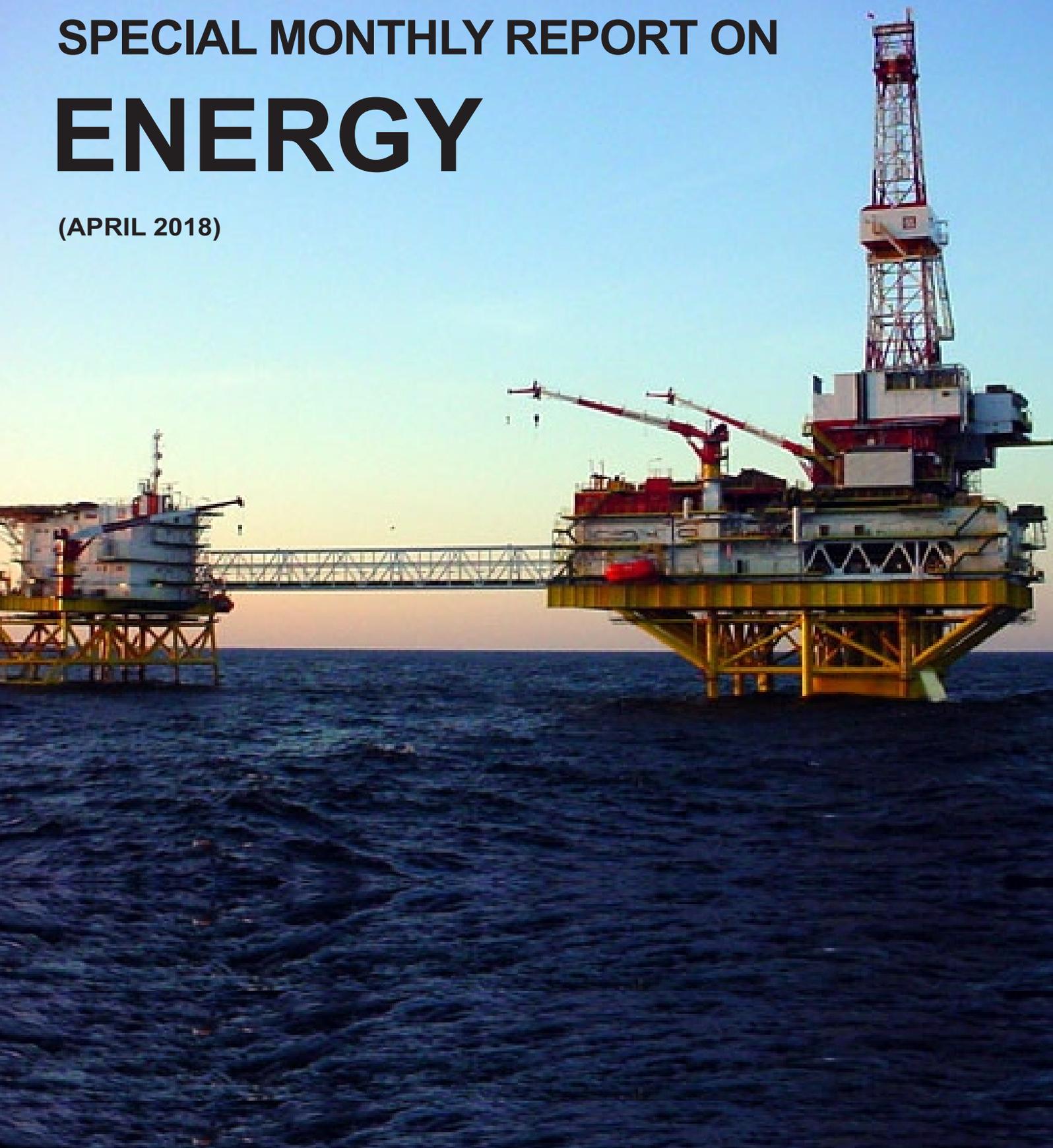


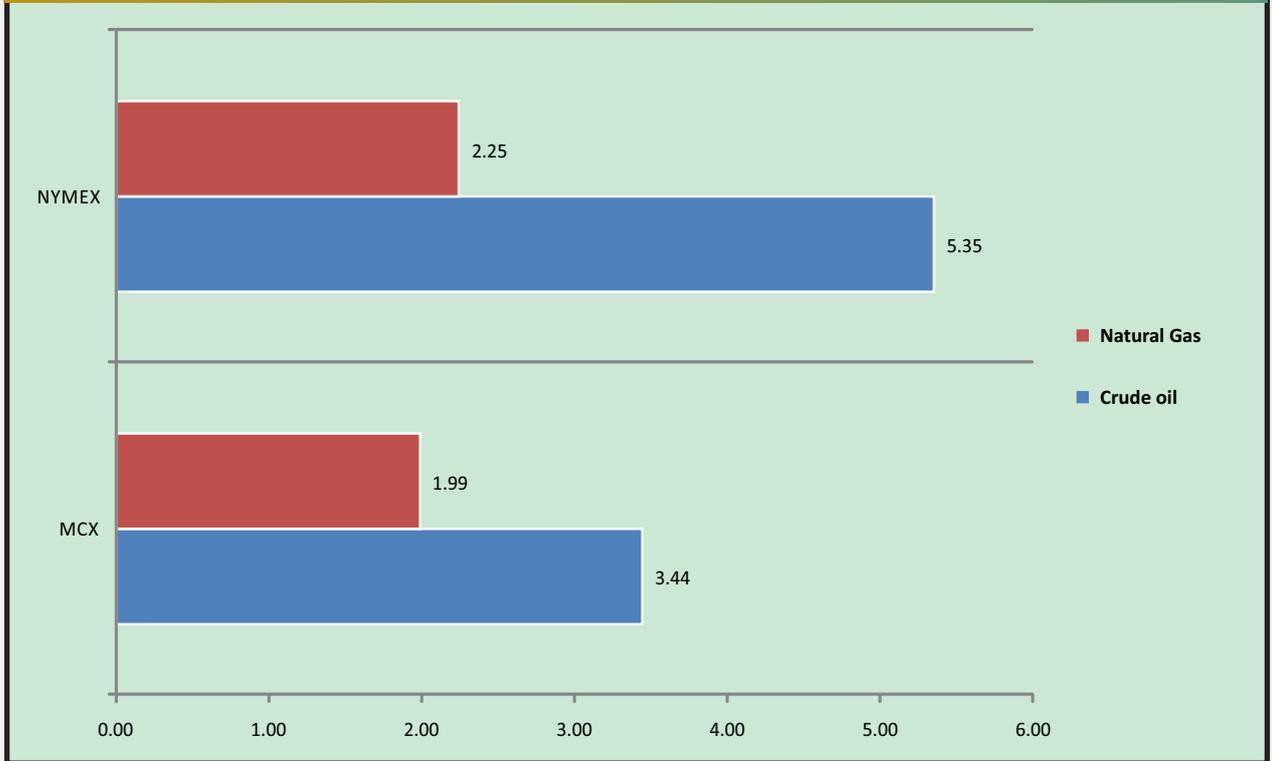
# SPECIAL MONTHLY REPORT ON ENERGY

(APRIL 2018)

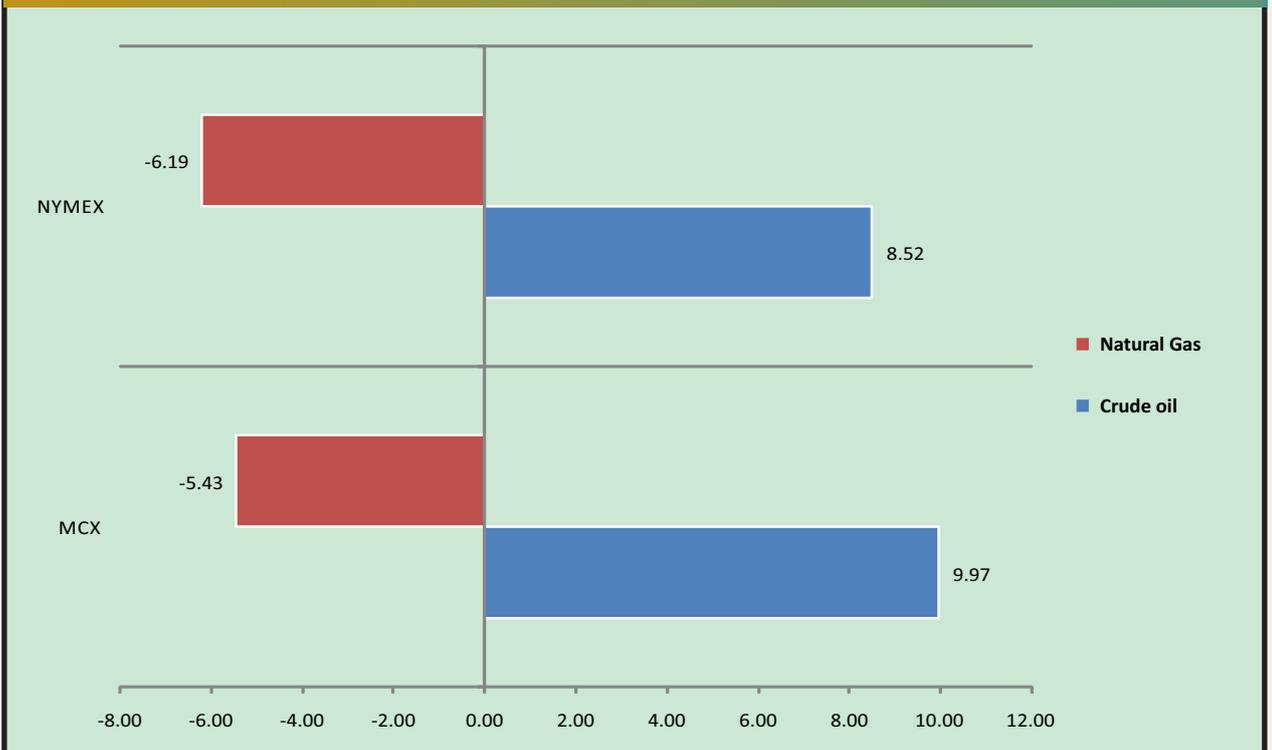


Moneywise. Be wise.

**ENERGY PERFORMANCE (March 2018) (% change)**



**ENERGY PERFORMANCE (January - March 2018) (% change)**



## ENERGY COMPLEX

### Overview

In the month of March crude oil prices ended on positive path as Saudi Arabia minister statement about need for extension of production cut next year and geopolitical tensions in Middle East supported its prices. Overall it managed to hover in range of \$59.95-66.55 in NYMEX and 3902-4305 in MCX. Saudi Arabian Energy Minister Khalid al-Falih, stated that OPEC members will need to continue coordinating with Russia and other non-OPEC oil-producing countries on supply curbs in 2019 to reduce global oil inventories. Organization of the Petroleum Exporting Countries (OPEC), of which Saudi Arabia is the de-facto leader, as well as a group of non-OPEC countries led by Russia, struck an agreement in January 2017 to remove 1.8 million barrels per day (bpd) from markets to end oversupply. Rising tensions between United States and Iran also supported the prices. U.S. refiners are receiving smaller shipments of oil from members of the Organization of Petroleum Exporting Countries (OPEC) due to the bloc's production cut agreement.

### Outlook

Crude oil prices may trade on upside path but profit booking at higher levels cannot be denied. Recently Middle East tensions and expectation of extension of production cut till next year supported its prices. But surge in inventories and rising US production capped the upside. U.S. oil production has already jumped by almost a quarter since mid-2016, to 10.4 million barrels per day (bpd) , taking it past top exporter Saudi Arabia and within reach of top producer Russia, which pumps around 11 million bpd. Saudi Arabia and Russia are working on a historic long-term pact that could extend controls over world crude supplies by major exporters for many years. Saudi Crown Prince Mohammed bin Salman stated that Riyadh and Moscow were considering a deal to greatly extend a short-term alliance on oil curbs that began in January 2017 after a crash in crude prices. The risk premium in crude oil has scaled higher amid increased tensions

between Saudi Arabia and Iran coupled with concerns about US withdrawal from Iran's nuclear deal.

**Crude oil can take support near 3900 and further rise towards 4400 in domestic bourses.**

**Iraq cabinet approves increasing crude oil output capacity**

The Iraqi cabinet recently approved a plan to raise the nation's crude oil output capacity to 6.5 million barrels per day by 2022, according to a government statement. Iraqi Oil Minister Jabar al-Luaibi said in January capacity was currently close to 5 million bpd. The country is producing more than 4.4 million bpd in line with an agreement between the 14-member Organization of Petroleum Exporting Countries and other exporters, including Russia, to cut supply and boost oil prices.

**Rising concerns regarding sanctions on Iran supported crude oil prices**

Rising concerns that sanctions will be imposed on Iran after Donald Trump warned that the US would pull out from the nuclear deal, further supported the prices.

**Oil rigs increased**

U.S. drillers cut seven oil rigs in the week to March 29, bringing the total count down to 797.

**Summer driving season can drive oil demand**

Demand for oil is seasonal and April is the beginning of a big increase in global demand. The summer driving season is becoming more and more the "High Season" for oil demand. Fewer homes burn oil for space heating each year and there are more SUVs on the road each year. China and India are the primary sources of rising global demand for oil.

**Refineries ramp up utilization rates**

At the end of December, 2017 U.S. refinery utilization was up to 96.7%. In February, 2018 the utilization rate dipped below 88%, but it is now ramping back up. In last week's EIA report the U.S. refinery utilization rate was 92.3% for the week ending March 23. By mid-April, the refinery utilization rate must be over 95% if summer

demand for transportation fuels is to be met.

### Highlights of latest IEA report

#### US Crude oil production

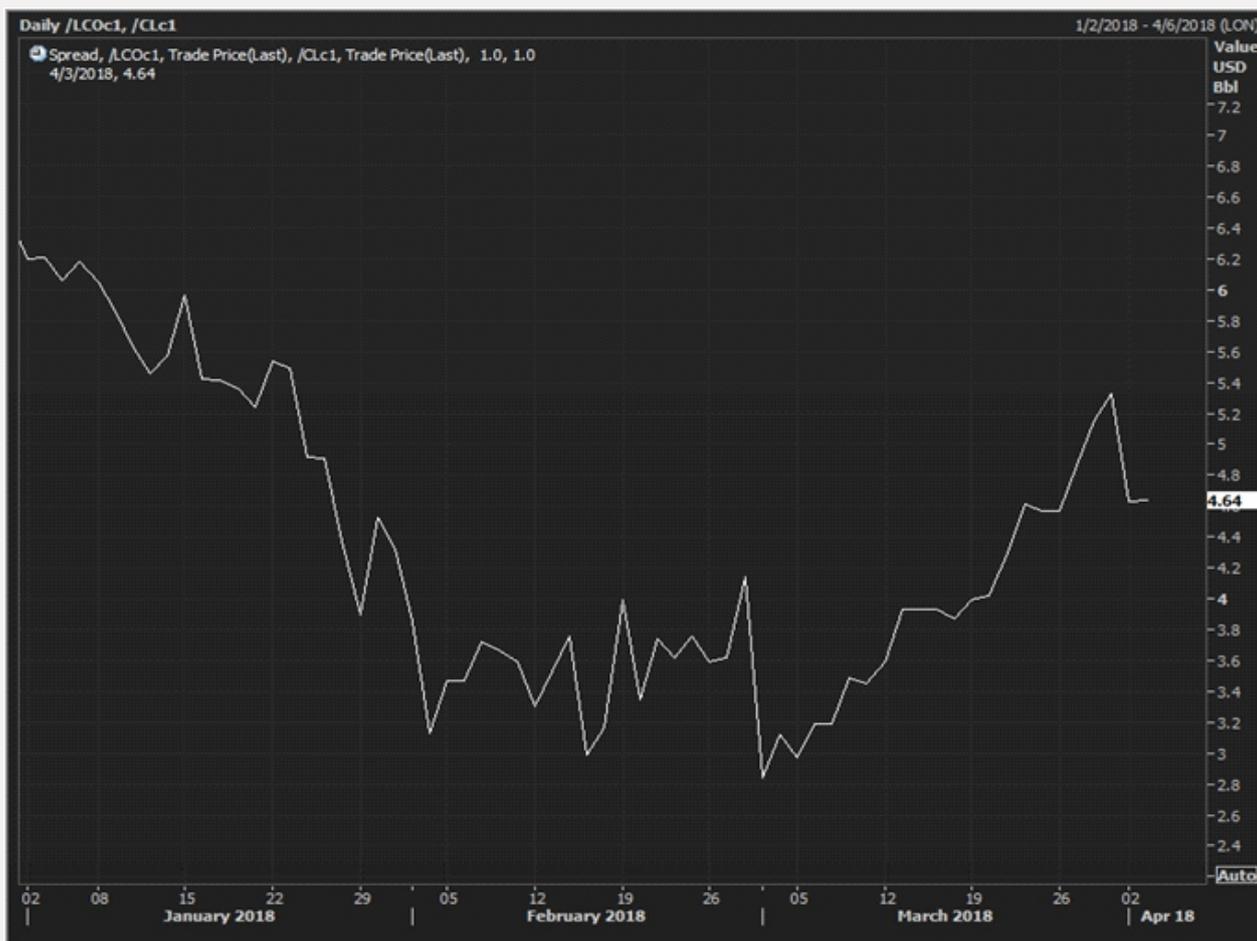
EIA estimates that U.S. crude oil production averaged 10.2 million barrels per day (b/d) in January, up 100,000 b/d from the December level. EIA estimates that total U.S. crude oil production averaged 9.3 million b/d in 2017 and will average 10.6 million b/d in 2018, which would mark the highest annual average U.S. crude oil production level, surpassing the previous record of 9.6 million b/d set in 1970. EIA forecasts that 2019 crude oil production will average 11.2 million b/d.

EIA estimates that inventories of global petroleum and other liquid fuels declined by 0.6 million b/d in 2017. In this forecast, global inventories grow by about 0.4 million b/d in 2018 and by another 0.3 million b/d in 2019.

#### Global oil demand

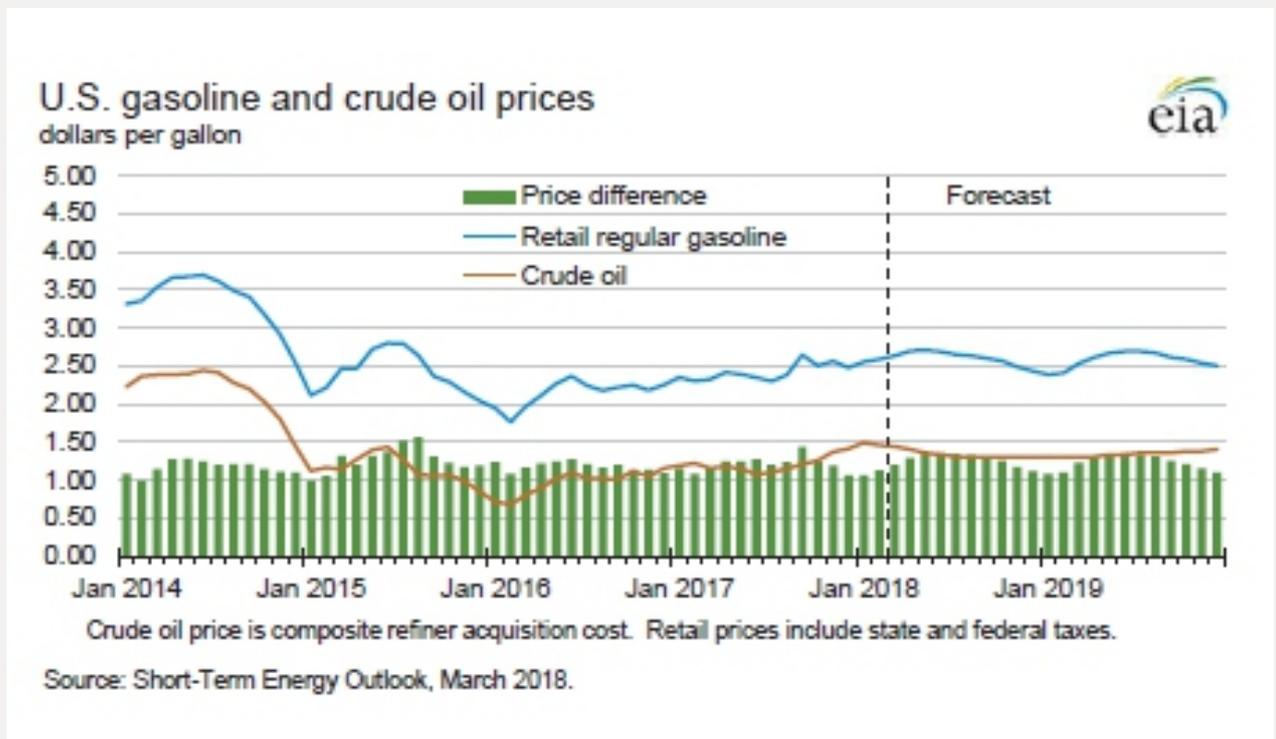
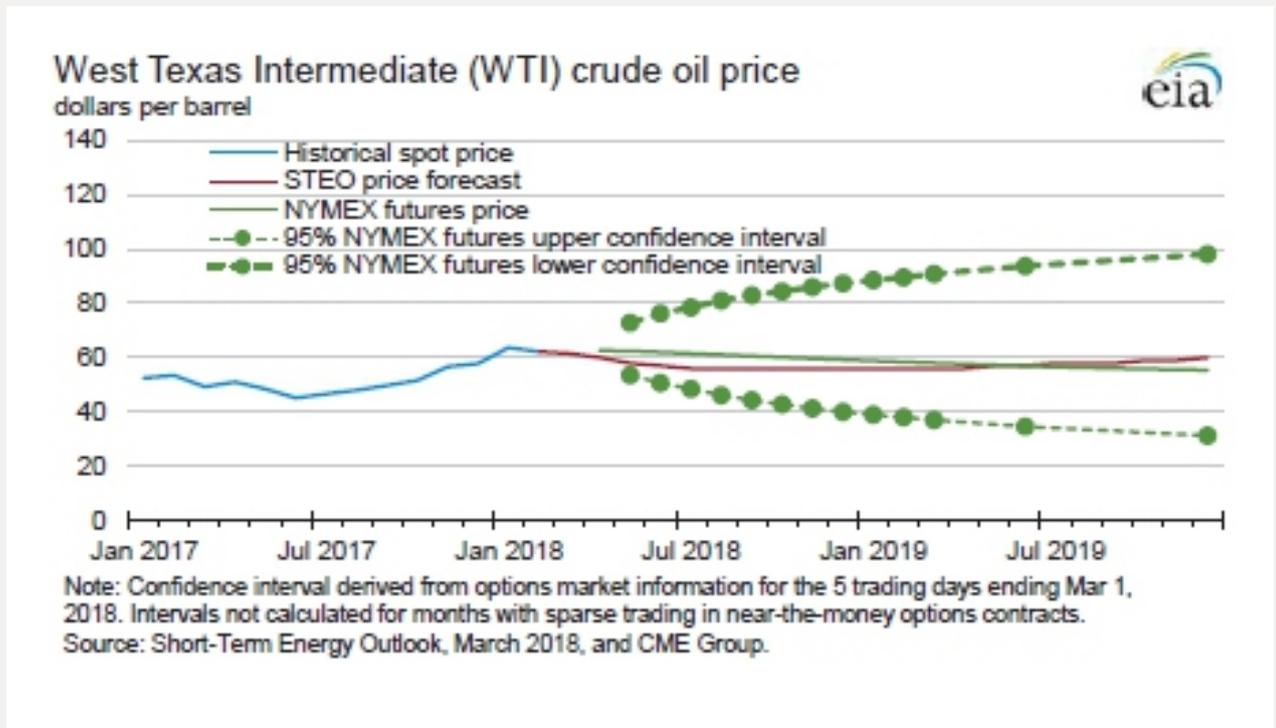
According to International Energy Agency (IEA) "Global oil demand is expected to pick up this year but supply is growing at a faster pace, leading to a rise in inventories in the first quarter of 2018". The IEA raised its forecast for oil demand this year to 99.3 million barrels per day (bpd) from 97.8 million bpd in 2017.

#### Brent WTI Spread



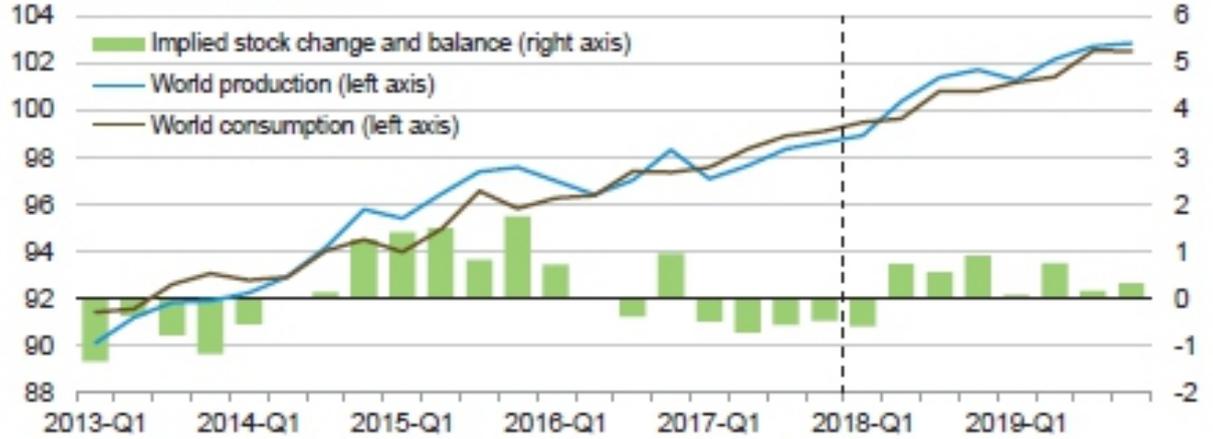
Source: Reuters

**Analysis:** Brent WTI crude oil spread can hover in range of \$4-5.5 in the month of April.



### World liquid fuels production and consumption balance

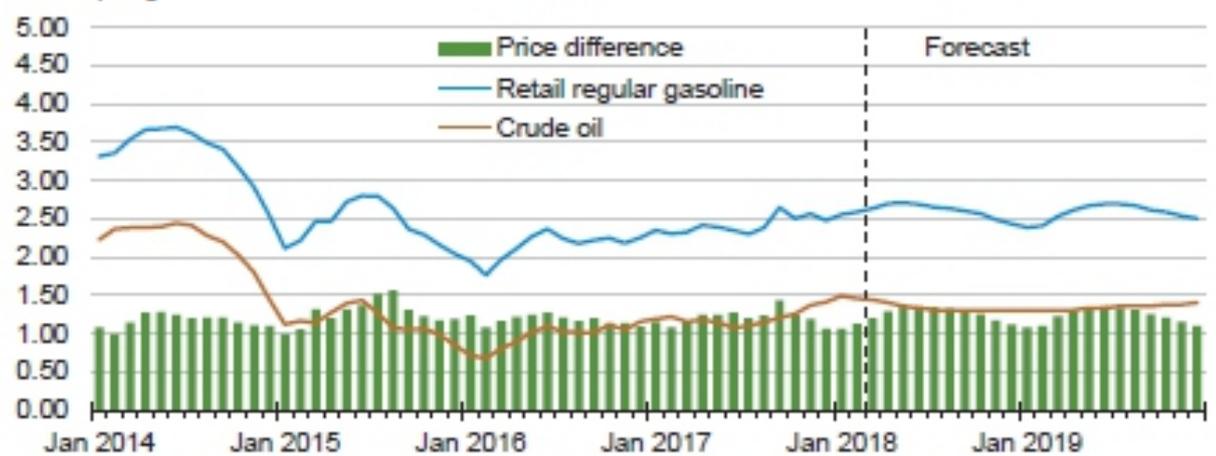
million barrels per day (MMb/d)



Source: Short-Term Energy Outlook, March 2018.

### U.S. gasoline and crude oil prices

dollars per gallon



Crude oil price is composite refiner acquisition cost. Retail prices include state and federal taxes.

Source: Short-Term Energy Outlook, March 2018.

## Natural Gas

### Overview

Natural gas ended on positive note as it traded in range of \$2.73-2.81 in NYMEX and 162.50-191 in MCX in the month of March. Weighing on natural gas prices are higher US production but weather related demand supported the prices.

### Outlook

**Natural gas can take support near 165 and rise towards 195 on forecasts for cooler than normal weather in April.** The 8-14 days weather outlook shows mostly the cooler temperature levels across the entire region whereas the central & western counties are expected to have lower to normal temperature levels being at levels of 30%-70% below normal temperature levels.. A larger-than-expected decline in US natural gas inventories compared to seasonal and historical averages could also support natural gas prices. The rise in exports could also support natural gas prices.

### US production is rising

Gross natural gas production in the Permian Basin increased by 86% from March 2014 to March 2018, according to EIA's most recent Drilling Productivity Report. Production in March 2018 is estimated at 10.0 billion cubic feet per day, compared to an average of 5.4 Bcf per day in March 2014. This near-doubling in natural gas production in the Permian Basin has, in part, been driven by associated natural gas from oil wells. Permian oil production has also doubled from 1.5 million barrels per day (b/d) in March 2014 to 3.1 million b/d in March 2018.

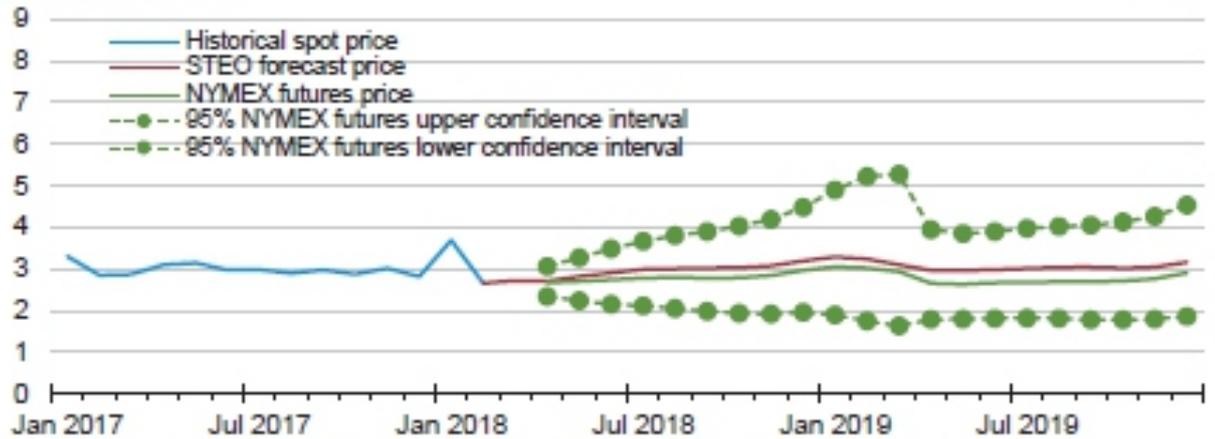
### EIA estimates of Natural gas

EIA estimates that U.S. dry natural gas production averaged 73.6 billion cubic feet per day (Bcf/d) in 2017. EIA forecasts that natural gas production will average 81.7 Bcf/d in 2018, establishing a new record. That level would be 8.1 Bcf/d higher than the 2017 level and the highest annual average growth on record. EIA expects natural gas production will also increase in 2019, with forecast growth of 1.0 Bcf/d.

EIA expects natural gas prices to moderate in the coming months, based on a forecast of record natural gas production levels. EIA expects Henry Hub spot prices to average \$2.72/MMBtu in March and \$2.99/MMBtu for all of 2018. In 2019, EIA forecasts prices will average \$3.07/MMBtu. NYMEX contract values for June 2018 delivery that traded during the five-day period ending March 1, 2018, suggest that a range of \$2.16/MMBtu to \$3.49/MMBtu encompasses the market expectation for June Henry Hub natural gas prices at the 95% confidence level.

### Henry Hub natural gas price

dollars per million Btu

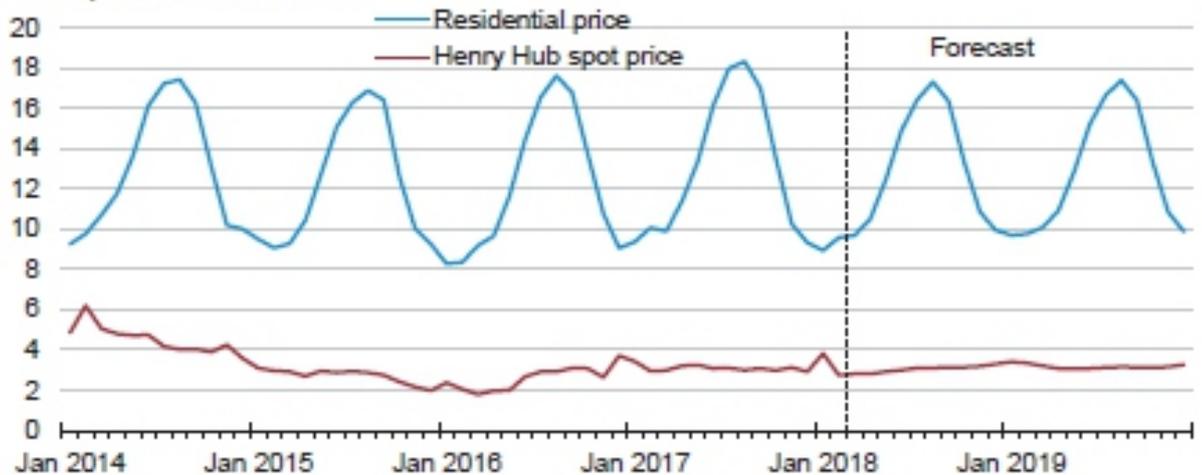


Note: Confidence interval derived from options market information for the 5 trading days ending Mar 1, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.

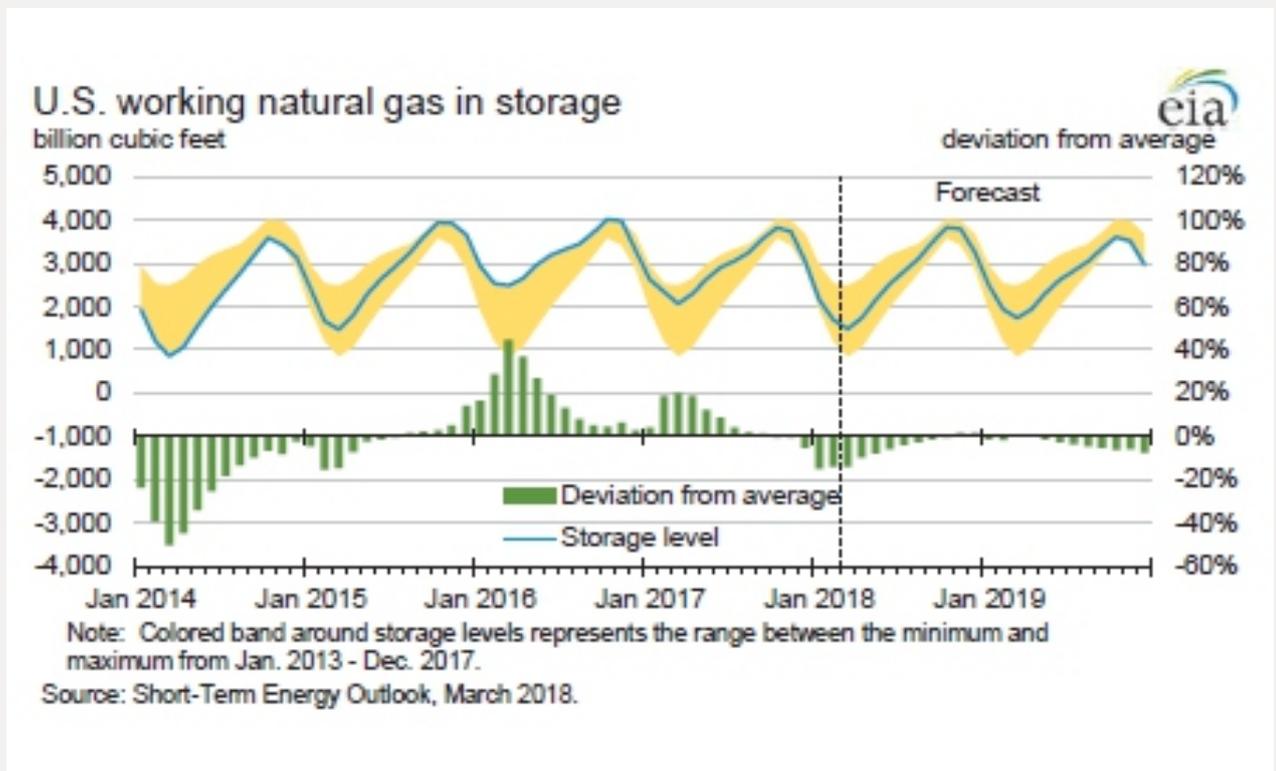
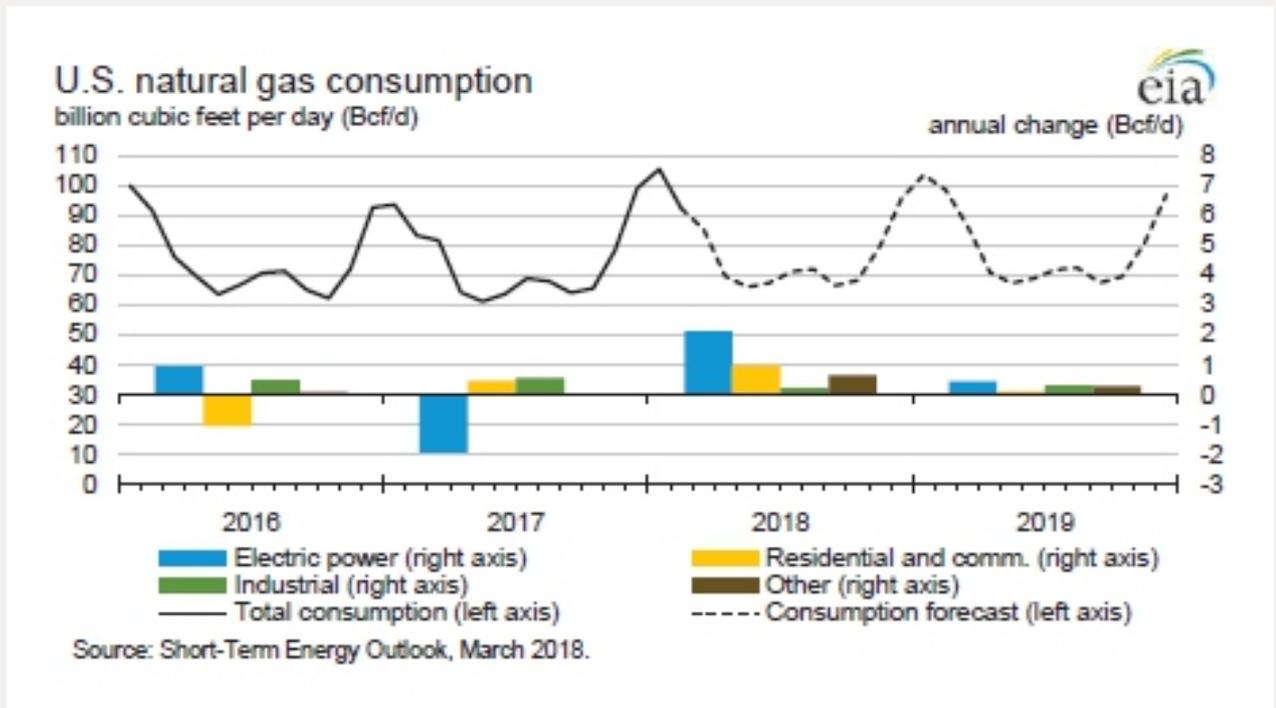
Source: Short-Term Energy Outlook, March 2018, and CME Group.

### U.S. natural gas prices

dollars per thousand cubic feet



Source: Short-Term Energy Outlook, March 2018, and Thomson Reuters.



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