

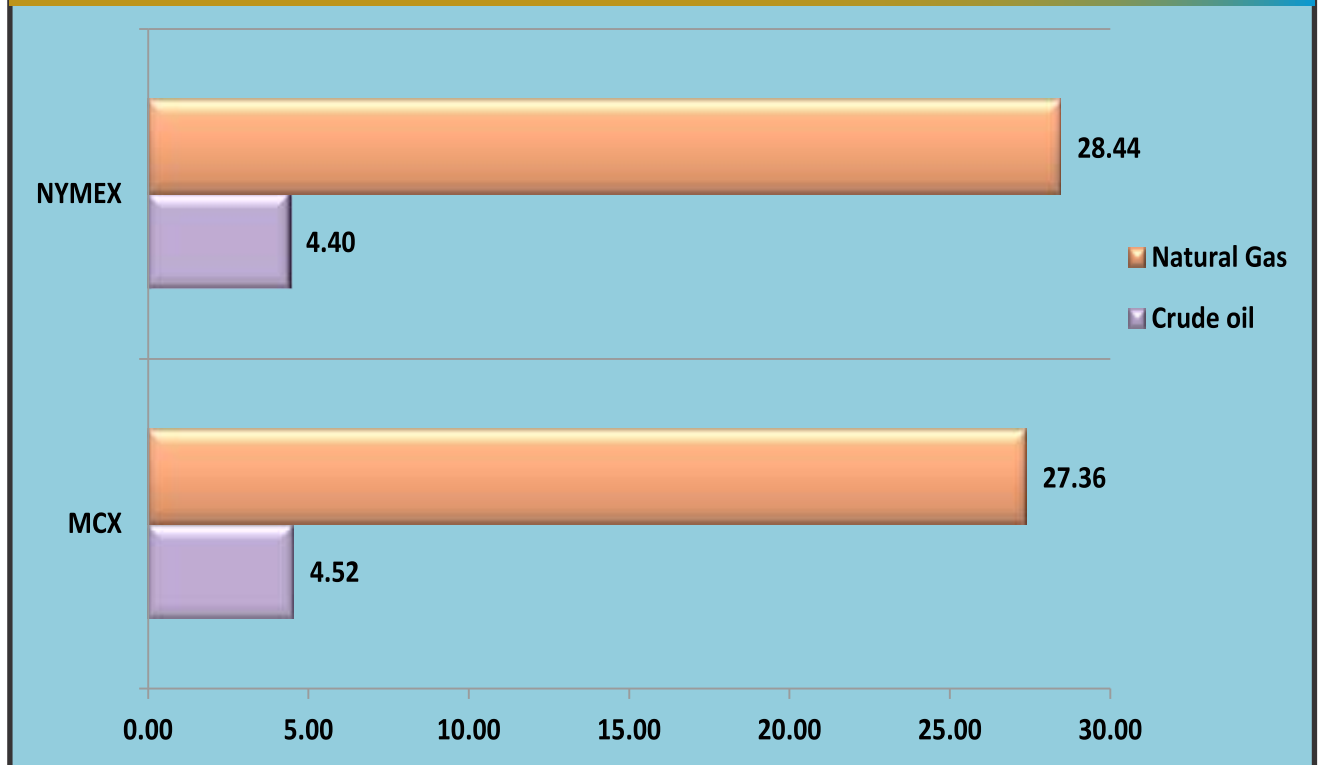
SPECIAL MONTHLY REPORT ON ENERGY

MAY 2022

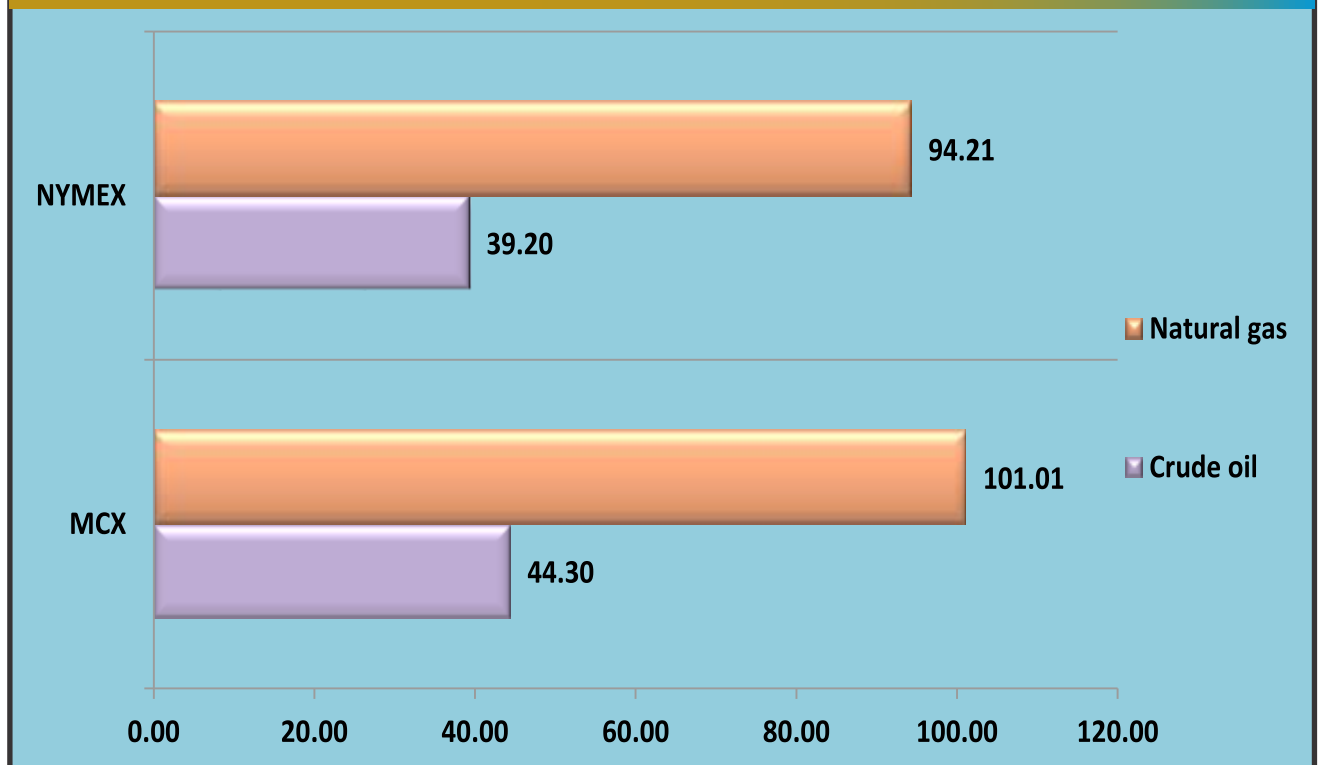


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ENERGY PERFORMANCE (April 2022) (% change)



ENERGY PERFORMANCE (January - April 2022) (% change)



Source: Reuters & SMC research

In March, Crude prices continued to rise on 5th consecutive month by almost 4.5% on MCX & NYMEX due to heightened geopolitical tension after continued Russia's attack on Ukraine exacerbated concerns about disruptions to global energy supply. The prices got support on the increased likelihood of a European Union ban on Russia crude imports as the war enters its third month despite diplomatic efforts for a cease-fire. The price rises were limited on rise of dollar index and concerns about demand destruction due to resurgence of Covid-19 in China.

Outlook

The recent volatility in oil prices was not caused by fundamentals, but by ongoing geopolitical developments. However, prices may continue to firm as the ongoing war in Ukraine and the associated sanctions on Russia continue to provide underlying support for the market. The European Union is expected to firm up plans to tighten sanctions on Russia this week, potentially agreeing to an embargo on Moscow's oil. Also, large volumes of Russian oil displaced by European sanctions are still heading to China and India while Japan and South Korea are releasing strategic oil reserves, easing supply concerns.

Major Events & News

- President Joe Biden launched the largest release ever from the U.S. emergency oil reserve and challenged oil companies to drill more in an attempt to bring down gasoline prices that have soared during Russia's war with Ukraine.
- Starting in May, the United States will release 1 million barrels per day (bpd) of crude oil for six months from the Strategic Petroleum Reserve (SPR).
- However, the release will fall short of a loss of about 3 million bpd of Russian oil which the International Energy Agency estimates will be lost to global markets amid Western sanctions and as global buyers avoid the oil.
- The Organization of the Petroleum Exporting Countries and allies (OPEC+) stuck to plans to add 432,000 barrels per day of supply in May. The cartel resisted western pressure on Saudi Arabia and the United Arab Emirates to increase output further.
- Russia's war in Ukraine has roiled global commodity markets and driven up the price of everything from food to fuels, challenging governments seeking to encourage economic growth after the pandemic.
- Iran's Foreign Minister Hossein Amirabdollahian has said that an agreement is "close" in paused negotiations to restore the 2015 nuclear deal between Tehran and world powers. If sanctions were to be lifted on Iran immediately, it could export an additional 500,000 barrels of oil per day to markets from April to May of this year, with that figure reaching an additional 1.3 million barrels per day by the end of this year.

Weekly Price movement of crude oil in MCX



Source: Reuters

Weekly Price movement of crude oil in NYMEX



Source: Reuters

In May 2022, Crude oil prices may trade with high volatility where buying near support would be strategy and short term resistance is seen near 8800-9000 levels, support is seen near 7500.

May 2022

Natural gas

In April, natural gas prices jumped almost 28% on 2nd consecutive month as an unseasonable spell of cold weather across the northeast and Great Lakes added to longer-term structural factors that have driven prices higher. The cold snap comes at a time when gas in storage in the U.S. is already below its usual low point at the end of the winter heating season. Since Moscow invaded Ukraine on Feb. 24, U.S. gas prices have soared about 50% as European countries look to the United States, the world's second biggest exporter, to sell more liquefied natural gas (LNG) to wean Europe off Russian fuel

Outlook

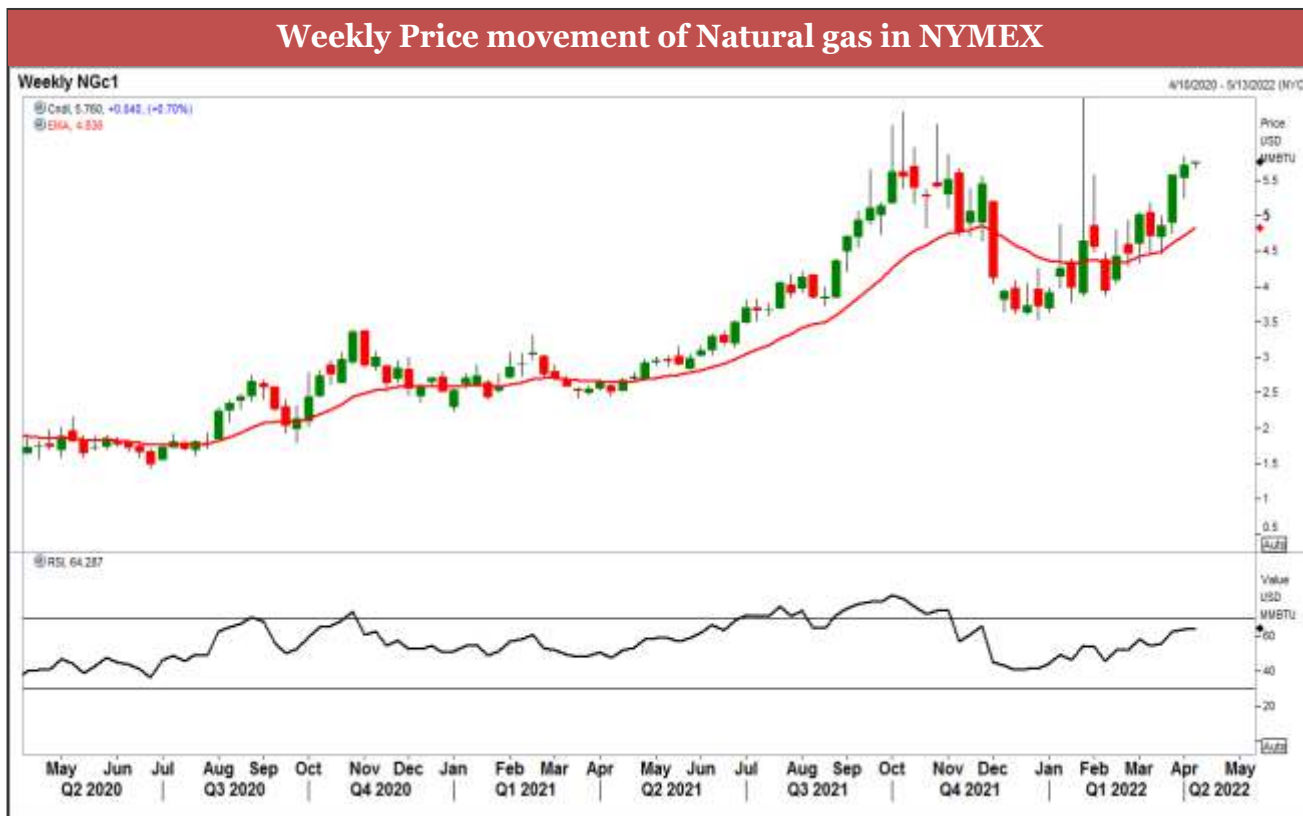
- U.S. natural gas production growth is waning at the same time many countries are looking for new suppliers to help break their dependence on Russian gas after Moscow's invasion of Ukraine.
- The largest European economies import about 18.3 billion cubic feet per day (bcfd) from Russia. The United States currently can export about 9.8 bcfd as LNG. Several companies are looking to boost exports, but substantial new LNG export capacity is not expected for at least two years.
- The LNG market is set to remain tight due to European Union countries' scramble to find substitutes for Russian gas this summer, ahead of the next winter heating season. Russia has already cut supplies to Poland and Bulgaria for their refusal to pay for deliveries in rubles, in what was widely interpreted as a warning to state-owned monopoly Gazprom's bigger European customers in Germany and Italy.

Weekly Price movement of Natural gas in MCX



Source: Reuters

MCX Natural gas prices may trade with high volatility. If the price breaches the recent resistance of 680 then can move again upside towards 725 levels. Overall the commodity can move upside from its support level. Support is seen near 600.



Source: Reuters

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