices and will urge major suppliers to increase output to alleviate supply shortage fears. Kishida also claimed he told the ministers to engage with the International Energy Agency to urge oil-producing countries to increase output and to "swiftly take suitable steps" to assist industries that might be harmed.
- For energy demand and crude prices, Monday's global economic data was generally gloomy. Manufacturing production in the United States unexpectedly decreased -0.7 percent m/m in September, compared to expectations of +0.1 percent m/m, the largest drop in seven months. In addition, China's third-quarter GDP increased by +0.2 percent quarter over quarter and +4.9 percent year over year, falling short of projections of +0.4 percent quarter over quarter and +5.0 percent year over year. Furthermore, China's industrial production increased by 3.1% y/y in September, falling short of estimates of +3.8 percent y/y and marking the weakest pace of increase in over a year. However, the October NAHB housing market index in the United States surprisingly increased by four points to 80, beating estimates of a decrease to 75, which is good news for energy demand.
- Meanwhile, ABN Amro boosted its projection for the average price of WTI crude in Q4 to \$76 per barrel, up from \$79 per barrel in Q1 2022, citing "the ongoing imbalance between supply and demand, which will lead to continued upward pricing pressure."
- Improved economic activity in India and the United States is projected to enhance crude oil consumption. On Sunday, the seven-day average of new Covid infections in the United States fell to 84,798 in the United States, a two-and-a-half-month low that is anticipated to ease travel restrictions and promote oil consumption. In addition, India's September motor gasoline sales to its three largest fuel retailers increased by 8.8% to 2.35 MMT, which is supportive of energy prices.
- Furthermore, the prospect of restrictions on Iranian petroleum exports remaining in place in the foreseeable future is bullish for crude prices. Iran's new leadership has failed to resume full cooperation with foreign monitors while continuing to boost enriched uranium output.
- In terms of inventory, According to the weekly EIA report released last Thursday, US crude oil stockpiles were -6.0 percent lower than the seasonal 5-year average on October 8, gasoline inventories were -1.6 percent lower, and distillate inventories were -9.2 percent lower. In the week ending October 8, US crude oil output increased by 0.9 percent w/w to 11.4 million bpd, down -1.7 million bpd (-13.0%) from the record-high of 13.1 million bpd set in February 2020.
- Last Friday, Baker Hughes announced that active U.S. oil rigs increased by 12 rigs in the week ending October 15 to a 1-1/2-year high of 445 rigs. An increase in US oil rigs is a sign that output will rise in the future. The net long position in crude oil futures increased by 6 469 contracts to 404 776, according to the CFTC Commitments of Traders report for the week

ending October 12. Longs climbed by 15 440 contracts, while shorts increased by 8 971 contracts.

## Outlook

- ▲ WTI Crude oil prices are expected to trend higher as long as they remain above critical support levels of \$78.57 and \$75.03 on the 20-day and 50-day exponential moving average (EMA) respectively, while immediate resistance is projected near \$84.75-\$85.63.

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