SPECIAL MONTHLY REPORT ON

ENERGY

APRIL 2024

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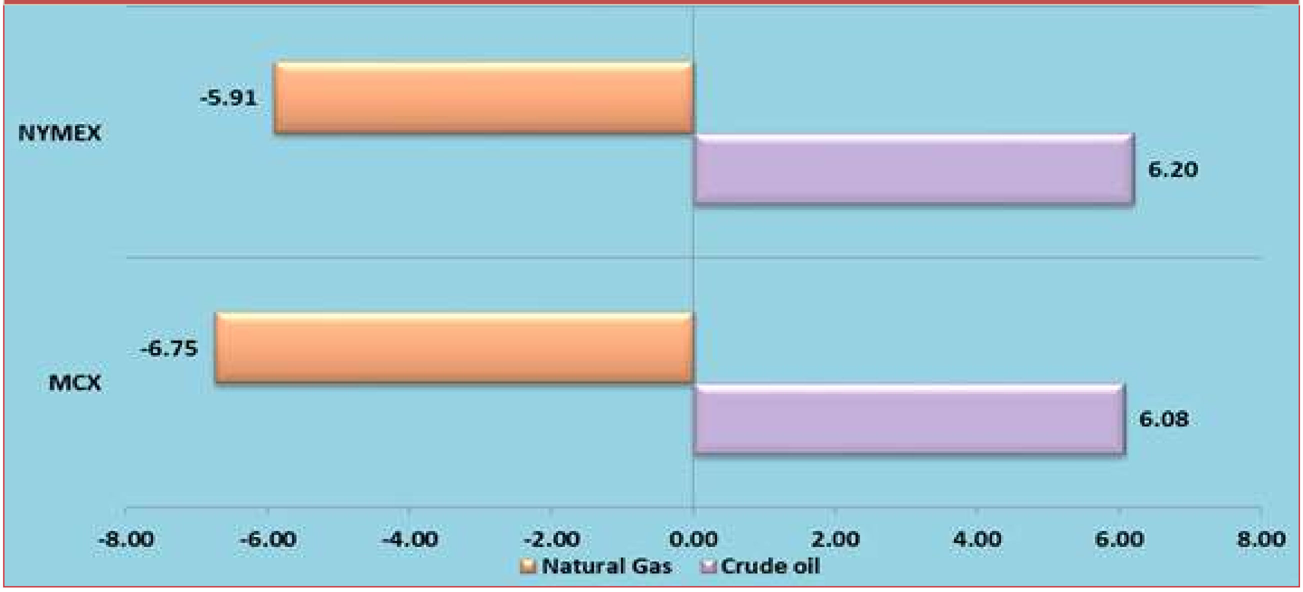
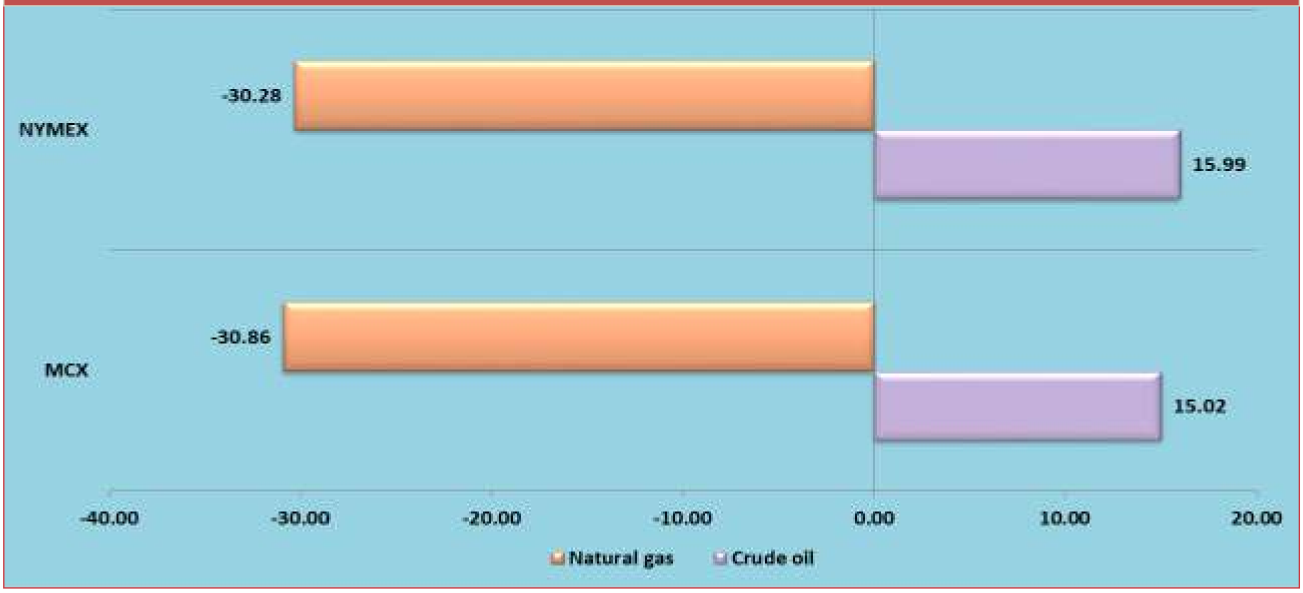
ENERGY

Price Movement in March2024



Source: SMC Research & Reuters

Price movement in January - March 2024



Source: SMC Research & Reuters

In March, Crude oil prices registered a third-monthly gain as hopes for tighter supply and fresh hopes for a summer U.S. interest rate cut while a cocktail of geopolitical tensions also kept global crude supply risks elevated. Oil prices have added more than 15% in the quarter, fuelled by geopolitical tensions in the Middle East, Houthi attacks on Red Sea shipping. Prices were also boosted chiefly by a tighter outlook for markets, as Russia, Saudi Arabia and other members of the Organization of Petroleum Exporting Countries kept on going production curbs in place. Russia had earlier in March said it will deepen its on-going production cuts, while fuel supplies in the country also shrank following a series of debilitating attacks by Ukraine on Russian fuel refineries. Few signs of de-escalation in the Israel-Hamas war, which has raised geopolitical tensions in the oil-rich Middle East region, also underpinned oil prices, as did persistent supply disruptions stemming from Houthi attacks on ships in the Red Sea.

Outlook

- The current state of the oil market reflects a complex interplay of geopolitical factors, production decisions by key players, and macroeconomic policies. As these elements continue to evolve, fluctuations in oil futures are expected to persist.
- China's manufacturing activity expanded for the first time in six months in March, an official factory survey showed, supporting oil demand in the world's largest crude importer, even as a crisis in the property sector continues to drag on the economy.
- Russia ordered companies to cut output to meet its agreed OPEC+ output quota, Reuters reported, citing sources. The news come amid on-going Ukrainian strikes on refineries in Russia that has added pressure on fuel markets, leading to rising demand for available crude oil cargoes.

- Almost 1 million barrels per day (bpd) of Russian crude processing capacity is offline from the attacks, impacting its high-sulphur fuel oil exports which are processed at Chinese and Indian refineries.
- OPEC+ members led by Saudi Arabia and Russia agreed to extend voluntary oil output cuts of 2.2 million barrels per day into the second quarter, giving extra support to the market amid concerns over global growth and rising output outside the group.
- Russia, which leads OPEC allies collectively known as OPEC+, will cut oil production and exports by an extra 471,000 bpd in the second quarter. Russian Deputy Prime Minister Alexander Novak gave new figures showing that cuts from production will make up a rising proportion of the measure.
- For the second quarter, Iraq will extend its 220,000 bpd output cut, UAE will keep in place its 163,000 bpd output cut and Kuwait will maintain its 135,000 bpd output cut, the three OPEC producers said in separate statements. Algeria also said it would cut by 51,000 bpd and Oman by 42,000 bpd.
- De-escalation in the Israel-Hamas conflict is expected to soothe concerns over geopolitical instability in the Middle East- which could potentially disrupt crude supplies from the region. This notion may continue to a key support of oil prices.
- OPEC expects another year of relatively strong demand growth of 2.25 million bpd, led by Asia, while the International Energy Agency expects much slower growth of 1.22 million bpd.
- The IEA also expects oil supply to grow to a record high of about 103.8 million bpd this year, almost entirely driven by producers outside OPEC+, including the United States, Brazil and Guyana.

Weekly Price Movement of Crude Oil in MCX

Source: Reuters

Weekly Price Movement of Crude Oil in MCX

Source: Reuters

In April 2024, oil prices are anticipated to trade within a broader range with bullish, with a potential trading range between 6350 and 7300. However profit booking at higher level cannot be denied.

Natural gas

In February, natural gas prices registered consecutively fifth month decline and nosedived almost 6% on both NYMEX and MCX, influenced by reduced demand forecasts due to warmer-than-expected weather, leading to a significant reduction in heating fuel demand. This is also the third consecutive quarterly drop with more than 30% decline. This persistent downward movement is not just a short-term fluctuation but a clear signal of deeper market concerns about future supply and demand trends. The low amounts of gas flowing to liquefied natural gas (LNG) export plants due to on-going work at Freeport LNG's export plant in Texas also weighed on prices. On March 26, gas prices fell to $1.481 per mmBtu, their lowest since June 2020 after a mild winter with record output allowed utilities to leave significantly more gas in storage than usual for this time of year. Analysts estimated current gas stockpiles were around 41% above normal levels.

Outlook

- The natural gas market may continue to witness volatility as it remained influenced by weather conditions. The combination of mild weather forecasts, substantial storage levels, and a cautious approach by producers points towards continued downward pressure on prices.
- Financial firm LSEG said gas output in the Lower 48 U.S. states has fallen to an average of 100.2 billion cubic feet per day (bcfd) so far in March, down from 104.1 bcfd in February. That compares with a monthly record high of 105.5 bcfd in December 2023.
- Low prices should boost U.S. gas use to a record high in 2024 and cut production for the first time since 2020 when the COVID-19 pandemic destroyed demand for the fuel, according to the U.S. Energy Information Administration's latest outlook.
- Output was already down by around 3% over the past month as several energy firms, including EQT and Chesapeake Energy , delayed well completions and cut back on other drilling activities.
- Europe's increasing demand and limited short-term new supply capacities could keep a lid on prices temporarily and add to market volatility.
- The natural gas market is also contending with challenges in the LNG export sector. The on-going outage at the Freeport LNG facility in Texas has notably reduced the volume of gas flowing to LNG export plants. This has led to a decline in external demand for U.S. natural gas, exacerbating the oversupply situation domestically.

Weekly Price Movement of Natural Gas in MCX

Source: Reuters

Weekly Price Movement of Natural Gas in NYMEX

Source: Reuters

In April 2024, natural gas prices are expected to trade in both sides, with support around 128 and resistance near 166.

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