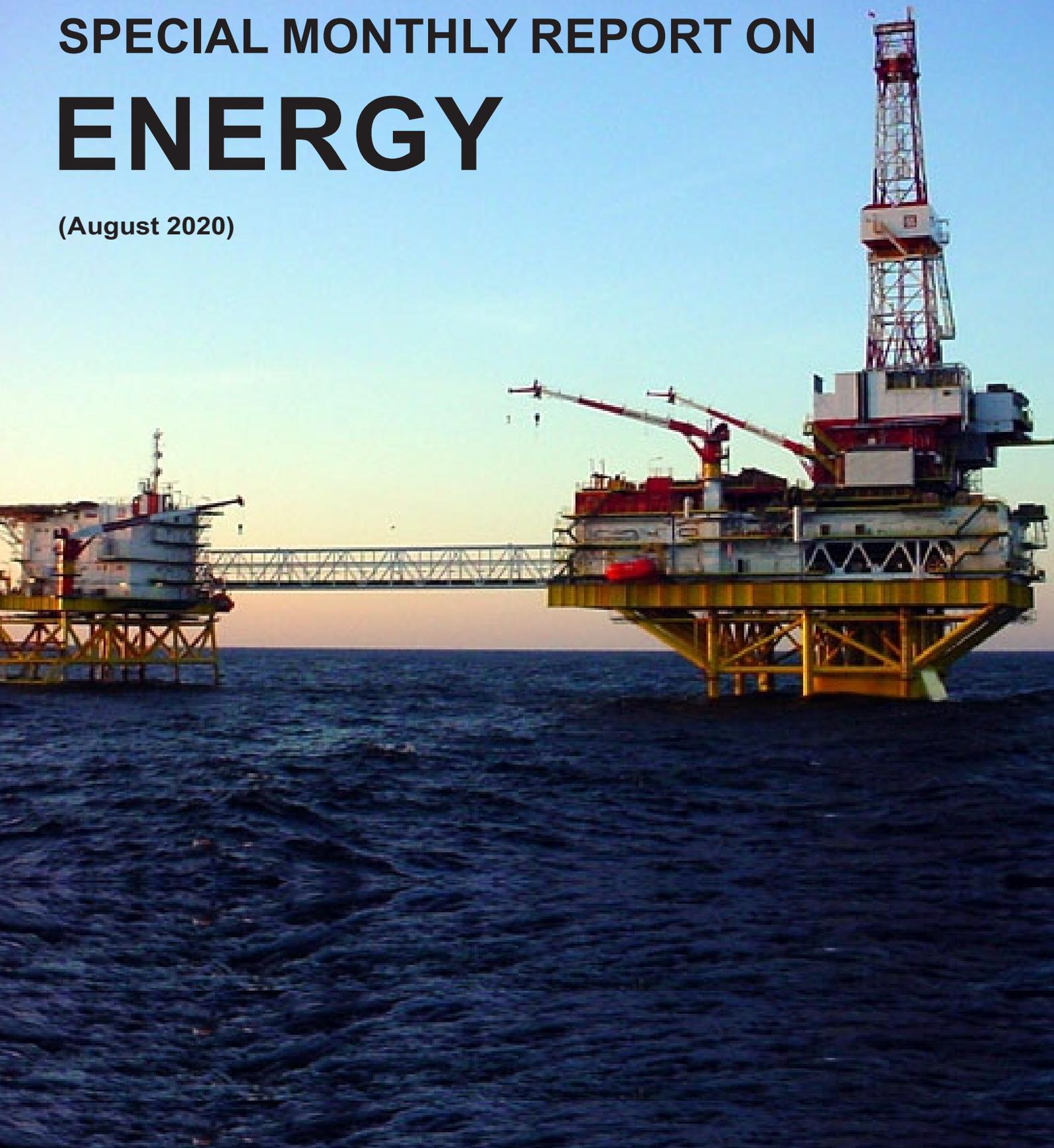


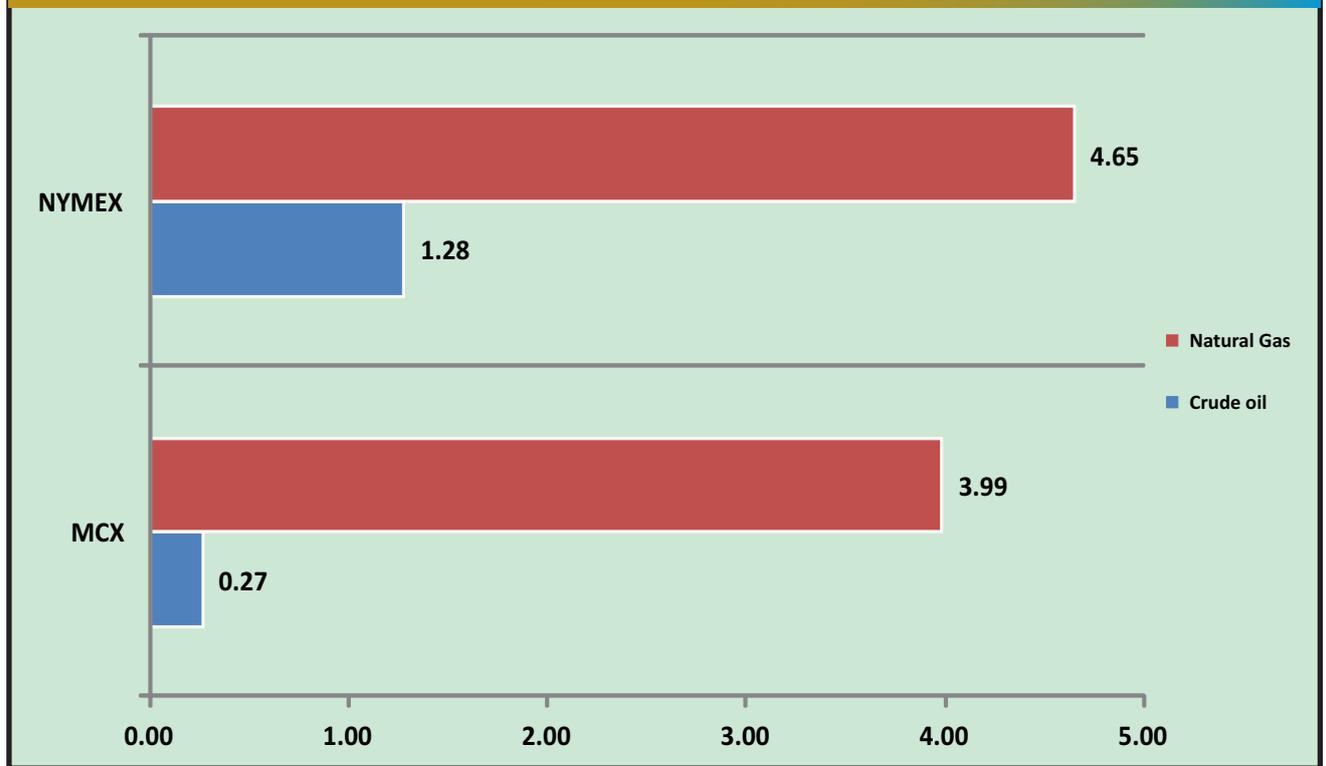
SPECIAL MONTHLY REPORT ON ENERGY

(August 2020)

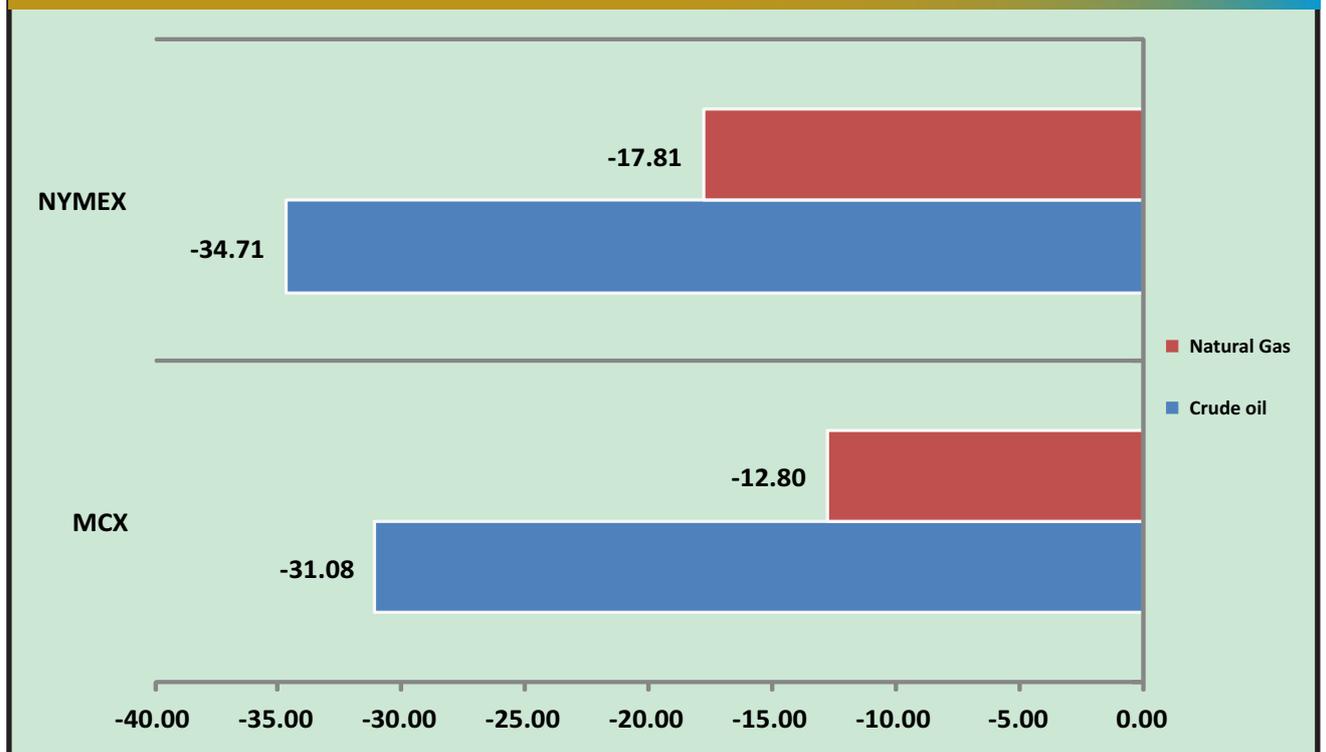


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ENERGY PERFORMANCE (July 2020) (% change)



ENERGY PERFORMANCE (January - July 2020) (% change)



In the month of July, crude oil prices posted gain, boosted by a steadily weakening dollar and OPEC's restraint on production. Deep crude output curbs by the OPEC and its allies have helped counter rebound from their plunge below zero in April, yet the unprecedented cuts are set to ease in a matter of days. Still, U.S. crude inventories have showed signs of shrinking and are currently sitting at the lowest since April. Yet, futures have remained trapped in a tight trading range with rallies limited by the coronavirus pandemic ravaging demand. Adding to troubling signs over an economic recovery, U.S. consumer sentiment extended its slide in late July as the virus led to renewed business closings and layoffs. Meanwhile, U.S. shale producers are also signaling supply will come roaring back over the next few months with futures near \$40 a barrel.

Outlook

Crude Oil may trade in the range with positive bias as data suggesting Chinese factories are returning to pre-pandemic levels, signs of rising energy demand and hopes for an agreement in the United States on more coronavirus-related economic stimulus. China's factory deflation eased in July, driven by a rise in global oil prices and as industrial activity climbed toward pre-pandemic levels. Prices found support after U.S. President Donald Trump tweeted that top congressional Democrats wanted to meet with him on coronavirus-related economic relief. U.S. lawmakers continued negotiations on the massive virus relief economic package with Treasury Secretary Steven Mnuchin saying there are areas where compromise is possible and a fair deal could be agreed upon. Meanwhile Energy companies have begun taking back millions of barrels of oil from the U.S. government's emergency stockpile after renting storage in the facility to help manage a glut of crude this spring after energy demand collapsed during COVID-19 lockdowns, a Department of Energy website showed.

Key News

Oil consumption in China on almost equal to pre covid-19

China's crude oil imports from Saudi Arabia rose 15% in June from a year ago, as refiners ordered record volumes of the fuel in March and April when oil prices tumbled, cementing the kingdom's position as the top oil supplier to China. Imports from Saudi Arabia rose to 8.88 million tonnes in June, or 2.16 million bpd, in June, according to data from the General Administration of Customs. Shipments from Russia were at 7.98 million tonnes in June, or 1.95 million barrels per day (bpd), up around 7% from 1.82 million bpd in May and 1.73 million bpd in June 2019. China, the world's biggest crude oil importer, took in a record 53.18 million tonnes June, according to customs data.

Production cut by OPEC + relaxed in August

After having slashed output by 9.7 million b/d since May, OPEC and its partners in a coalition led by Saudi Arabia and Russia, relaxed their cuts to 7.7 million b/d as of August 1 and through the end of the year though some of the additional production may be offset by so-called compensation cuts pledged by members that overproduced their quotas in May, June and July. In particular, Iraq, Nigeria, Angola and Kazakhstan have come under intense scrutiny from their OPEC+ counterparts for their excess output. Iraq has said it will cut an extra 400,000 b/d below its quota in August and September, after missing its target yet again in July, while Angola and Kazakhstan significantly improved their performance in the month.

Quota compliance by the 22-country alliance fell to 96% for the month, from 106% in July, with its collective production increasing by 1.10 million b/d, according to the survey.

Saudi Arabia's state oil producer Aramco has increased official selling prices (OSPs) for its crude to Asia by \$1 a barrel

Weekly Price movement of crude oil in MCX



Source: Reuters

Looking ahead in Aug, Crude oil prices continue to trade in tight range also we can expect dip towards 2640 which would considered as buying opportunity, resistance is seen near 3360.

Weekly Price movement of crude oil in NYMEX



Source: Reuters

in August, and raised the OSPs for almost all grades to Europe and the United States as Aramco's profit plunged 73% in the second quarter of the year, due to slump in energy demand and prices.

Growing uncertainty over Coronavirus relief package

Growing uncertainty over a stalemate in Washington in talks for a stimulus package to support recovery from the deepest impact of the pandemic may weigh on prices looking ahead. The lack of progress in the talks between the White House and Democrats over the next coronavirus stimulus package, with Democrats saying President Donald Trump may have to issue executive orders if he does not want to negotiate further. The virus relief package remains the last hope to boost (fuel) demand, with the U.S. driving season coming to an end soon.

Russian vaccine may boost oil market

Oil prices were bolstered by positive news on world's first COVID-19 vaccine developed and registered by Russia. President Vladimir Putin on August 11, 2020 announced that Russia has developed the world's first vaccine against COVID-19 that works "quite effectively" and forms a "stable immunity" against the deadly disease as he disclosed that one of his daughters has already been vaccinated.

U.S. producers take oil back from SPR.

U.S. oil companies have started pulling their crude oil back from government storage tanks, suggesting that the glut that forced them to stash it there in the first place is now easing.

Estimates of EIA

- EIA estimates that demand for global petroleum and liquid fuels averaged 93.4 million b/d in July. Demand was down 9.1 million b/d from July 2019, but it was up from an average of 85.0 million b/d during the second quarter of 2020, which was down 15.8 million b/d from year-ago levels. EIA forecasts that consumption of petroleum and liquid fuels globally will average 93.1 million b/d for all of 2020, down 8.1 million b/d from 2019, before increasing by 7.0 million b/d in 2021. Reduced economic activity related to the COVID-19 pandemic has caused changes in energy supply and demand patterns in 2020.
- EIA estimates that global liquid fuels production averaged 91.8 million b/d in the second quarter of 2020, down 8.6 million b/d year over year. The decline reflects voluntary production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and partner countries (OPEC+), and reductions in drilling activity and production curtailments in the United States because of low oil prices. In the forecast, the global supply of oil continues to decline to 90.4 million b/d in the third quarter of 2020 before rising to an annual average of 99.4 million b/d in 2021.
- EIA estimates that U.S. liquid fuels consumption averaged 16.2 million b/d in the second quarter of 2020, down 4.1 million b/d (20%) from the same period in 2019.
- EIA expects crude production to average 11.3 million b/d in 2020 and 11.1 million b/d in 2021, down from 12.2 million b/d in 2019.

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

dollars per barrel



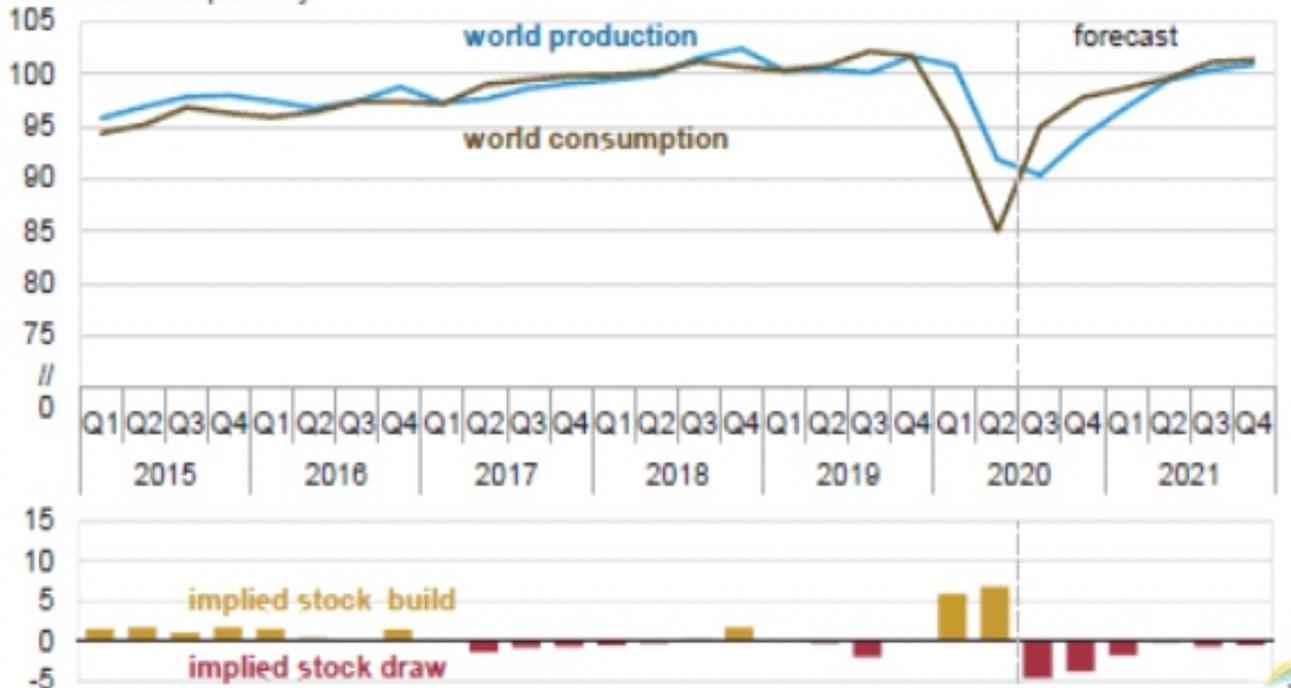
Note: Confidence interval derived from options market information for the five trading days ending Aug 6, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: U.S. Energy Information Administration, Short-Term Energy Outlook, August 2020, CME Group, and Bloomberg, L.P.



World liquid fuels production and consumption balance

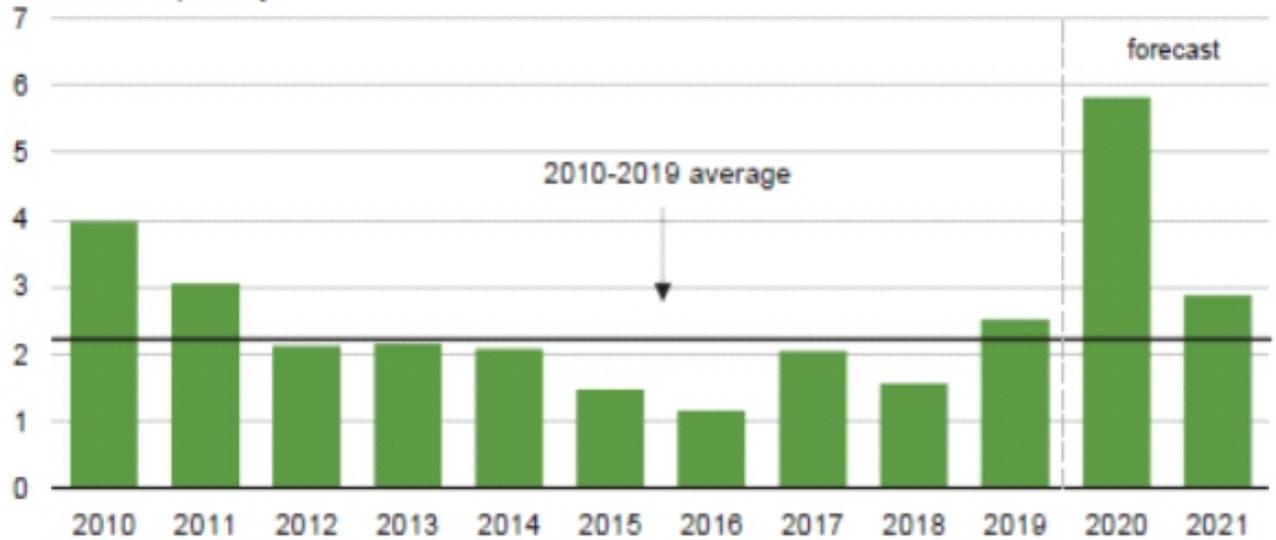
million barrels per day



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, August 2020



Organization of the Petroleum Exporting Countries (OPEC) surplus crude oil production capacity
million barrels per day

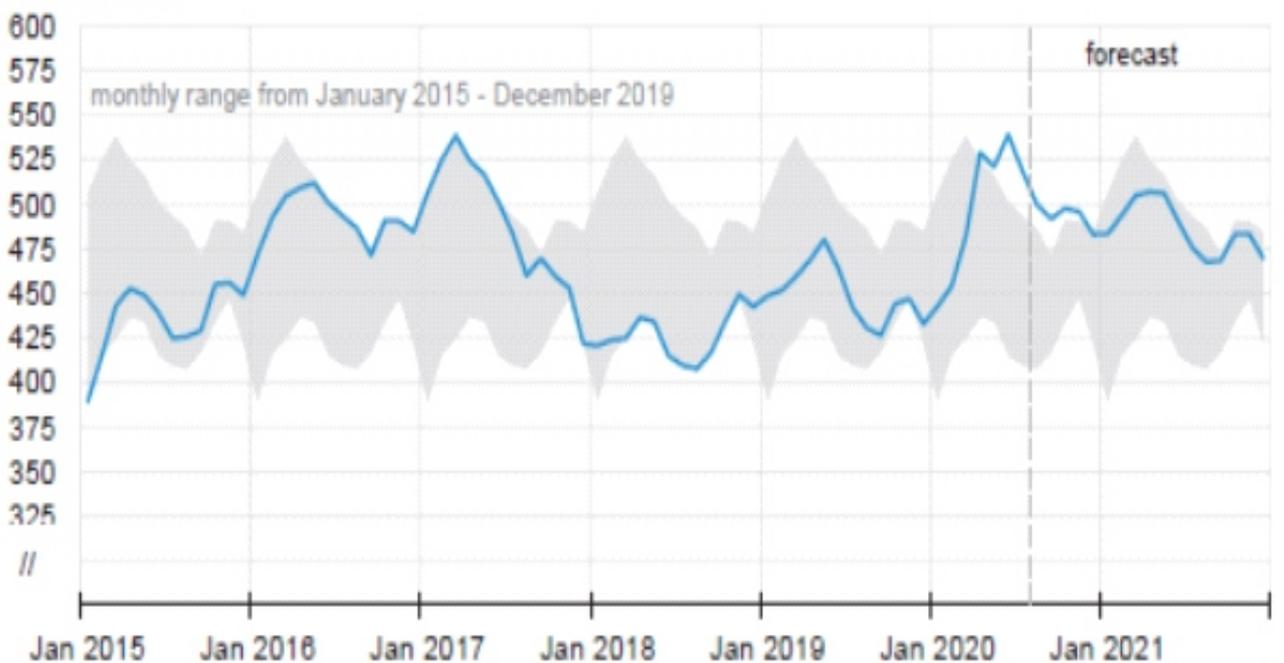


Note: Black line represents 2010-2019 average (2.2 million barrels per day).

Source: U.S. Energy Information Administration, Short-Term Energy Outlook, August 2020



U.S. commercial crude oil inventories
million barrels



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, August 2020



Natural Gas

Recently U.S. natural gas futures rose close to their highest since December on a reduction in output, forecasts for hot weather through late August and an increase in liquefied natural gas exports. Looking ahead, futures for the balance of 2020 and calendar 2021 traded over the front-month by 18% and 27%, respectively, on hopes energy demand will rise as the economy rebounds from coronavirus lockdowns. U.S. LNG exports in August were on track to rise for the first time in six months. Pipeline gas flowing to the plants climbed to 4.2 bcf/d in August from a 21-month low of 3.3 bcf/d in July, when buyers canceled dozens of cargoes.

Outlook

Natural gas has seen very good upside after a long consolidation. Prices are expected to remain firm and thus buy at dip should be a good strategy for this commodity. Support is seen near 152-150 whereas resistance is near 190-192.

Major News

- In July, the Henry Hub natural gas spot price averaged \$1.77 per million British thermal units (MMBtu).
- EIA expects that rising demand heading into winter, combined with reduced production, will cause upward price pressures. EIA forecasts that Henry Hub natural gas spot prices will average \$2.03/MMBtu in 2020 and \$3.14/MMBtu in 2021.
- EIA estimates that total U.S. working natural gas in storage ended July at about 3.3 trillion cubic feet (Tcf), 15% more than the five-year (2015–19) average.
- EIA expects that total U.S. consumption of natural gas will average 82.4 billion cubic feet per day (Bcf/d) in 2020, down 3.0% from 2019.
- U.S. dry natural gas production set an annual record in 2019, averaging 92.2 Bcf/d. EIA forecasts dry natural gas production will average 88.7 Bcf/d in 2020.
- EIA's forecast of dry natural gas production in the United States averages 84.0 Bcf/d in 2021.
- EIA estimates that U.S. liquefied natural gas (LNG) exports will average 5.5 Bcf/d in 2020 and will average 7.3 Bcf/d in 2021.

Weekly Price movement of Natural gas in MCX



Source: Reuters

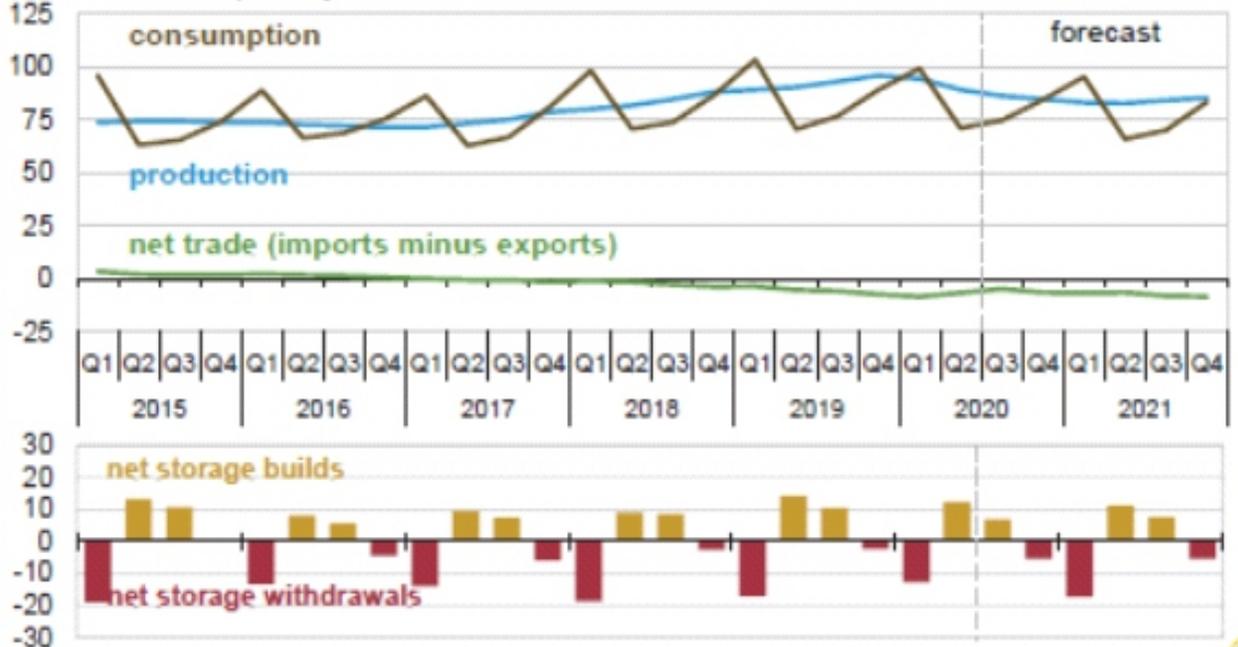
Weekly Price movement of Natural gas in NYMEX



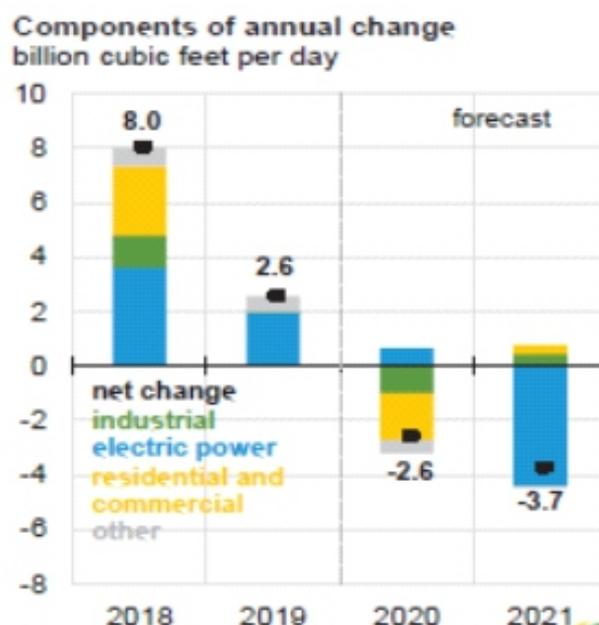
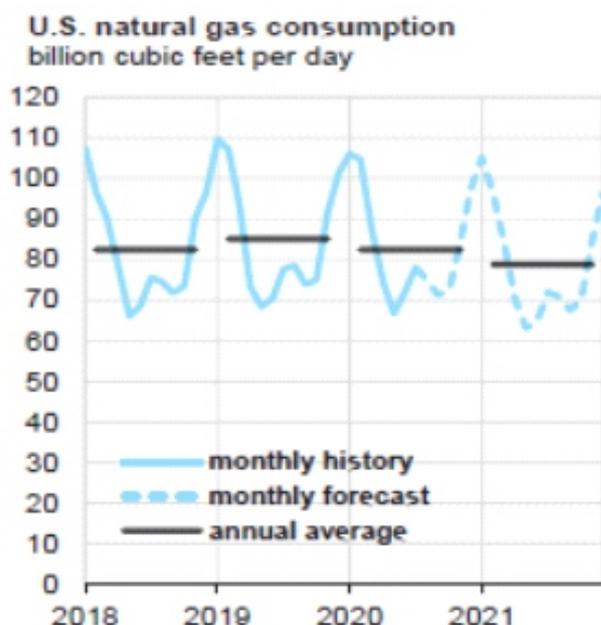
Source: Reuters

U.S. natural gas production, consumption, and net imports

billion cubic feet per day



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, August 2020



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, August 2020



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