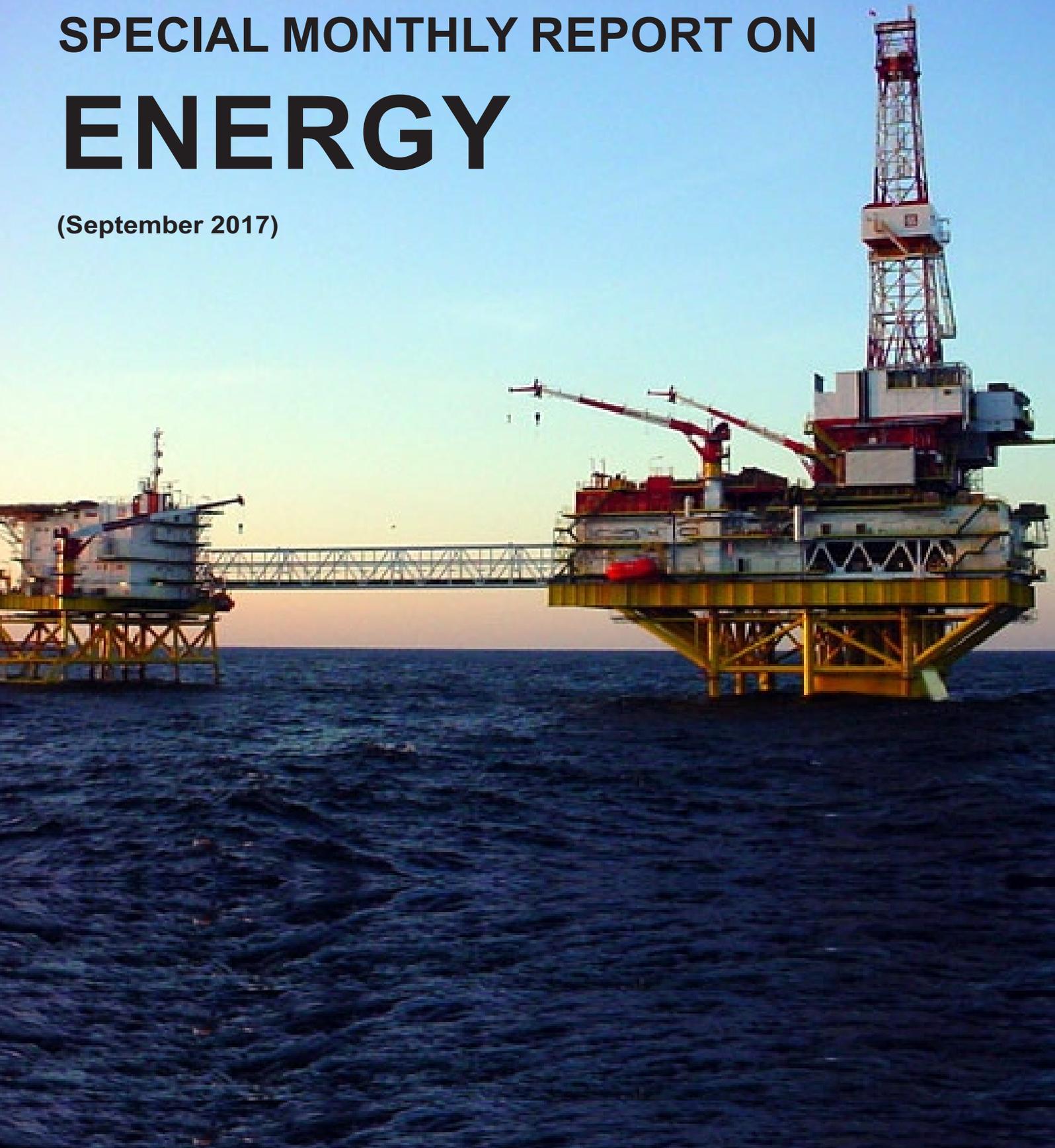
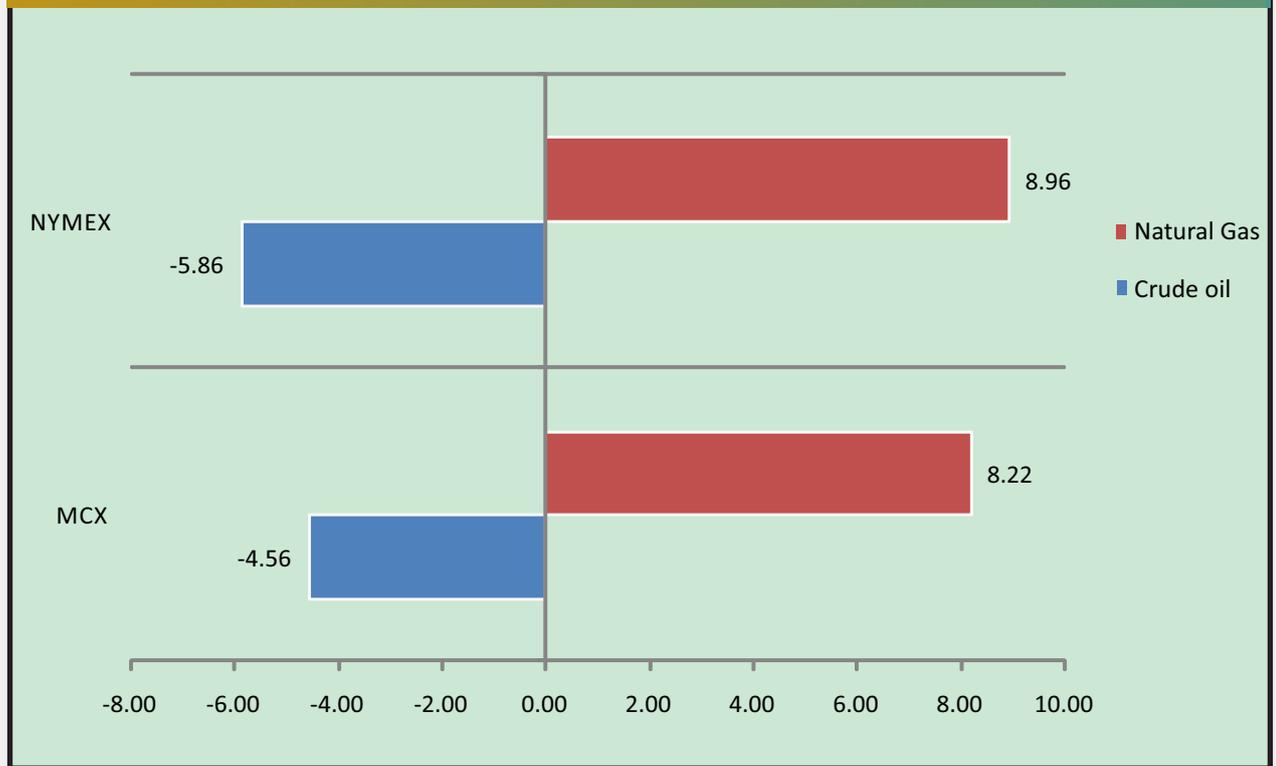


SPECIAL MONTHLY REPORT ON ENERGY

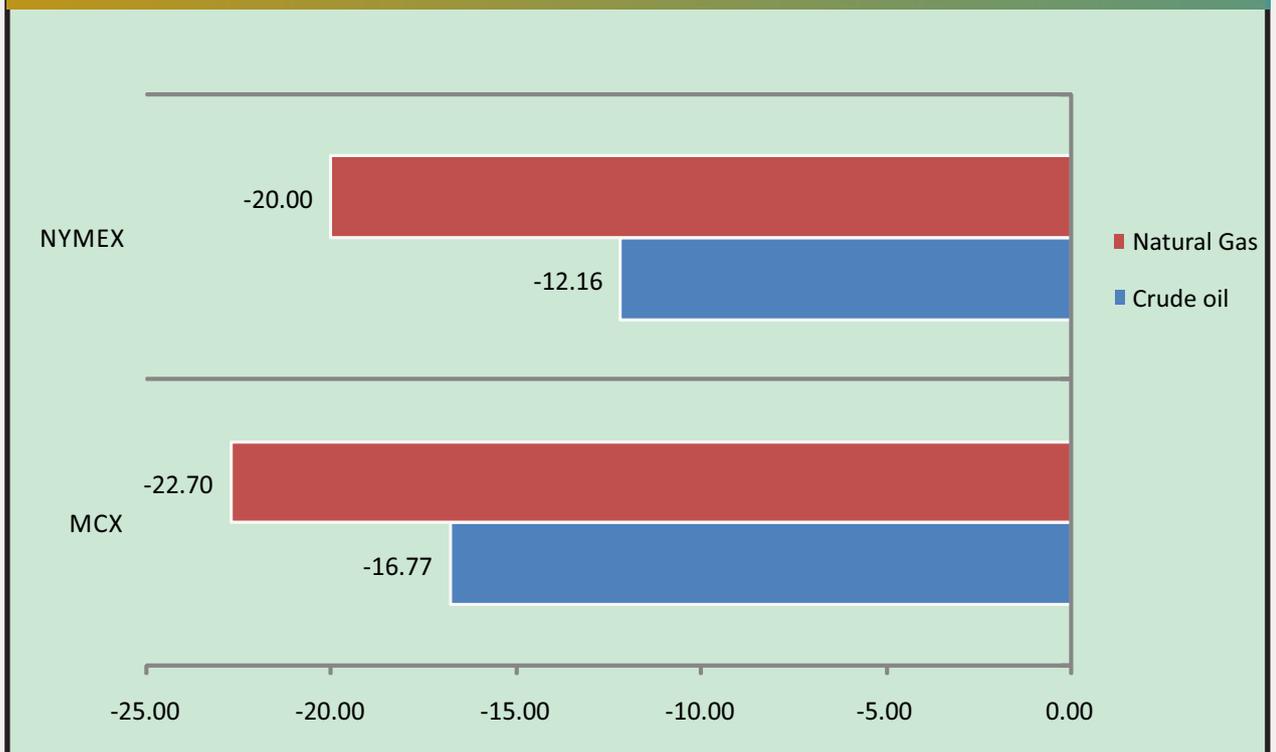
(September 2017)



ENERGY PERFORMANCE (August 2017) (% change)



ENERGY PERFORMANCE (January 2017 - August 2017) (% change)



ENERGY COMPLEX

Overview

In the month of August crude oil prices ended on negative path and it managed to hover in range of \$45.58-50.43 in NYMEX and 2935-3234 in MCX. On the one hand fall in crude stocks supported the prices while on the other hand lower refinery demand due to hurricane Harvey capped the upside. Libya's rising output is a headache for the Organization of the Petroleum Exporting Countries (OPEC), which together with non-OPEC producers including Russia has pledged to hold back around 1.8 million bpd of supplies between January this year and March 2018 to tighten supplies. However, OPEC has so far fallen short of its pledge, in part due to Libya's strong output. The OPEC member has been exempt from cuts. U.S. crude inventories fell 3.3 million barrels in penultimate week, compared with expectations for a decrease of 3.5 million barrels. Meanwhile, OPEC/non-OPEC compliance to output cuts averaged 94% in July as per latest estimates.

Outlook

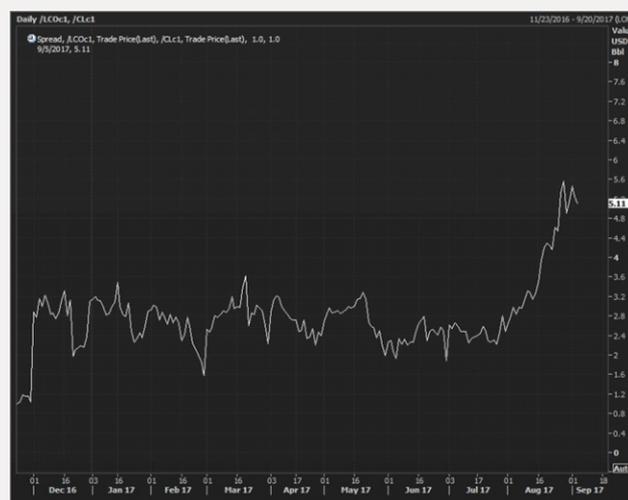
Crude oil futures are expected to trade on volatile path in the month of September. **Overall crude oil can move in range of 2800-3300 in the month of September.** Hurricane Harvey in US has reduced the demand of crude oil as many refineries have been shut due to bad weather. Tropical Storm Harvey knocked out several refineries and disrupted fuel production. Massive floods caused by the storm forced several refineries to close along the U.S. Gulf Coast. Motiva Port Arthur refinery in Texas, the country's largest refinery, was considering shutting down as water poured into the plant. The hurricane has impacted at least 3.6 million bpd of refining capacity in Texas and Louisiana. The impact on crude is negative as this means lower demand for crude oil from refineries.

U.S. oil rig count

Baker Hughes pegs U.S. oil rig count as unchanged, but Hurricane Harvey clouds data

US energy firms did not add any oil rigs as Hurricane Harvey barreled into the nation's energy heartland, forcing drillers to halt production and refiners to shut plants. The total oil rig count for the stayed at 759, energy services firm Baker Hughes stated in its latest report , but the number of rigs drilling for gas rose by three for 183.

Brent WTI Spread



Source: Reuters

Analysis:

Brent WTI crude oil spread can hover in range of \$4-7 in the month of September.

Some key points from EIA estimates

U.S. crude oil production averaged an estimated 8.9 million barrels per day (b/d) in 2016 and is forecast to average 9.3 million b/d in 2017. EIA forecasts crude oil production to average 9.9 million b/d in 2018, which would mark the highest annual average production in U.S. history, surpassing the previous record of 9.6 million b/d set in 1970.

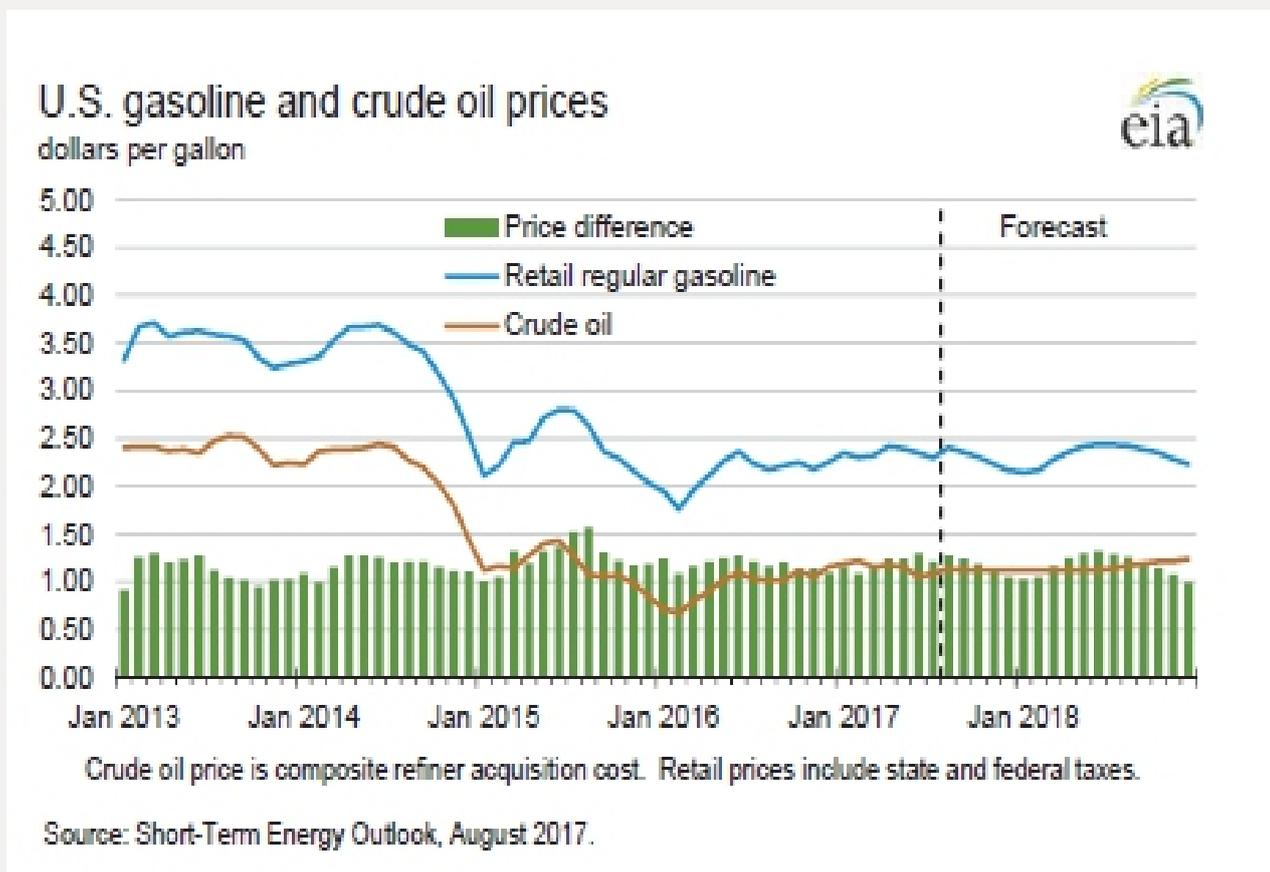
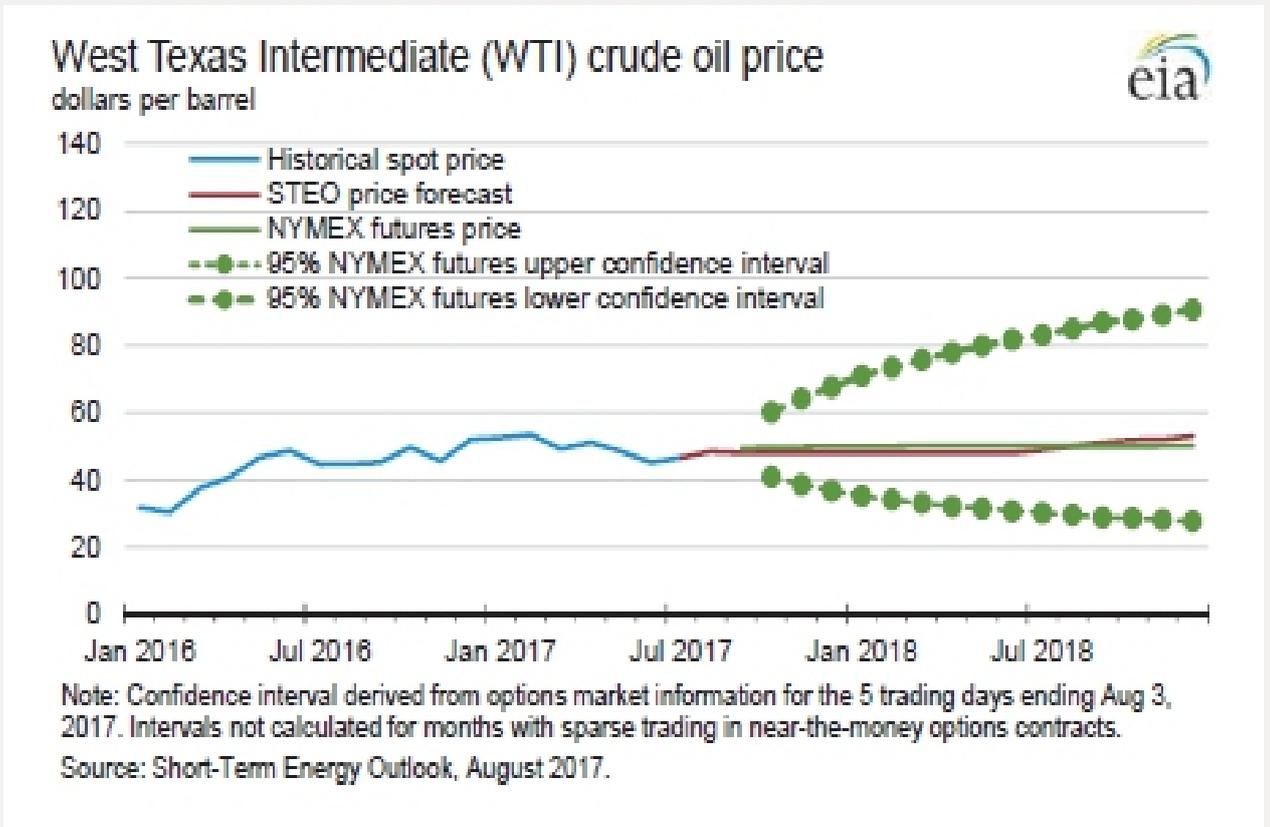
EIA forecasts that global petroleum and liquid fuels inventories will be largely unchanged in 2017 and then increase by an average of 0.2 million b/d in 2018.

Global economic growth expectations remain supportive of liquid fuels demand growth. Second quarter Gross Domestic Product grew 2.6% at a seasonally adjusted annual rate in the United States and grew 6.9% and 2.1% year-over-year in China and the Eurozone, respectively.

Furthermore, global inflation data remain below targets set by the major central banks, allowing the continuation of generally accommodative monetary conditions. EIA forecasts global liquid fuels consumption to grow by 1.4 million b/d in 2017 and by 1.6 million b/d in 2018. Furthermore, global inflation data remain below targets set by the major central banks, allowing the continuation of generally accommodative monetary conditions. EIA forecasts global liquid fuels consumption to grow by 1.4 million b/d in 2017 and by 1.6 million b/d in 2018.

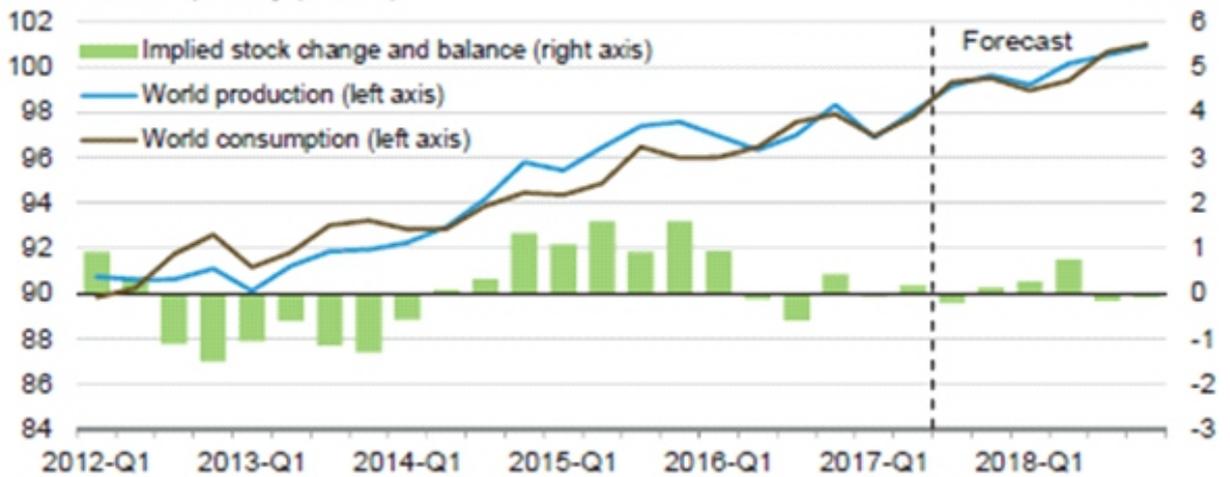
Crude oil may trade on volatile path on mixed fundamentals. Global macroeconomic numbers along with weekly inventory data in US will also affect the overall sentiments.

Range	
Crude Oil	
MCX	Rs 2800-3300 per barrel
NYMEX	\$42-53 per barrel



World liquid fuels production and consumption balance

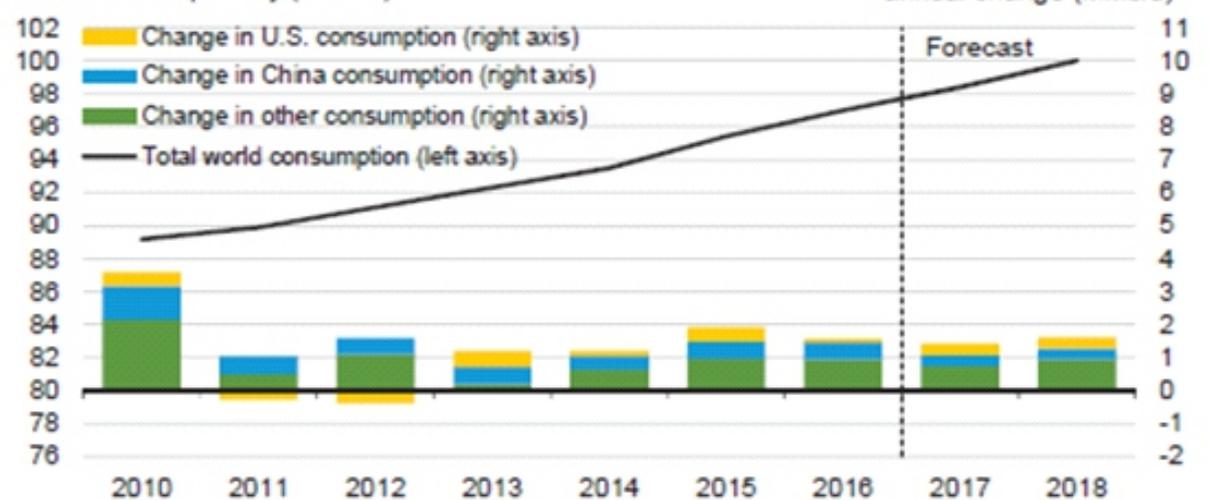
million barrels per day (MMb/d)



Source: Short-Term Energy Outlook, August 2017.

World liquid fuels consumption

million barrels per day (MMb/d)



Source: Short-Term Energy Outlook, August 2017.

Natural Gas

Overview

Natural gas ended the month of August on positive note on good demand. Overall it traded in range of \$2.78-3.10 in NYMEX and 176.10-195.40 in MCX in the month of August. Natural gas prices have closely tracked weather forecasts in recent weeks, as traders try to gauge the impact of shifting outlooks on late-summer cooling demand. Total natural gas in storage currently stands at 3.082 trillion cubic feet, according to the U.S. Energy Information Administration, 7.6% lower than levels at this time a year ago but 1.8% above the five-year average for this time of year.

Outlook

Natural gas may trade on volatile path as it can move in range of 180-210 in the month of September. Total gas production is down about 2.4 Bcf/d since penultimate week about 1.3 Bcf/d from offshore areas plus roughly 1.1 Bcf/d from onshore. The EIA (U.S. Energy Information Administration) estimates that monthly natural gas production is at a ten-month high. High natural gas production could have a negative impact on natural gas prices.

Natural Gas Prices Higher After Harvey

Though the hurricane led to the closing down of a few pipelines, it also led to some very cold weather not only in Houston but in the surrounding areas as well and this led to the increase in the requirement for heating. This led to an increase in demand and with the pipeline shutdown.

EIA storage of Natural gas

Today's EIA natural gas storage report showed a build on supplies of +30 Bcf vs the 5-year average of +67 Bcf and market expectations of +53 Bcf. We were quite close with our +33 Bcf estimate. Supplies now stand at 3,155 Bcf, which is +8 Bcf larger than the 5-year average, and -239 Bcf less than this time last year.

Hurricane Harvey can effect Natural gas production

Production concerns over the damage caused by Hurricane Harvey and the flooding along the Gulf Coast of Texas. Though the hurricane led to the closing down of a few pipelines, it also led to some very cold weather not only in Houston but in the surrounding areas as well and this led to the increase in the requirement for heating. This led to an increase in demand and with the pipeline shutdown; there were also supply concerns, all of which helped to push the gas prices higher to close the month.

US natural gas production

U.S. gross natural gas output in the lower 48 states rose by nearly 0.8 billion cubic feet per day (bcfd) to a high for 2017 of 81.4 bcfd in June, the EIA stated, in its monthly 914 production report. The rise was led by gains in Texas, the largest gas-producing state, Oklahoma, Louisiana and Ohio. Output in Texas increased by almost 0.1 bcfd in June to 21.9 bcfd. Production, however, is likely to fall sharply in the coming weeks, as about one-fifth of offshore production has been shut down due to Tropical Storm Harvey. Texas's Eagle Ford shale region, which has been substantial growth in recent years thanks to the shale boom, has also seen production shut down due to the storm, and it may be some time before activity resumes.

EIA estimates of Natural gas

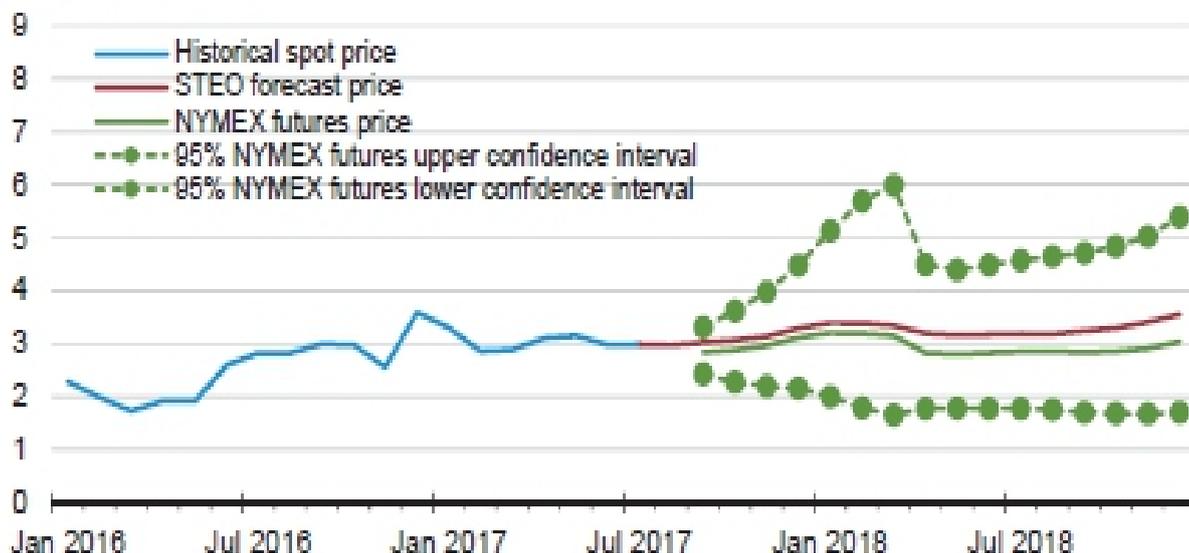
U.S. dry natural gas production is forecast to average 73.5 billion cubic feet per day (Bcf/d) in 2017, a 1.2 Bcf/d increase from the 2016 level. Natural gas production in 2018 is forecast to be 3.9 Bcf/d above the 2017 level.

Natural gas may trade on volatile path in the month of September as rig count data along with weather conditions in US and inventory data is likely to give further direction to the prices.

Range	
Natural gas	
NYMEX	\$2.80-\$3.50 per mmBtu
MCX	Rs 180-210 per mmBtu

Henry Hub natural gas price

dollars per million Btu

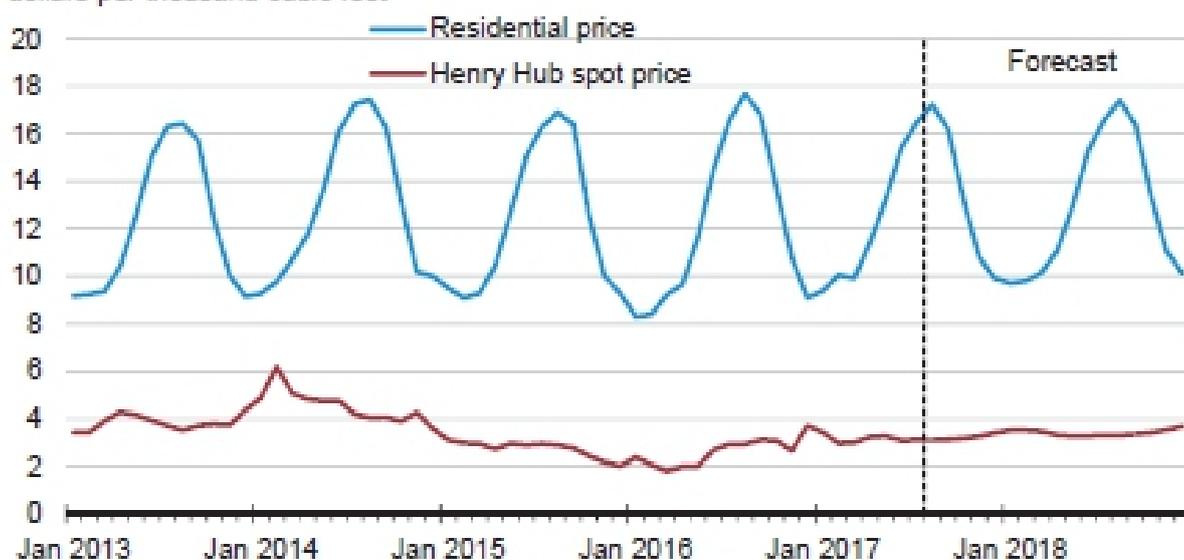


Note: Confidence interval derived from options market information for the 5 trading days ending Aug 3, 2017. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, August 2017.

U.S. natural gas prices

dollars per thousand cubic feet

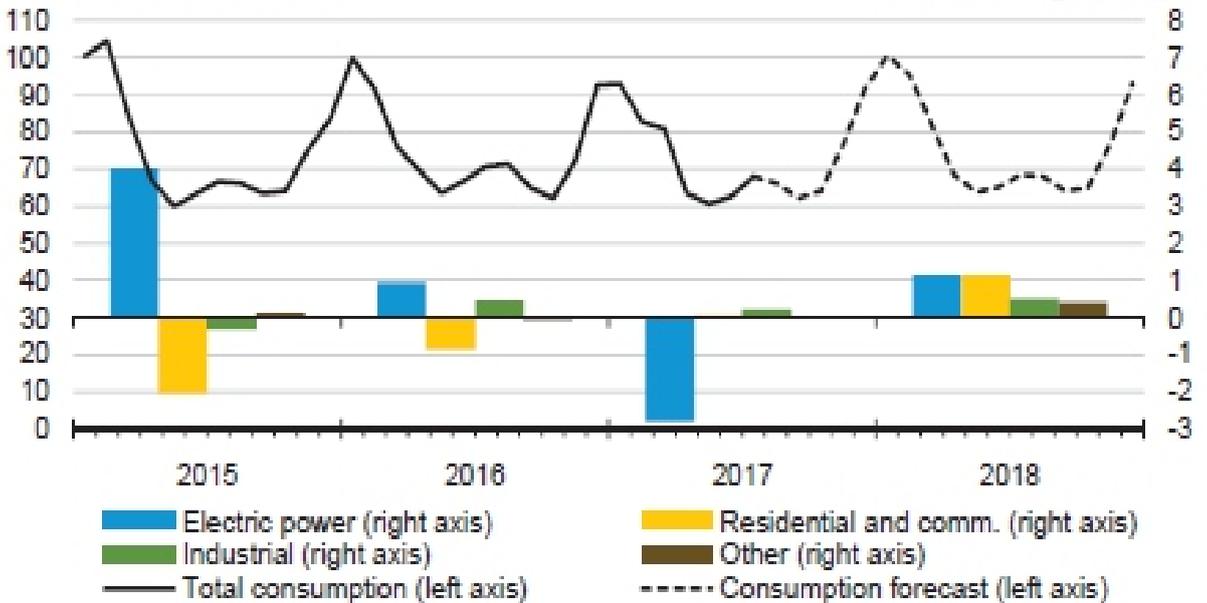


Source: Short-Term Energy Outlook, August 2017.

U.S. natural gas consumption

billion cubic feet per day (Bcf/d)

annual change (Bcf/d)

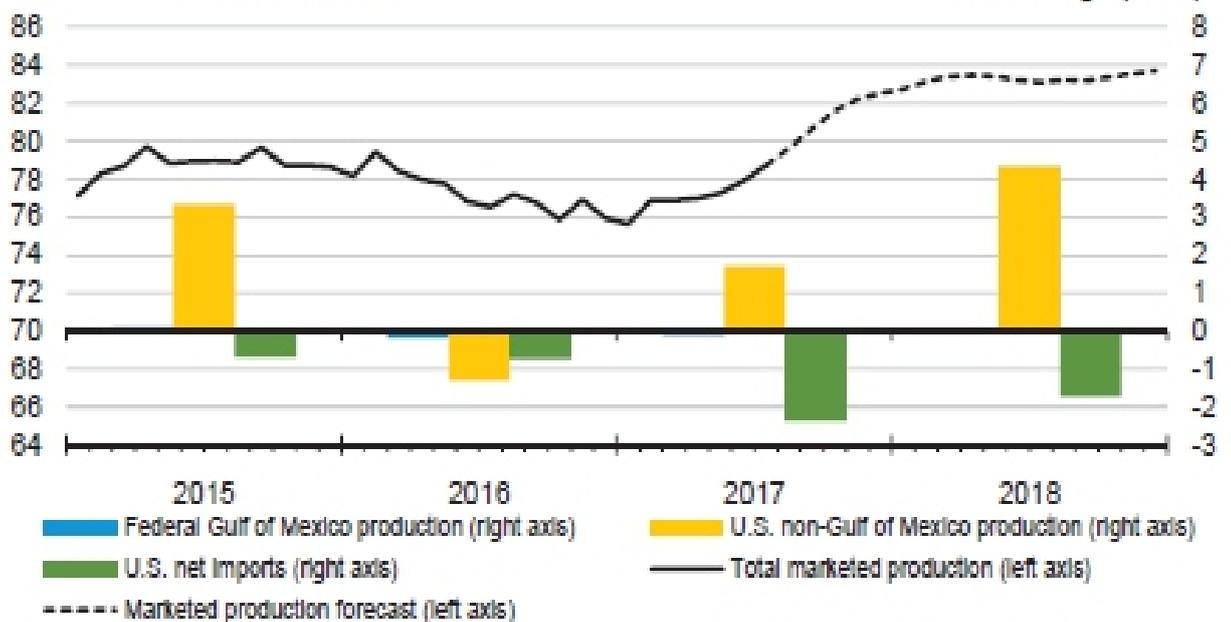


Source: Short-Term Energy Outlook, August 2017.

U.S. natural gas production and imports

billion cubic feet per day (Bcf/d)

annual change (Bcf/d)



Source: Short-Term Energy Outlook, August 2017.

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