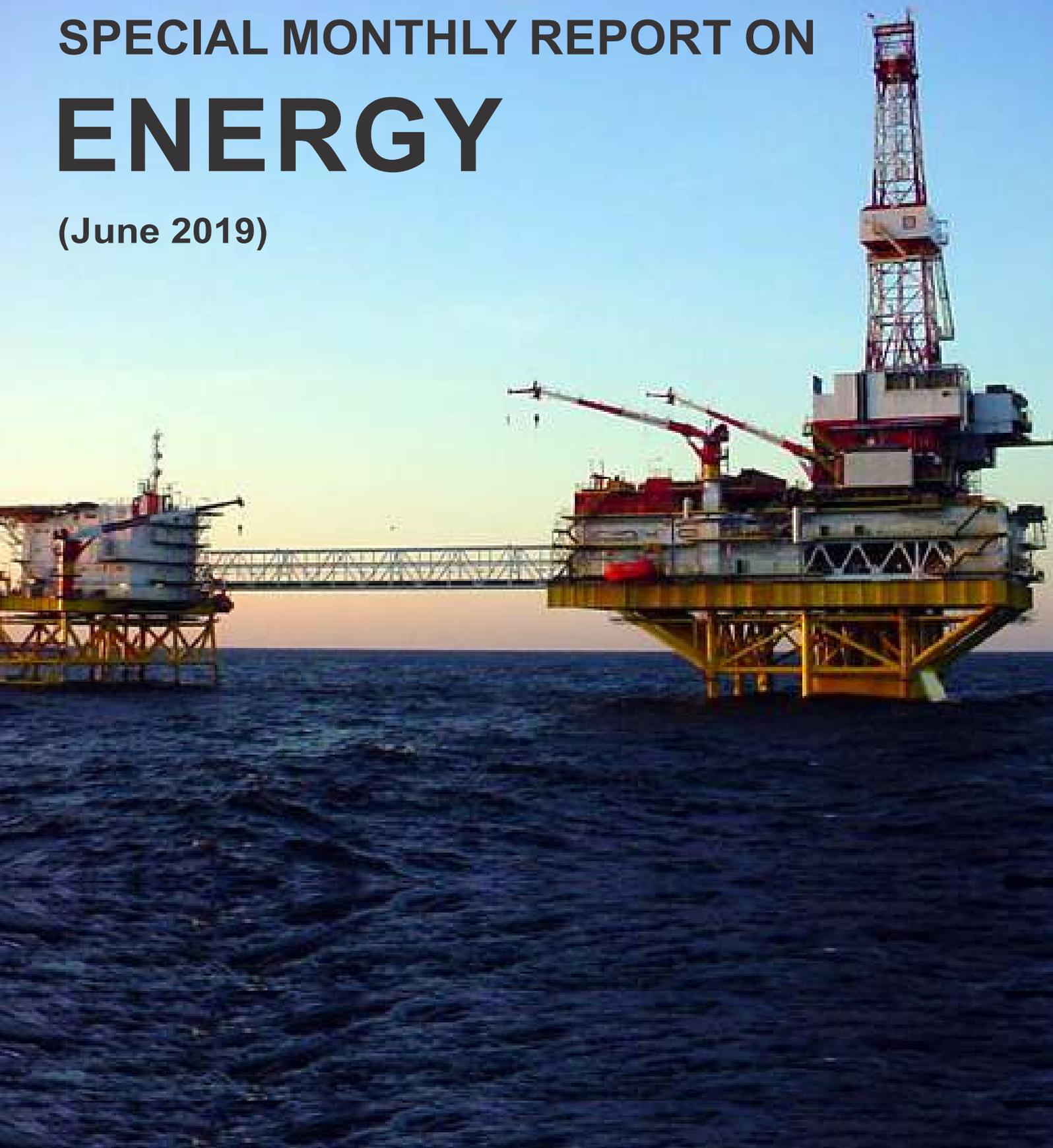
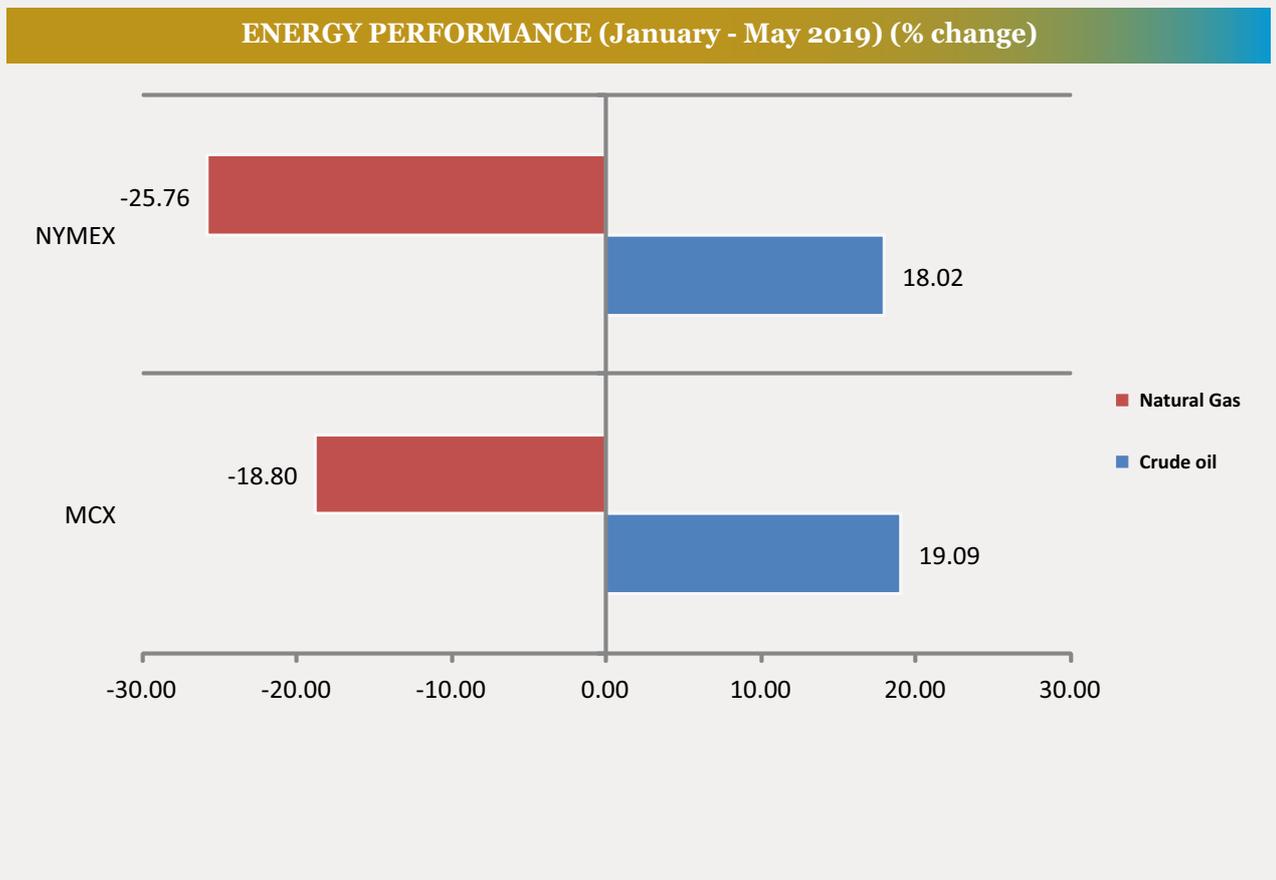
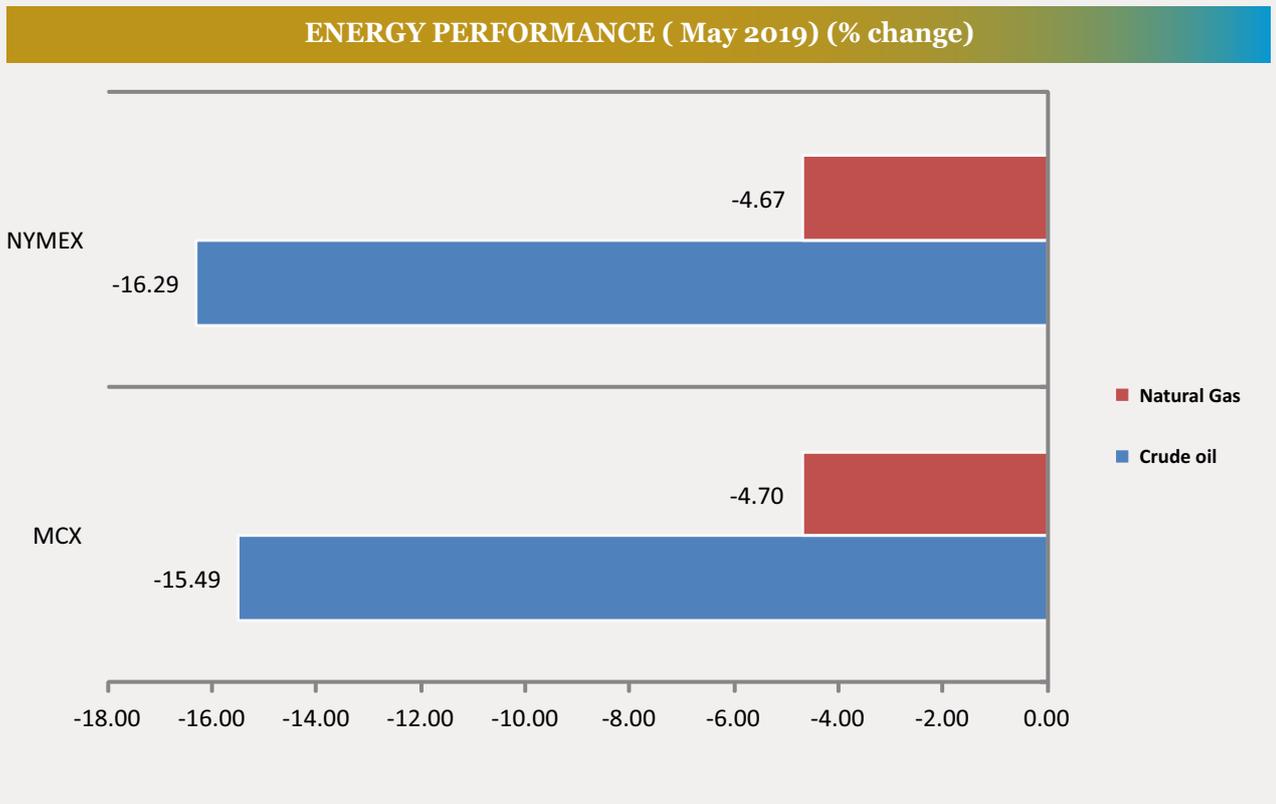


SPECIAL MONTHLY REPORT ON ENERGY

(June 2019)



Moneywise. Be wise.



Crude Oil

Overview

In the month of May, crude oil prices witnessed roller coaster ride as its prices continued its upside momentum in initial part month as rising tensions in the Middle East stoked fears of potential supply disruptions but prices fell sharply lower in later part of the month as concerns the Sino-U.S. trade war could trigger a broad economic slowdown dragged the prices lower. A Saudi-led military coalition in Yemen carried out several air strikes on the Houthi-held capital Sanaa after the Iranian-aligned movement claimed responsibility for drone attacks on two Saudi oil pumping stations earlier last month. U.S. President Donald Trump has told his top advisers he does not want to get the United States involved in a war with Iran. Iran, under U.S. sanctions that prevent its oil from being sold anywhere in the world, has warned the other oil producers in the Middle East as well as the United States in recent weeks of "consequences" for their actions, prompting Washington to move a warship and bombers to the region. Bearish momentum was witnessed in crude oil as global growth concerns due to growing trade conflicts and record US crude output is kept the prices under pressure. Overall it traded in range of \$53.05-63.93 in NYMEX and in range of 3758- 4474 in MCX.

Outlook

Crude oil prices may continue to remain on subdued path as global economic slowdown and swelling fuel inventories kept the prices downbeat. But multiple supply risks remain, as tension continues between Iran and the U.S., which can cap the downside. U.S. sanctions on Iran's and Venezuela's oil industries would likely further reduce crude exports from OPEC, of which both countries are members. The key OPEC meeting, which was scheduled to be held in Vienna on 25 June, followed by the OPEC+ meeting on 26 June, has been delayed until the first week of July. Meanwhile increasing crude oil inventories and slumping U.S. manufacturing activity exacerbated trade related concerns about global demand thereby keeping the prices under pressure. After weeks of fruitless negotiations and more tariffs and retaliatory tariffs that the world's

two biggest economies slapped on each other, China said last month that the talks about resolving the trade dispute can't resume until the U.S. addresses its 'wrong actions.

Crude oil can witness further selling pressure booking at higher levels as it can test 3200 by facing resistance near 4100.

Key News

US oil rigs

The US drilling rig count gained a single rig to reach 984 rigs working for the week ended May 31, according to Baker Hughes data. The count is down 76 units from the 1,060 rigs working this time a year ago.

U.S crude output declines in Feb for second month

U.S crude oil production fell 187,000 barrels per day in February to 11.7 million bpd as output dropped in the Gulf of Mexico and key on-shore oil producing states including Oklahoma and North Dakota.

China's crude oil imports from Saudi Arabia up 43% y/y in April

China's crude oil imports from Saudi Arabia rose 43% last month, making the Middle Eastern OPEC kingpin once again the top supplier to the world's second-biggest economy, boosted by demand from new private refiners.

Rising U.S. oil output helps fill gap left by Iran, Venezuela – IEA

The world will require very little extra oil from OPEC this year as booming U.S. output will offset falling exports from Iran and Venezuela, the International Energy Agency stated recently. The IEA, which coordinates the energy policies of industrial nations, stated that Washington's decision to end sanctions waivers that had allowed some importers to continue to buying Iranian crude added to the "confusing supply outlook.

OPEC sees more 2019 demand for its oil as it keeps cutting output

OPEC stated that world demand for its oil would be higher than expected this year as supply growth from rivals including U.S. shale producers slows, pointing to a tighter market if the exporter group refrains from raising output. Supply losses in OPEC members Iran and Venezuela, both under U.S. sanctions, have deepened the impact of an OPEC-led production-limiting deal. The so-called OPEC+ group of producers meets next month to review whether to maintain the pact beyond June.

of the OPEC output declines in 2019 and in 2020, but EIA expects these declines to be partially offset by production increases from other OPEC members.

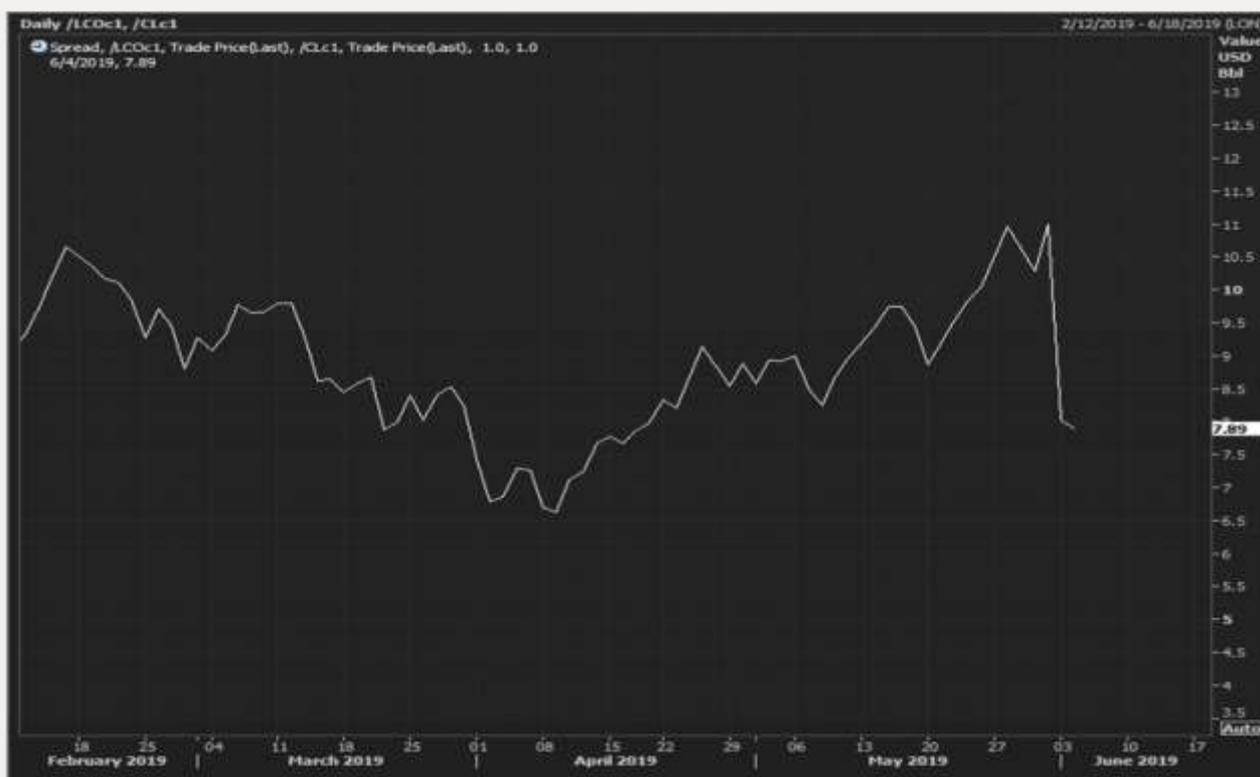
EIA forecasts global oil inventories will decline by 0.2 million b/d in 2019 and then increase by 0.1 million b/d in 2020. Global demand outpaces supply in 2019 in EIA's forecast, but global liquid fuels supply then rises by 1.9 million b/d in 2020, with 1.5 million of that growth coming from the United States. Global oil demand rises by 1.5 million b/d in 2020 in the forecast, up from expected growth of 1.4 million b/d in 2019.

Highlights of latest EIA report

EIA forecasts that crude oil production in the Organization of the Petroleum Exporting Countries (OPEC) will average 30.3 million barrels per day (b/d) in 2019, down by 1.7 million b/d from 2018. In 2020, EIA expects OPEC crude oil production to fall by 0.4 million b/d to an average of 29.8 million b/d. Production in Venezuela and Iran account for most

For the 2019 summer driving season, which runs from April through September, EIA forecasts that U.S. regular gasoline retail prices will average \$2.92 per gallon (gal), up from an average of \$2.85/gal last summer. The higher forecast gasoline prices primarily reflect EIA's expectation of higher gasoline refining margins this summer, despite slightly lower crude oil prices.

Brent WTI Spread



Source: Reuters

Analysis: Brent WTI crude oil spread narrowed from 11 to below 9. Overall it can hover in range of \$6-10 in the month of June.

West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals
dollars per barrel

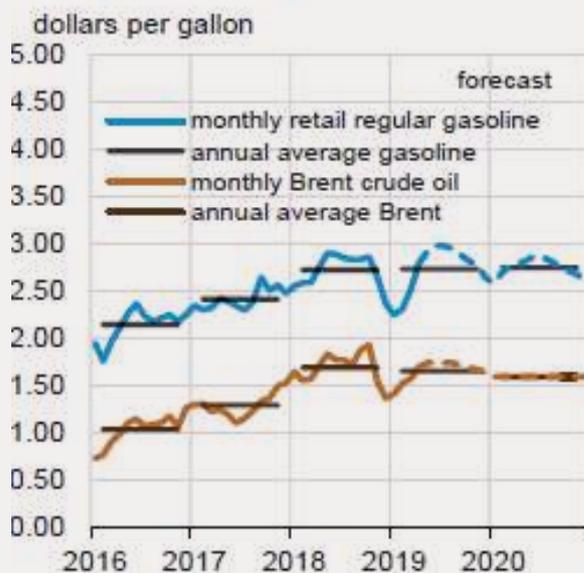


Note: Confidence interval derived from options market information for the five trading days ending May 2, 2019. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: Short-Term Energy Outlook, May 2019, and CME Group

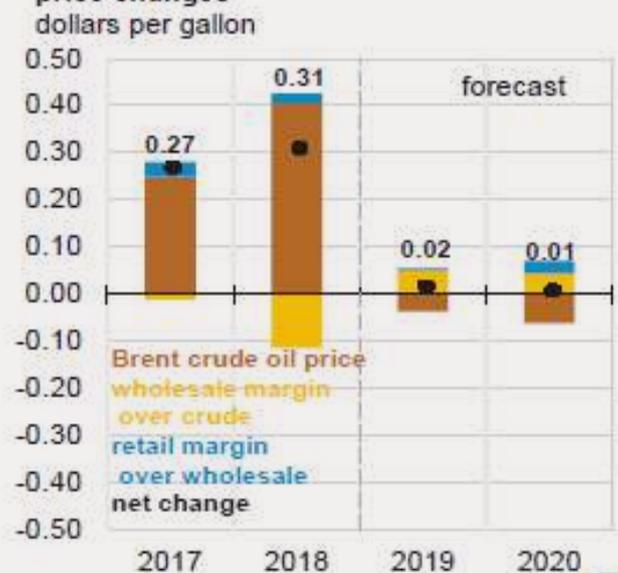


U.S. gasoline and crude oil prices

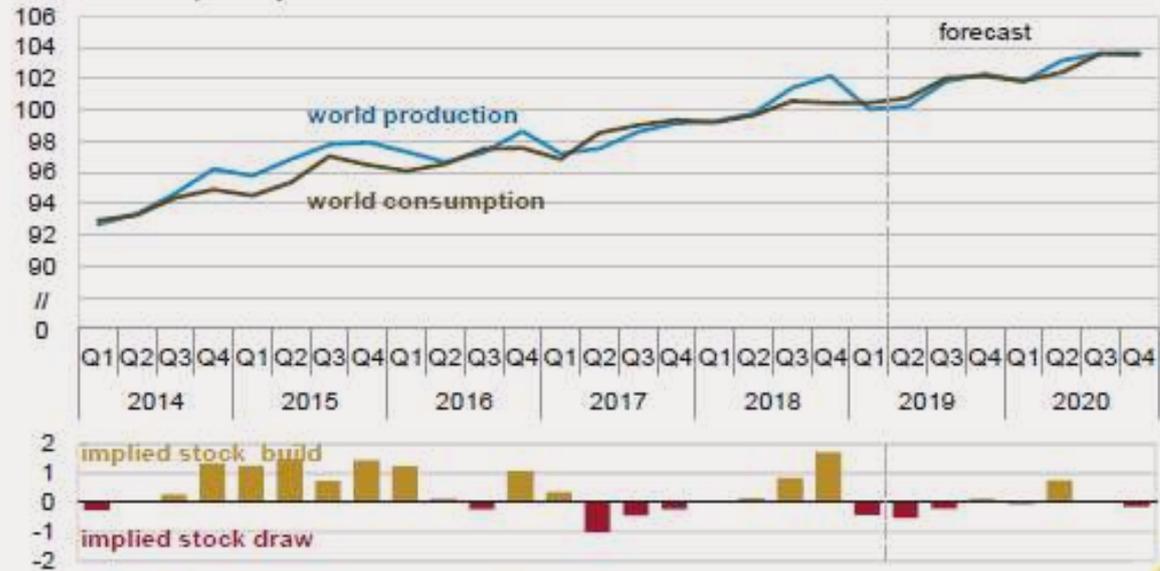


Source: Short-Term Energy Outlook, May 2019

Components of annual gasoline price changes



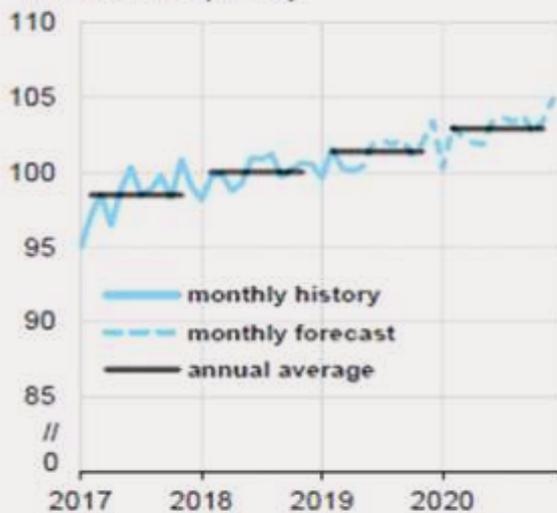
World liquid fuels production and consumption balance
million barrels per day



Source: Short-Term Energy Outlook, May 2019

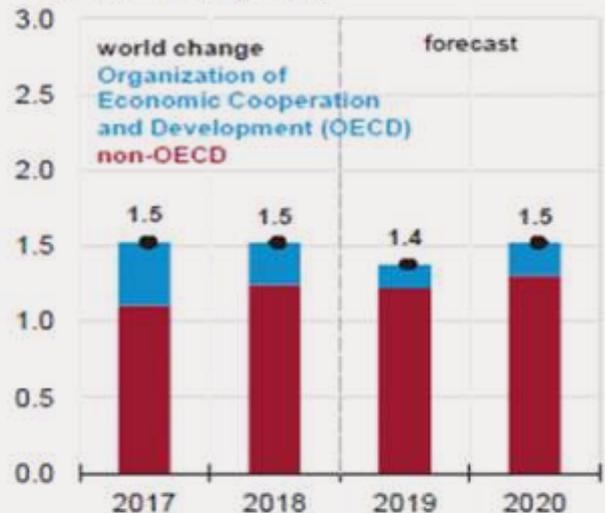


World liquid fuels consumption
million barrels per day



Source: Short-Term Energy Outlook, May 2019

Components of annual change
million barrels per day



Natural gas

Natural gas traded on sideways to weaker path on lack of demand amid less cold weather conditions in US. Overall it traded in range of \$2.44-2.70 in NYMEX and 171.90-188.70 in MCX in the month of May.

U.S. natural gas futures can get support on forecasts for demand to rise over the next two weeks as the weather warms and power generators burn more fuel to keep air conditioners humming.

Natural gas counter can trade with weaker bias as it can slip lower towards 150 while facing resistance near 190 in the month of June.

Short-Term Weather Outlook

Weather patterns for the first half of June continue to show upper high pressure not being strong enough to expect widespread or impressive heat," according to Natgasweather. Weather-driven demand gains "would need to be considerable if builds are to finally print smaller than the five-year average". The weather outlook is soft, but when combined with the anxiety created by the uncertainty over U.S. trade policy, a gloomier picture emerges.

Natural Gas Demand Rise but is Offset by Rising Supply

Demand for natural gas is rising driven by the electric power sector. Total US consumption of natural gas rose by 2% compared during last week of May according to data from the EIA. Natural gas consumed for power generation climbed by 12% week over week with increased demand for cooling. Industrial sector consumption decreased by 2% week over week. In the residential and commercial sectors, consumption declined by 10%. Natural gas

exports to Mexico increased by 5%.

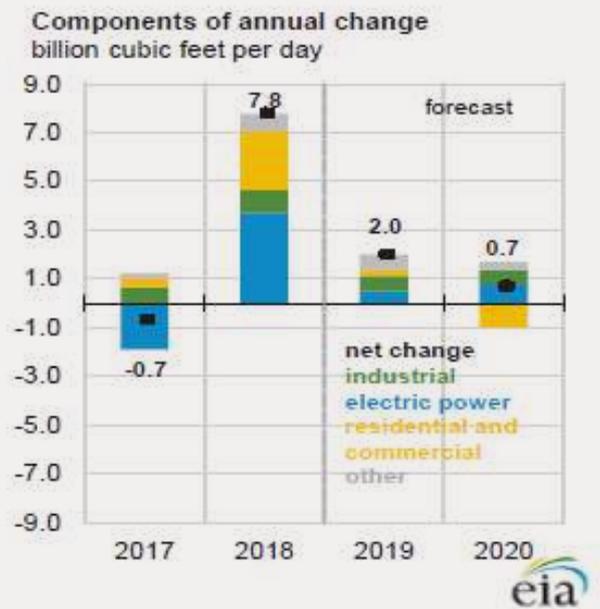
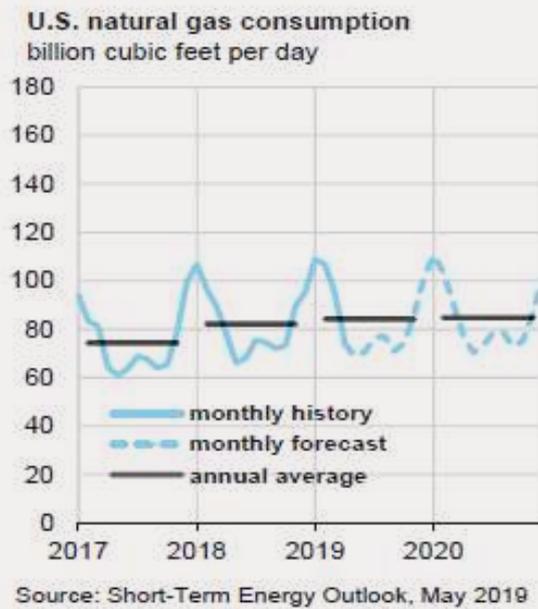
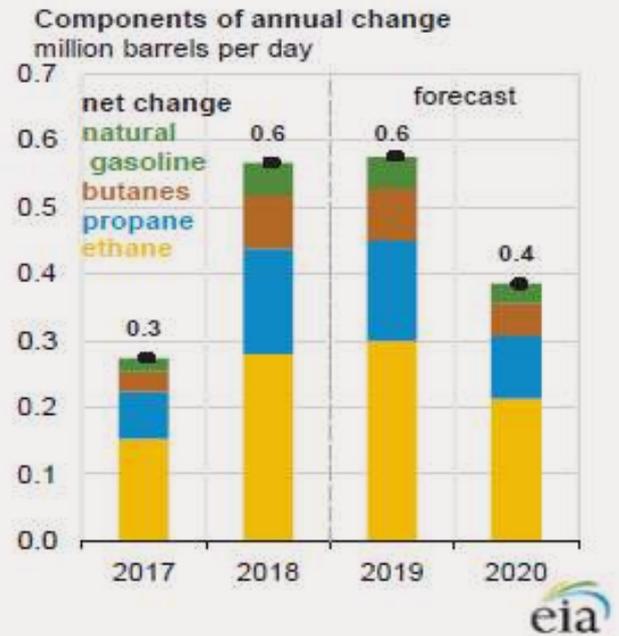
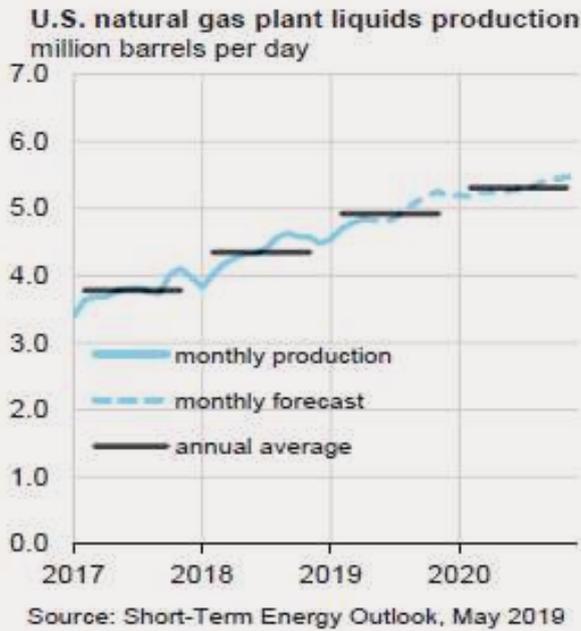
Weather systems with showers and thunderstorms continue across the West, although warmer with highs of 70s to near 100F, hottest over the Southwest. Texas to the Mid-Atlantic Coast remains very warm to hot with highs of 80s & 90s, although cooling by several degrees over the Southeast as upper high pressure weakens. Mostly warm conditions continue from Chicago to NYC with highs of upper 60s to 80s, although with showers and slight cooling late this weekend.

EIA estimates of Natural gas

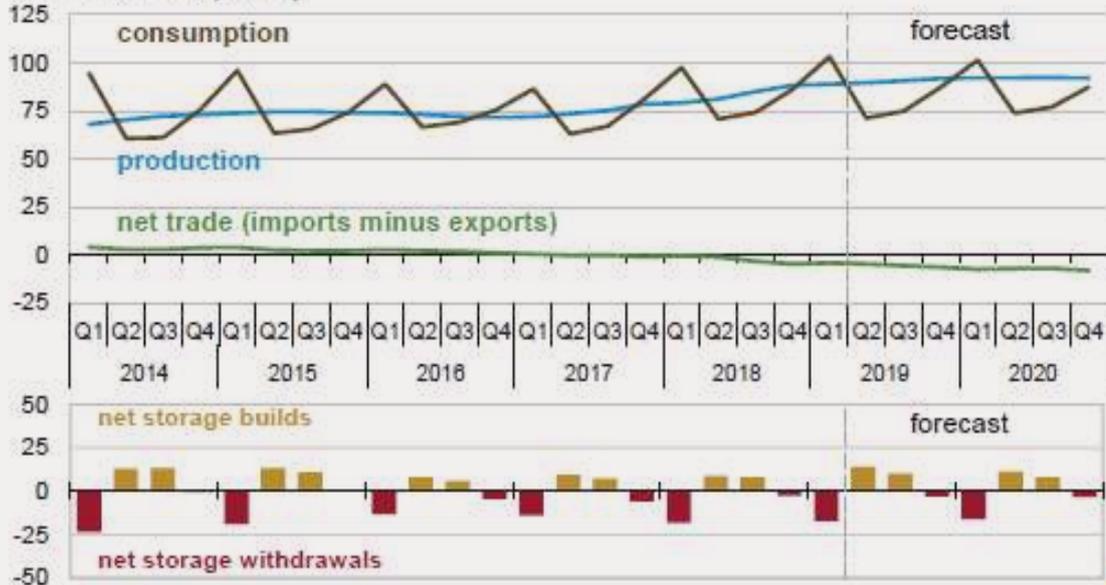
The Henry Hub natural gas spot price averaged \$2.64/million British thermal units (MMBtu) in April, down 31 cents/MMBtu from March. Prices fell as a result of warmer than-normal temperatures across much of the United States, which reduced the use of natural gas for space heating and contributed to above-average inventory injections during the month. EIA expects strong growth in U.S. natural gas production to put downward pressure on prices in 2019 and in 2020. EIA expects Henry Hub natural gas spot prices will average \$2.79/MMBtu in 2019, down 36 cents/MMBtu from 2018. The forecasted 2020 average Henry Hub spot price is \$2.78/MMBtu.

EIA estimates that natural gas inventories ended March at 1.2 trillion cubic feet (Tcf), 16% lower than levels from a year earlier and 29% lower than the five-year (2014-18) average. EIA forecasts that natural gas storage injections will outpace the previous five-year average during the April-through-October injection season and that inventories will reach 3.7 Tcf at the end of October, which would be 15% higher than October 2018 levels and about equal to the five-year average.

EIA forecasts that dry natural gas production will average 90.3 billion cubic feet per day (Bcf/d) in 2019, up 6.9 Bcf/d from 2018. EIA expects natural gas production will continue to grow in 2020 to an average of 92.2 Bcf/d.



U.S. natural gas production, consumption, and net imports
billion cubic feet per day



Source: Short-Term Energy Outlook, May 2019



Vandana Bharti (AVP - Commodity Research)
Sandeep Joon Sr. Research Analyst (Metal & Energy)

Boardline : 011-30111000 Extn: 625
Boardline : 011-30111000 Extn: 683

vandanabharti@smcindiaonline.com
sandeepjoon@smcindiaonline.com

E-mail: smc.care@smcindiaonline.com



Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401/402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4, 5th
Floor, Kolkata-700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

DISCLAIMER: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein(c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.