
Strong energy demand and limited oil supply are likely to support crude oil prices

STRONG ENERGY DEMAND AND LIMITED OIL SUPPLY ARE LIKELY TO SUPPORT CRUDE OIL PRICES

- WTI Crude oil is now trading at \$75.73, down slightly from the previous day's close, on the back of an unexpected increase in US crude inventory, which has raised demand concerns. WTI crude oil, on the other hand, hit a multi-year high of \$79.78. Yesterday, the market rose on the back of a positive demand outlook for Covid-19-related travel relaxation in the US and the Eurozone, as well as limited supply from OPEC.
- Crude inventories rose by 2.3 million barrels last week, according to the US Energy Information Administration (EIA), compared to a slight decline of 418,000 barrels predicted by Reuters. Gasoline stockpiles rose +3.26 million bbl, more than expectations of +400,000 bbl. In addition, crude supplies at Cushing, the delivery point of WTI futures, rose +1.55 million bbl.
- US crude oil inventories were -6.9% below the seasonal 5-year average on October 1, gasoline inventories were -1.4 percent below the 5-year average, and distillate inventories were -11.1 percent below the 5-year average, according to the latest report.
- In the week ending October 1, US crude oil production increased by 1.8 percent w/w to 11.3 million bpd, down 1.8 million bpd (-13.8 percent) from the record-high of 13.1 million bpd set in February 2020.
- The net long of crude oil futures increased by 17 836 contracts to 373 814, according to the CFTC Commitments of Traders report for the week ended September 28. The rise in speculative longs far outweighed the decline in shorts. The speculative long position gained 21160 contracts, while the short position gained only 3324 contracts.
- Crude oil prices are also under pressure as a result of the United States' possibility to release emergency oil reserves. The remarks made by US Energy Secretary Jennifer Granholm about a possible release of crude from the Strategic Petroleum Reserve were clearly intended to persuade Saudi Arabia and its OPEC+ partners to increase their supply. On Monday, OPEC+ approved a 400,000 bpd increase in crude production for November. Because of earlier speculation that OPEC+ might increase output by as much as 800,000 bpd due to tight global supplies, crude prices rose. Meanwhile fund house Goldman Sachs have predicted that US SPR Oil Release May Total 60 Mln Barrels which is likely to have minimum impact on the oil prices.
- Crude oil prices are supported by rising global economic activity. In September, India's three largest fuel retailers sold 2.35 million metric tonnes of gasoline, up 8.8% from the previous month.
- According to Goldman Sachs, Brent crude will rise to \$90 per barrel as nat-gas prices rise to a seven-and-a-half-year high, boosting global crude consumption by +650,000 bpd as companies and consumers switch from nat-gas to crude for their energy needs.
- On the global economic data front, Eurozone retail sales rose +0.3% m/m in August, missing expectations of +0.8% m/m. Retail sales in the Eurozone rose +0.3 percent m/m in August, falling short of expectations of +0.8 percent m/m. The September ADP employment change in the United States increased by 568,000, indicating a stronger labour market than the +430,000 expected. For energy demand and oil prices, the global economic data was mostly positive.

- In September, OPEC crude production increased by 360,000 barrels per day to 27.49 million barrels per day, a 17-month high.

Outlook

- Crude oil prices are expected to remain stable due to limited production from OPEC+ members and strong global energy demand. However, a threat from the United States of releasing SPR reverse is likely to limit the gains. WTI Crude oil is expected to find strong support near the 20-day moving average of \$74.02 per barrel and the 50-day moving average of \$71.97 per barrel. In the meantime, immediate resistance can be found between \$78 and \$80.96 per barrel.

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