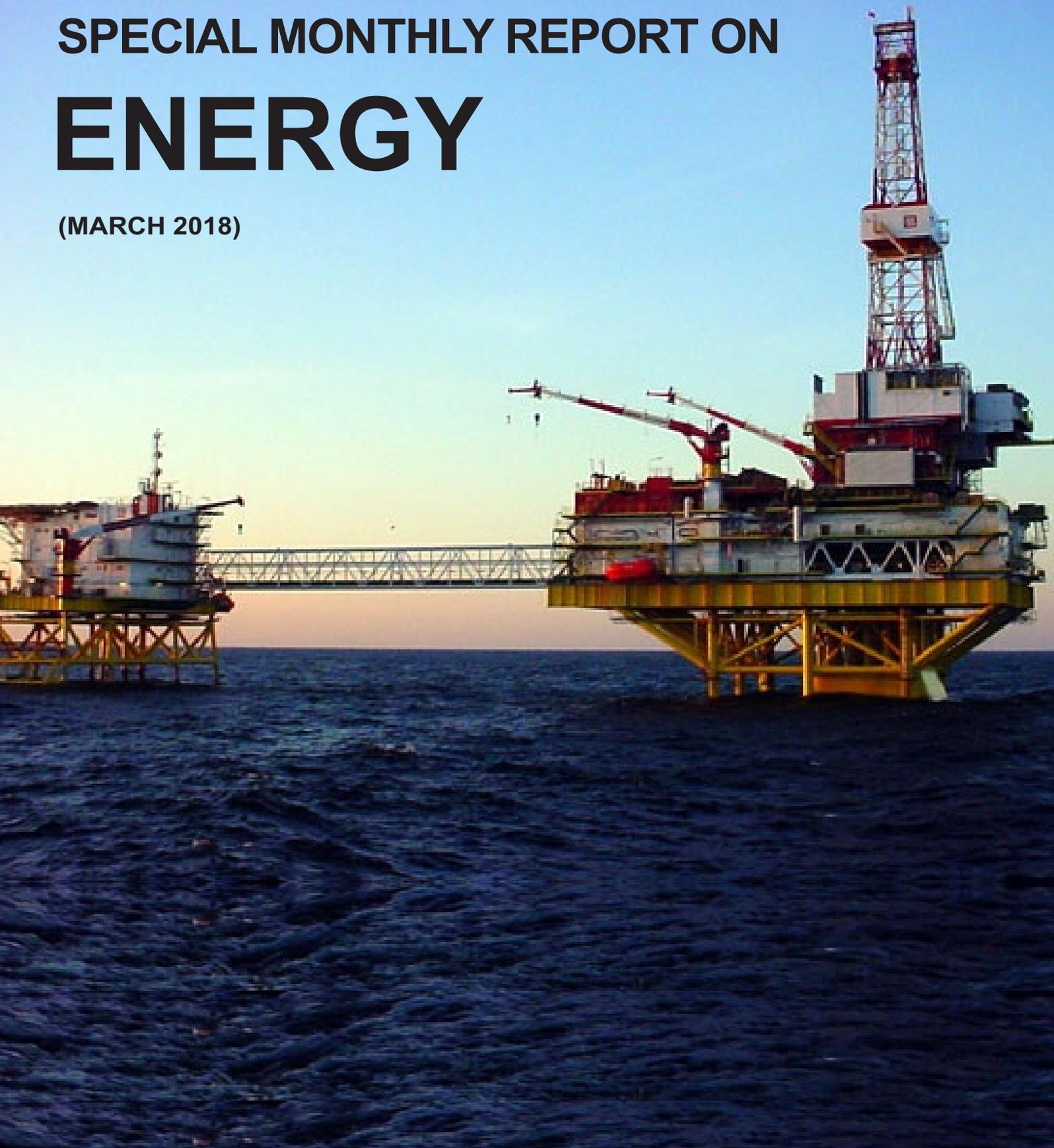


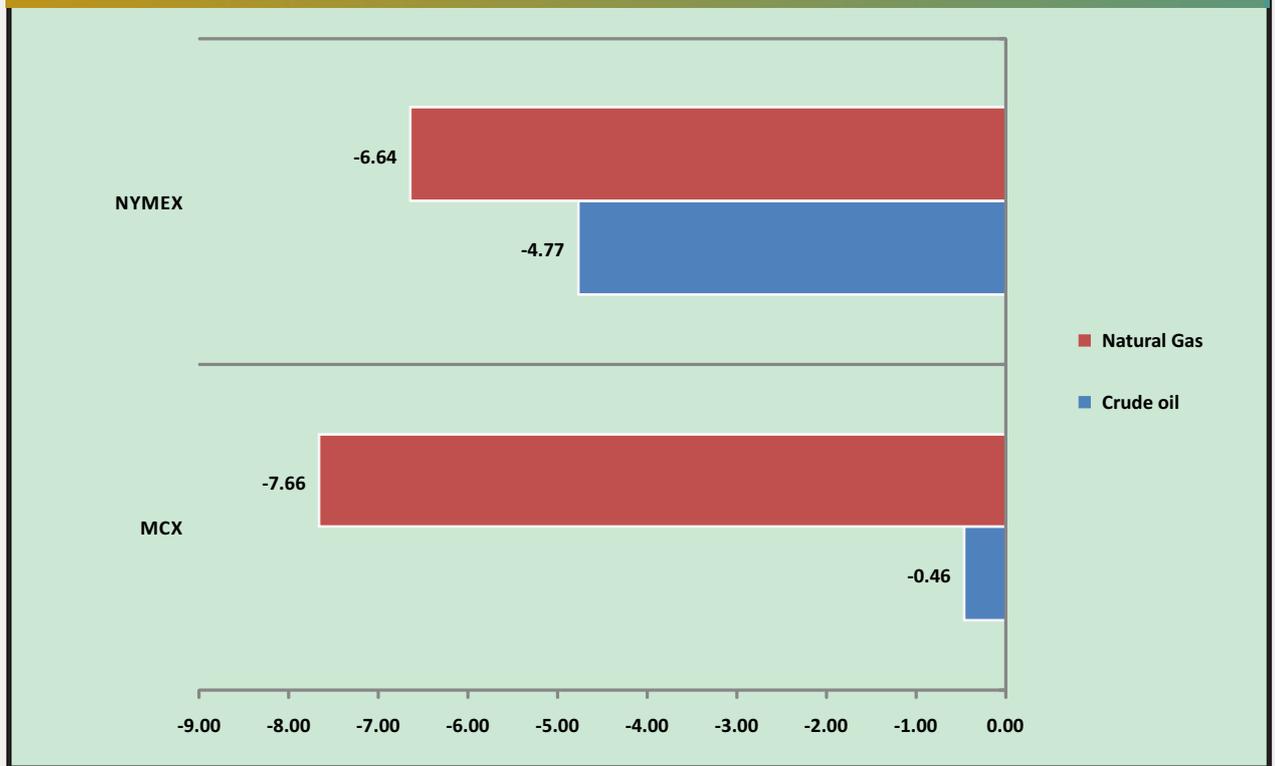
SPECIAL MONTHLY REPORT ON **ENERGY**

(MARCH 2018)

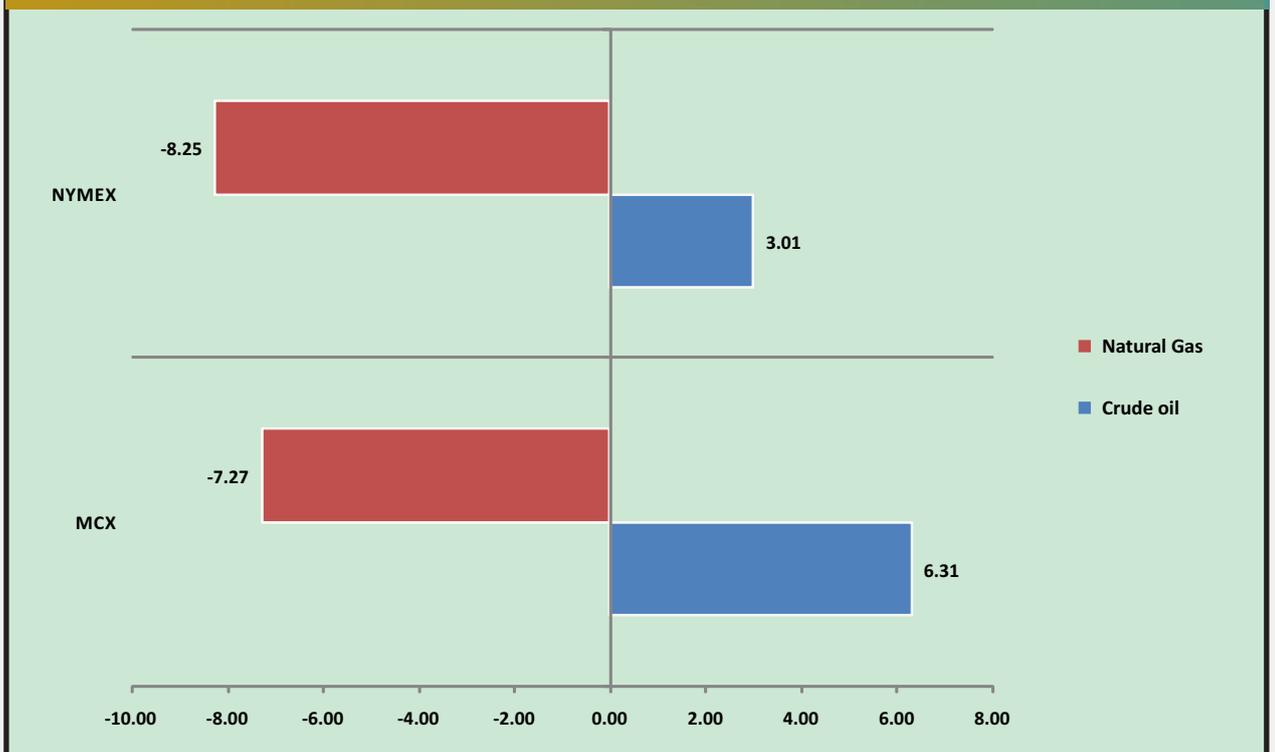


Moneywise. Be wise.

ENERGY PERFORMANCE (February 2018) (% change)



ENERGY PERFORMANCE (January - February 2017) (% change)



ENERGY COMPLEX

Overview

In the month of February crude oil prices ended on negative path on stronger greenback and fear of increased shale production in US. Overall it managed to hover in range of \$58.07-66.30 in NYMEX and 3737-4248 in MCX. U.S. crude exports jumped to just above 2 million barrels per day (bpd) recently according to EIA data close to a record high of 2.1 million hit in October 2017. That helped pull down net imports to the lowest level on record of below 5 million bpd. Iraq southern oil exports are around 3.5 mbpd so far in Feb, not far from record 3.53 mbpd hit in Dec last year.

Outlook

Crude oil futures are expected to witness profit booking at higher levels in the month of March as rise in greenback and increased US production coupled with surge in greenback to keep prices under pressure. Prices in MCX can face resistance near 4250-4300 range and from there profit booking can be seen towards 3700 -3800 due to seasonal dullness. According to the U.S. Energy Department” U.S. crude oil production shattered a 47-year output record in November and retreated slightly in December last year as oil production from shale continued to upend global supply patterns” Soaring U.S. production kept a lid on oil prices, even though the Organization of the Petroleum Exporting Countries and Russia have reduced output. Recently larger-than-expected increase in U.S. crude inventories and a surprise build in gasoline stocks have resulted in quick profit booking in the counter. Gasoline stocks rose by 2.5 million barrels against expectations for 190,000-barrel drop, which pushed gasoline futures sharply lower.

Oil rigs increased

The number of oil rigs drilling for new production in the United States rose to 800 for the first time since April 2015 in early March, pointing to more increases in output to come.

Crude Oil Speculators Boost Bullish Net Positions

Speculators raised their bullish bets on U.S. crude futures and options in the week to Feb. 27 for the second consecutive week, the U.S. Commodity Futures Trading Commission (CFTC) stated recently.

Improved global economic growth expectations supporting oil prices

The International Monetary Fund (IMF) recently forecast that world Gross Domestic Product (GDP) would grow by 3.9% in both 2018 and 2019, rates that are both 0.2 percentage points higher than its previous forecast. The IMF’s forecast of higher economic growth is consistent with the increases in leading economic indicators from the fourth quarter of 2017. Faster economic growth along with increases in world trade would be significant factors contributing to increases in crude oil and petroleum product consumption.

Highlights of latest IEA report

US Crude oil production

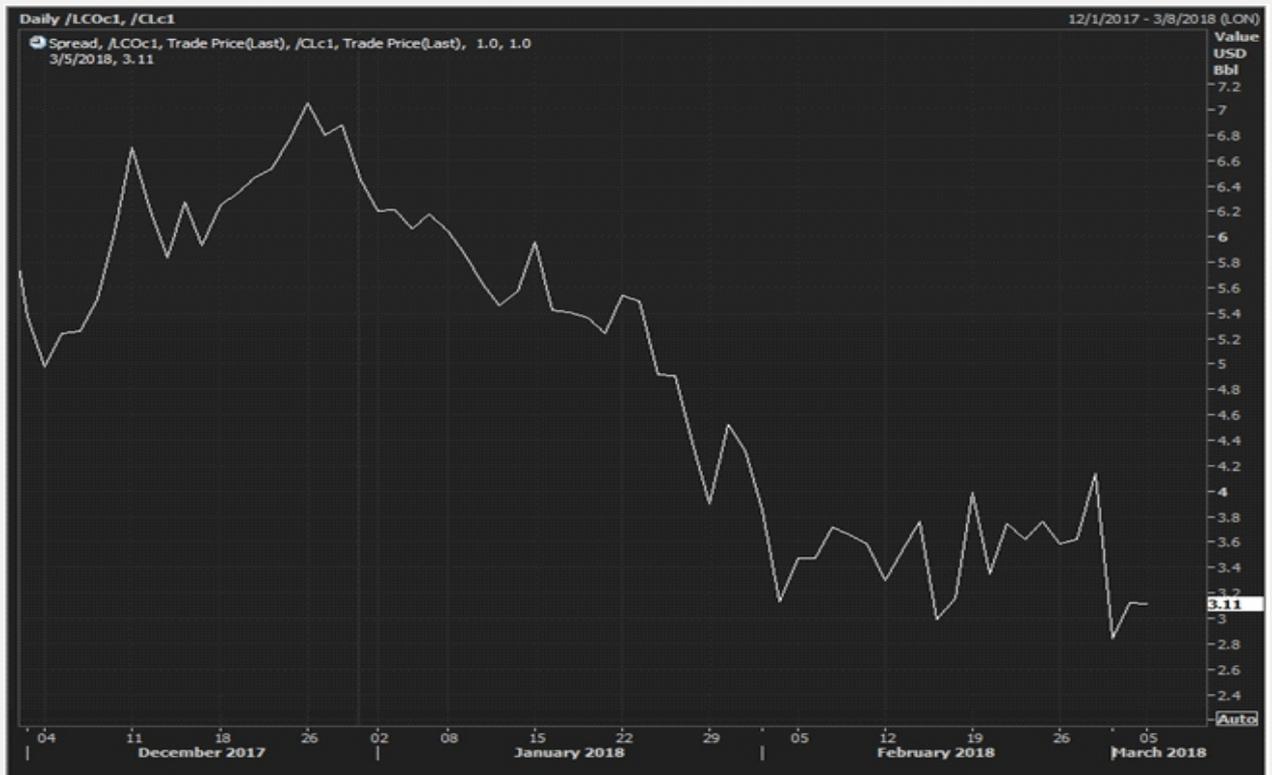
EIA estimates that U.S. crude oil production averaged 10.2 million barrels per day (b/d) in January, up 100,000 b/d from the December level. EIA estimates that total U.S. crude oil production averaged 9.3 million b/d in 2017 and will average 10.6 million b/d in 2018, which would mark the highest annual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

Global petroleum fuels inventories

EIA estimates that global petroleum and other liquid fuels inventories declined by 0.5 million b/d in 2017. In this forecast, global inventories grow by about 0.2 million b/d in both 2018 and 2019.

EIA expects West Texas Intermediate (WTI) crude oil prices to average \$4/b lower than Brent prices in both 2018 and 2019. NYMEX WTI contract values for May 2018 delivery traded during the five-day period ending February 1, 2018, suggest a range of \$55/b to \$77/b encompasses the market expectation for May 2018 WTI prices at the 95% confidence level.

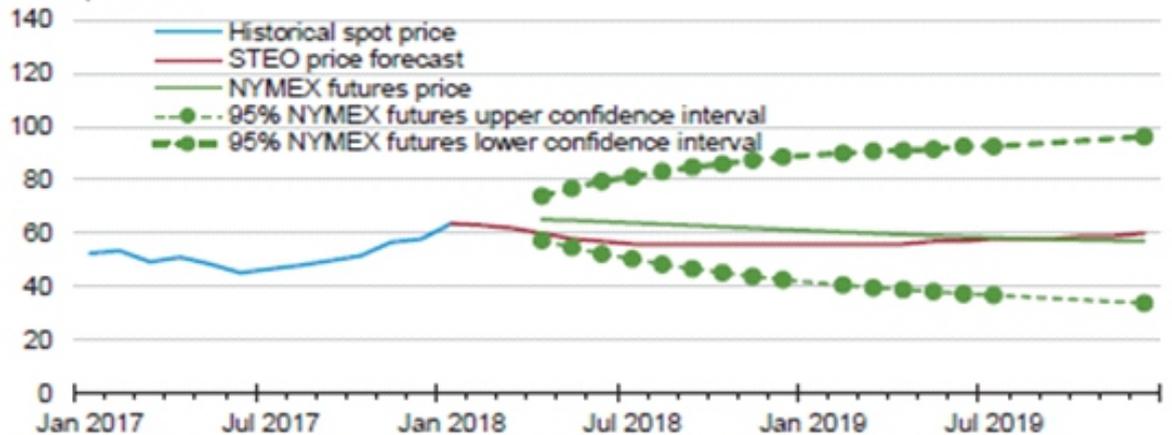
Brent WTI Spread



Analysis: Brent WTI crude oil spread can hover in range of \$2-4.8 in the month of March.

West Texas Intermediate (WTI) crude oil price

dollars per barrel

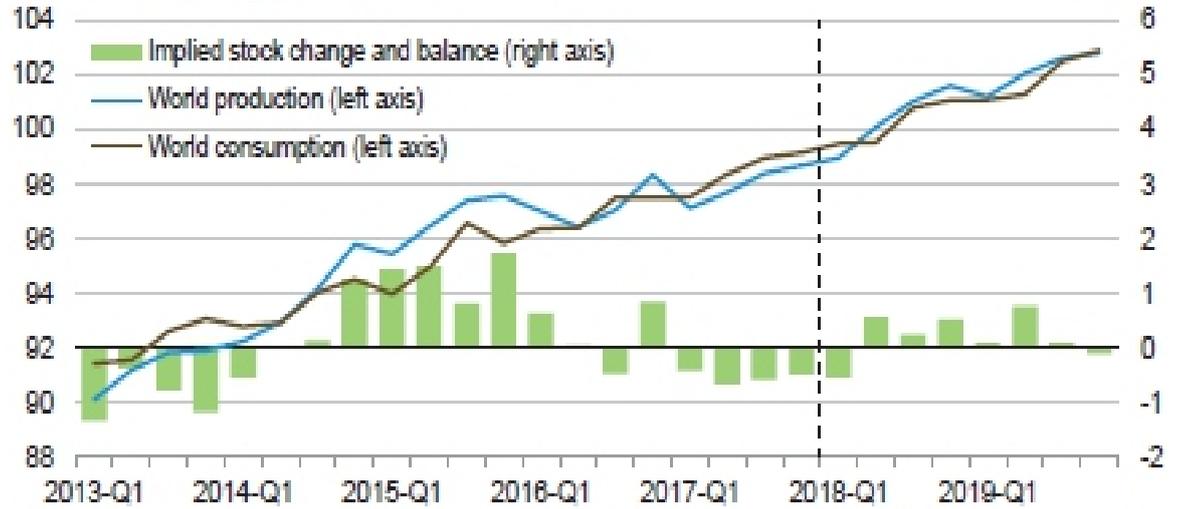


Note: Confidence interval derived from options market information for the 5 trading days ending Feb 1, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.

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

World liquid fuels production and consumption balance

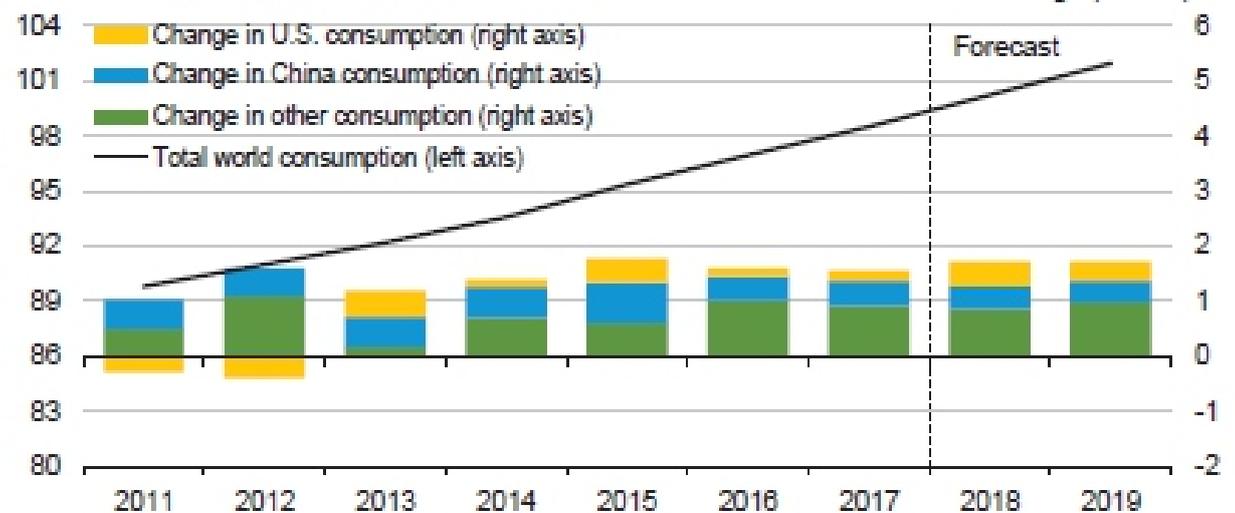
million barrels per day (MMb/d)



Source: Short-Term Energy Outlook, February 2018.

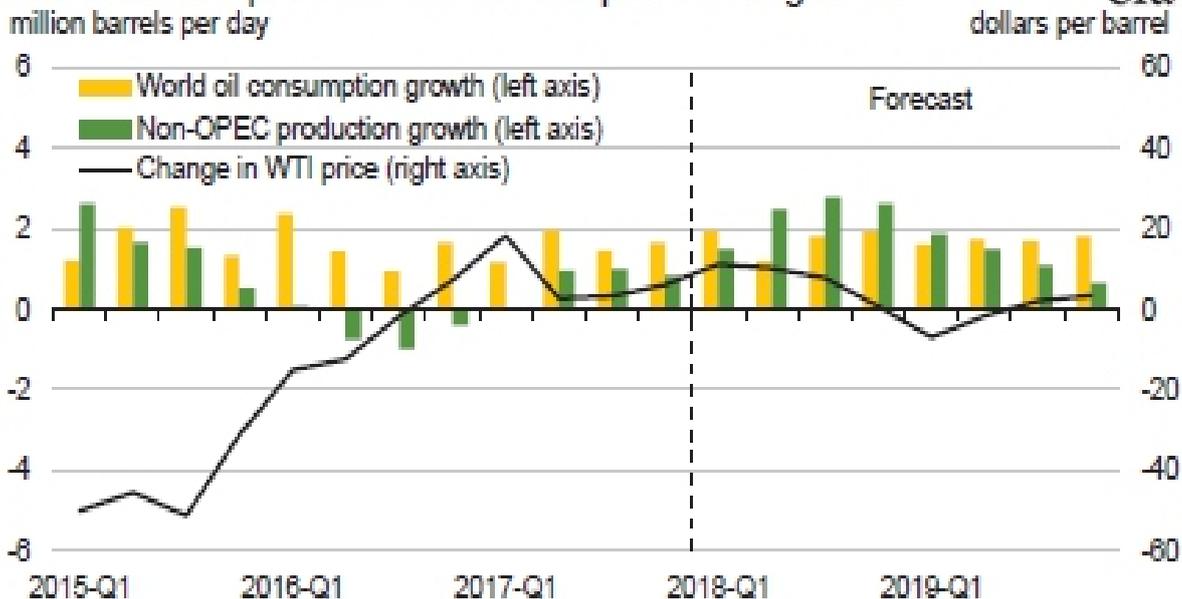
World liquid fuels consumption

million barrels per day (MMb/d)



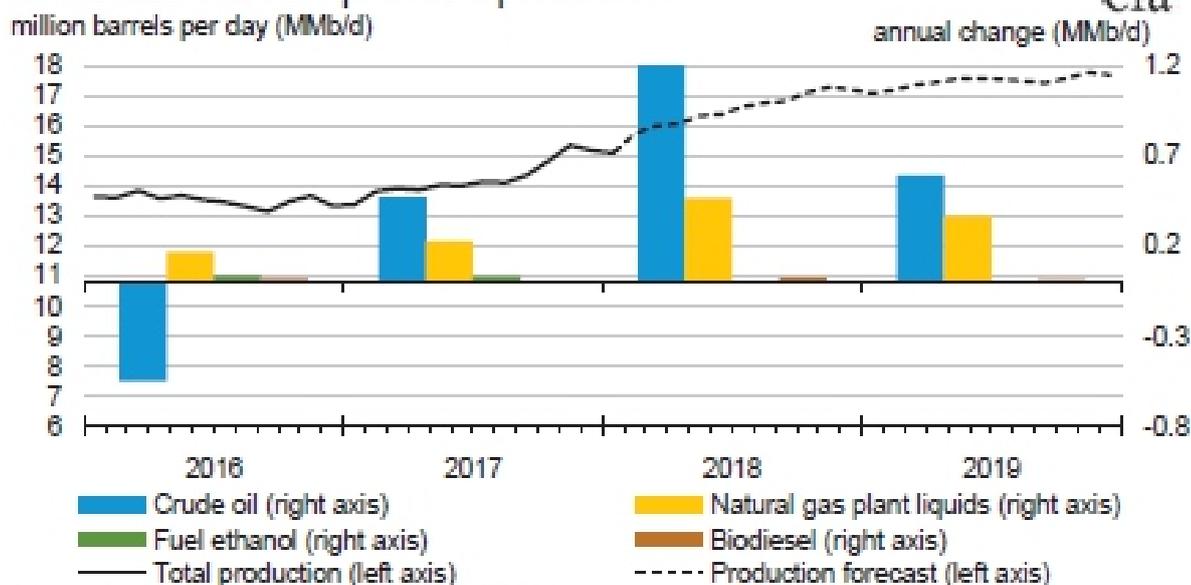
Source: Short-Term Energy Outlook, February 2018.

World consumption and non-OPEC production growth



Source: Short-Term Energy Outlook, February 2018.

U.S. crude oil and liquid fuels production



Source: Short-Term Energy Outlook, February 2018.

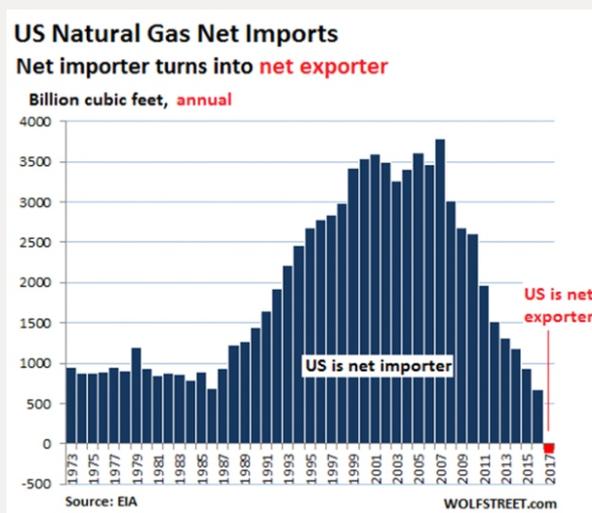
Natural Gas

Overview

Natural gas tumbled lower on weaker demand last month. Overall it traded in range of \$2.53-2.97 in NYMEX and 162.50-191 in MCX in the month of February. According to Natgasweather “Temperatures averaged over the next 7 days will be warmer than normal over the eastern half of the country, while cold over the West into the Plains”.

Outlook

After witnessing steep fall in past few months, Natural gas may continue to consolidate in wide range of 165-195 in MCX. Meanwhile there was more than enough gas available even after the cold blast at the start of the year, with production near record highs and forecasts for the weather to be mostly seasonal for the rest of the winter. Production in the lower 48 U.S. states rose to an all-time daily high of 78.5 billion cubic feet per day this week. The National Weather Service has projected temperatures would remain mostly seasonal for the rest of the winter.



Last year US became a net exporter of natural gas for the first year in history. The production of natural gas has been surging since 2007, when fracking turned into a boom, whittling away at the need for importing natural gas via pipeline from Canada and

via LNG from the global markets. Last year, according to the EIA's just released data, the US exported 129 billion cubic feet (Bcf) more natural gas than it imported. In 2017, natural gas pipeline exports to Mexico surged 12% year over year to 1,543 Bcf. But in 2016, a new trend became visible: US natural gas exports via LNG tanker to Mexico (marked in red in the chart below), which rose from negligible in prior years to 28 Bcf in 2016 and to 141 Bcf in 2017. Total exports to Mexico jumped 20% year over year in 2017, to 1,684 Bcf.

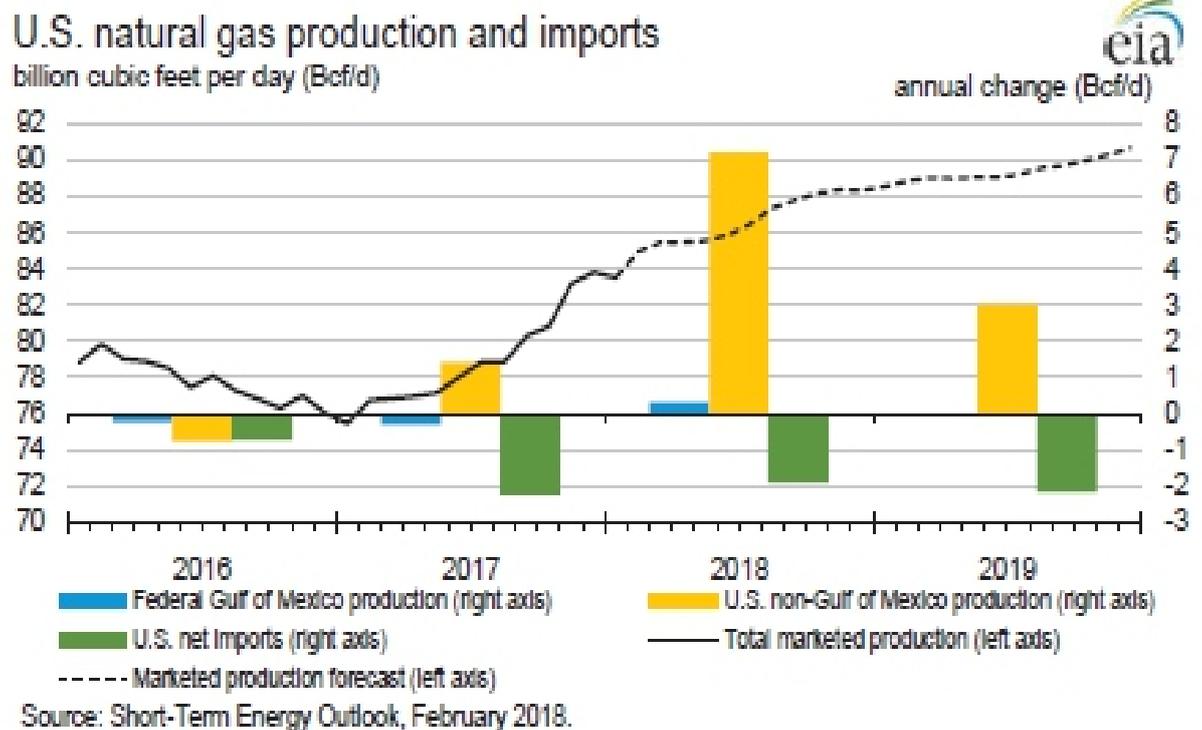
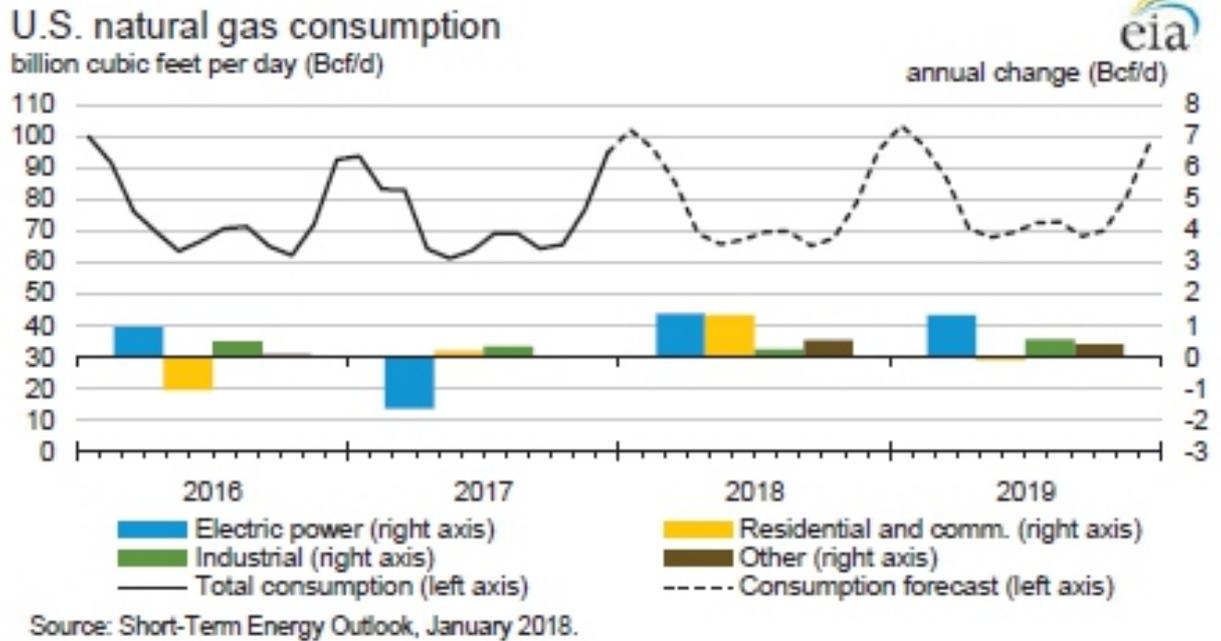
Large speculators reduced net long positions in Natural gas

U.S. natural gas speculators cut their net long positions for a fourth week in a row, betting prices will decline as supplies remain adequate with output near record highs and forecasts for near seasonal weather for the rest of the winter. Speculators in four major New York Mercantile Exchange (NYMEX) and Intercontinental Exchange (ICE) markets reduced their bullish bets by 4,978 contracts to 187,007 in the week to Feb. 27.

EIA estimates of Natural gas

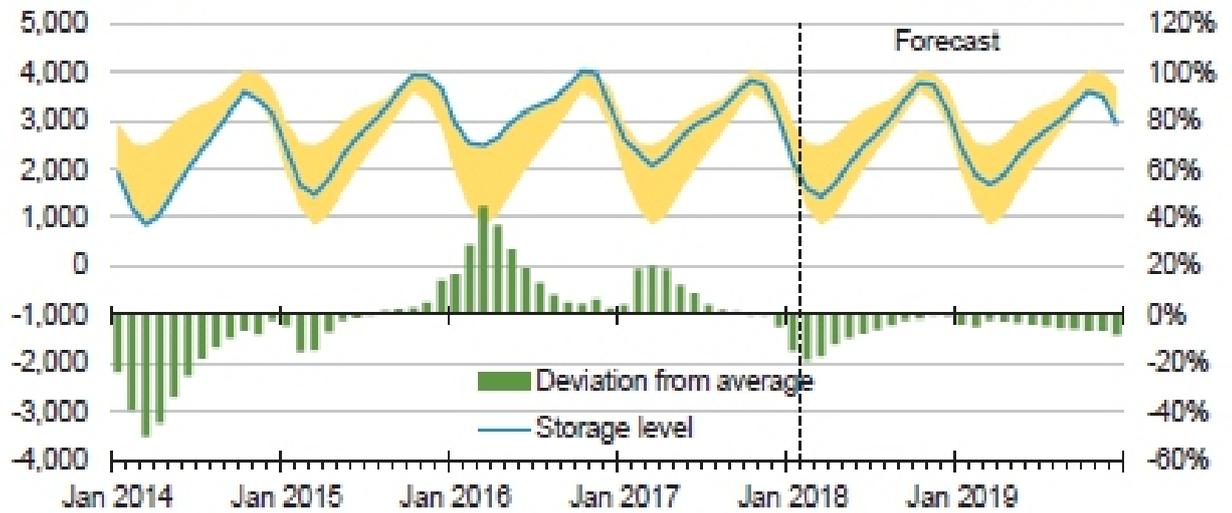
EIA estimates that U.S. dry natural gas production averaged 73.6 billion cubic feet per day (Bcf/d) in 2017. EIA forecasts that natural gas production will reach 80.3 Bcf/d in 2018, establishing a new record. That level would be 6.7 Bcf/d higher than the 2017 level, and the forecast 2017 growth would be the highest annual average growth on record. EIA expects natural gas production will also increase in 2019, with forecast growth of 2.6 Bcf/d.

EIA expects natural gas prices to moderate in the coming months, based on a forecast of record growth in natural gas production. EIA expects Henry Hub spot prices to average \$3.34/MMBtu in February and \$3.20/MMBtu for all of 2018. In 2019, EIA forecasts prices will average \$3.08/MMBtu. NYMEX contract values for May 2018 delivery that traded during the five-day period ending February 1, 2018, suggest that a range of \$2.26/MMBtu to \$3.67/MMBtu encompasses the market expectation for May Henry Hub natural gas prices at the 95% confidence level.



U.S. working natural gas in storage

billion cubic feet



Note: Colored band around storage levels represents the range between the minimum and maximum from Jan. 2013 - Dec. 2017.

Source: Short-Term Energy Outlook, February 2018.

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