

TECHNO FUNDA REPORT ON

CRUDE OIL

May 08, 2018



Moneywise. Be wise.

MCX CRUDE OIL (MAY) DAILY CHART



Source: Reuters

Recommendation

Sell Crude oil Mini (May) at CMP for the target 4500 with stop loss of closing above 4800.

Note:

- These long term fundamental calls are for duration of three to four weeks time frame and do not confuse these with intraday calls.
- It is assumed that investor takes position in two lots and square off position in one lot on partial profit booking and trail stop loss to buying/selling price for second lot.

NYMEX CRUDE OIL DAILY CHART



Source: Reuters

Overview and outlook

In the month of April crude oil prices ended on positive path as geopolitical tensions in Middle East and expectations of Iran sanctions by US supported its prices. Overall it managed to hover in range of \$61.86-69.55 in NYMEX and 4015-4617 in MCX. Crude oil investors took no chances that Iran's nuclear deal with Western powers will remain intact in May meeting. Prices were driven by supply concerns amid prospects of the United States re imposing sanctions on Iran, while OPEC-led producers continue to withhold supplies. Global oil markets received support due to a sense that there were high risks of supply disruptions, including a potentially spreading conflict in the Middle East, renewed U.S. sanctions against Iran and falling output as a result of political and economic crisis in Venezuela. Global oil demand data so far in 2018 has come in line with the optimistic expectations, with 1Q18 likely to post the strongest year-on-year growth since 4Q10 at 2.55 million barrels per day. Meanwhile rising U.S. production, which has jumped by a quarter since the middle of 2016 to 10.54 million barrels per day (bpd) can cap the upside.

Crude oil prices may witness profit booking at higher levels due to rising rig count, increasing US production and resurgent greenback.

Recently the concerns of U.S. exit from the Iran nuclear deal and sanctions on Iran lifted the prices to greater extent. Trump stated that a decision on whether to remain in the Iran nuclear deal or to impose sanctions would be announced at 1800 GMT (or 11:30 PM) on Tuesday, four days earlier than expected.

Bearish factors impacting crude oil

U.S. oil stocks build unexpectedly despite record high exports -EIA

U.S. crude oil and gasoline inventories unexpectedly rose last week even as exports hit record highs, the Energy Information Administration said on Wednesday in an overall bearish report that raised some concerns about oversupply. Crude inventories rose 2.2 million barrels in the week to April 20, compared with expectations for a decrease of 2 million barrels.

U.S. shale output to rise by 125,000 bpd in May -EIA

U.S. shale oil production is expected to increase in May for the fourth consecutive month, U.S. Energy Information Administration data showed recently, boosted by record production in the prolific Permian Basin of West Texas and New Mexico. Total oil output is set to rise by 125,000 barrels per day (bpd) to 7 million bpd, the EIA said in its monthly drilling productivity report.

United States increasing crude oil output

U.S crude oil output rose to a record 10.4 mb/d in March, surpassing its 1970s peak and overtaking Saudi Arabia as the second largest producer. Much of the increase has been from shale deposits, which account for nearly two-thirds of U.S. crude production. The U.S. Energy Information Administration projects U.S. crude production will reach 11.3 mb/d by the fourth quarter of 2018, and average 11.4 mb/d in 2019. The rise in oil prices over 2017 and into 2018 has supported shale oil production. Production has also benefited from improvements in efficiency, reduced costs, and technological and managerial innovation. Improvements include longer horizontal pipe laterals, shorter drilling and completion times, greater prop pant intensity, and the use of multiple wells at a single location. As a result, well productivity continues to rise.

Oil rigs count

U.S. energy companies added oil rigs for a fifth week in a row as they follow through on plans to spend more on drilling this year with higher crude prices boosting their profits and pushing nationwide production to record highs. Drillers added nine oil rigs in the week to May 4, bringing the total count to 834, the highest level since March 2015.

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