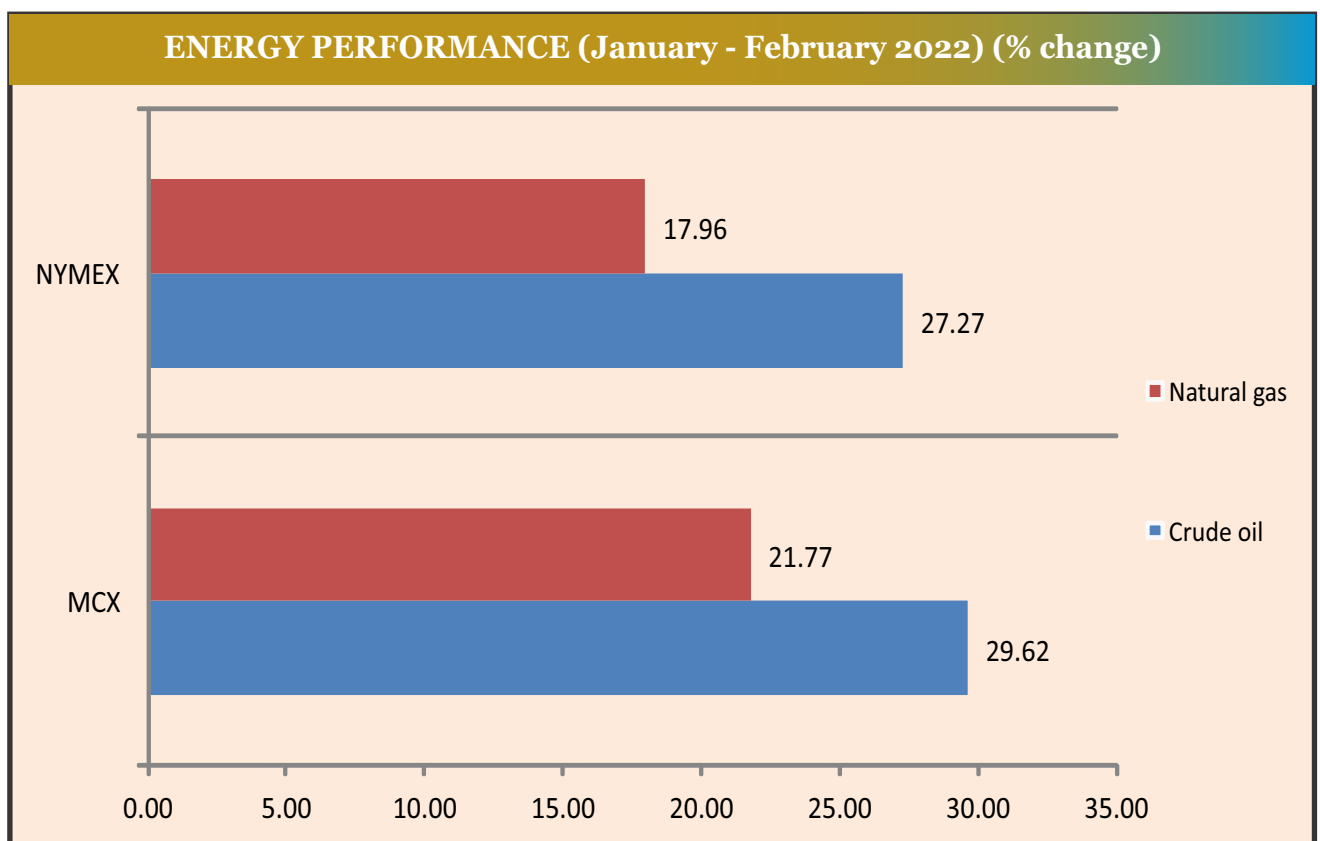
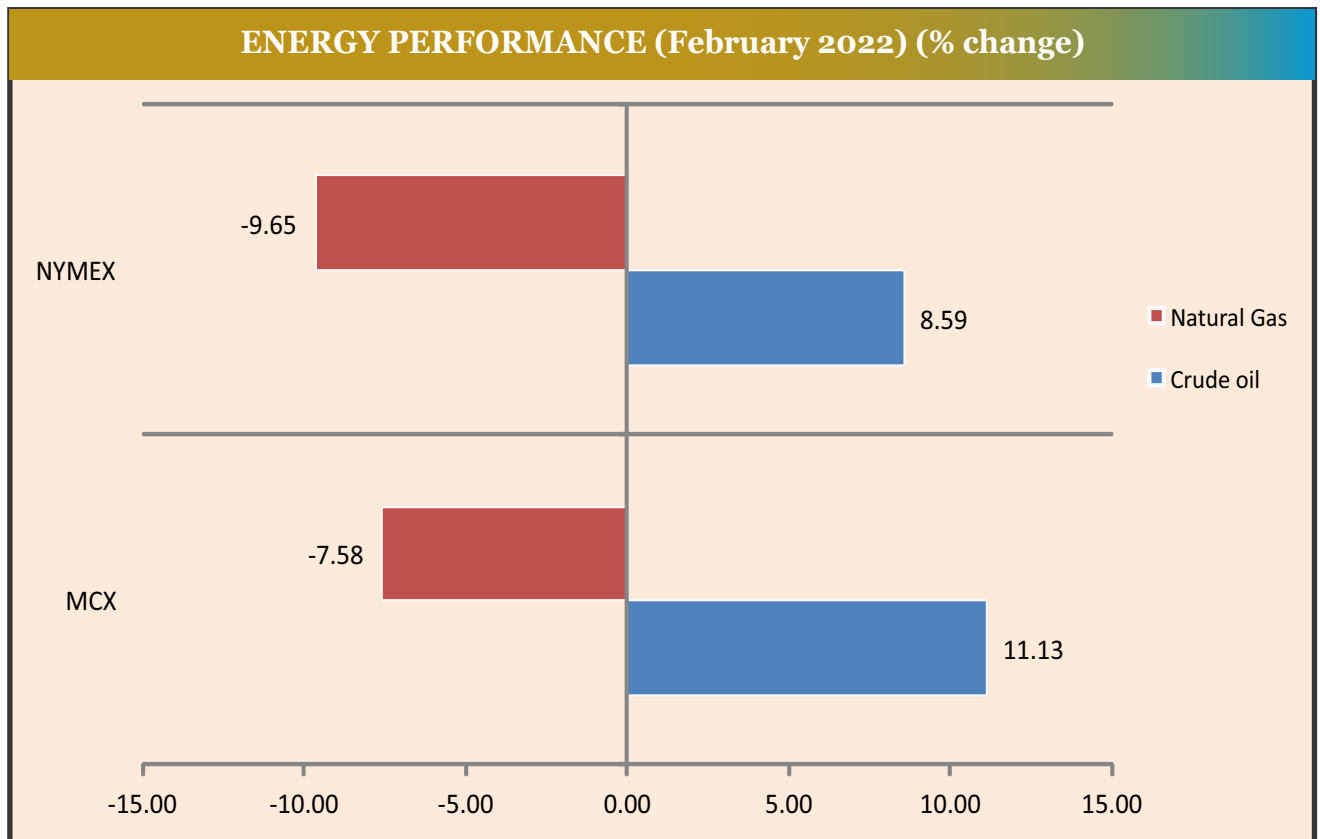


# SPECIAL MONTHLY REPORT ON ENERGY

MARCH 2022



Moneywise. Be wise.



Source: Reuters & SMC research

In February, Crude prices jumped almost 11% on MCX & and more than 8% on NYMEX and rose to a more than seven-year peak and crossed the psychological level of \$100 due to heightened geo-political tension after Russia's attack on Ukraine exacerbated concerns about disruptions to global energy supply. Major producers in the Organization of the Petroleum Exporting Countries (OPEC) and, collectively known as OPEC+, have repeatedly failed to meet its monthly target of adding back 400,000 barrels per day due to production shortfalls in several countries. Low inventories and dwindling spare capacity also supported the prices higher.

## **Outlook**

U.S. sanctions targeting Russian refineries, disruptions to shipping and a fall in U.S. crude stocks to multi-year lows may keep oil prices racing on. Currently crude prices are trading near life time high in MCX driven largely by geopolitical tensions. While the energy sector was not specifically targeted, the sanctions have hampered exporting capabilities from Russia, whose oil exports account for about 8 per cent of global supply, or 4 million to 5 million barrels per day, more than any nation other than Saudi Arabia. Supply disruptions mounted after sanctions on Russian banks amid the intensifying Ukraine conflict, while traders scrambled to seek alternative oil sources in an already tight market. Trade in Russian oil was in disarray as producers postponed sales, importers rejected Russian ships and buyers worldwide searched elsewhere for crude as Western sanctions and pullouts by private companies squeezed Russia. Given the low inventories and dwindling spare capacity, the oil market cannot afford large supply disruptions in longer period. OPEC+ adherence to not increase the oil production, declining inventory and rising demand from China & India are also supporting the prices. The latest round of U.S. sanctions on Russia's oil refining sector that raised concerns that Russian oil and gas exports could be targeted next.

## **Major Events & News**

### **Geo-political tension over Ukraine**

Russian forces have intensified attacks on several key Ukrainian cities as Ukraine's president accused Moscow of wanting to "erase our country". Russia has defied massive economic and diplomatic sanctions and growing global isolation to push on into Ukraine. Despite US and EU sanctions on Russian banks, Russia has become "much more aggressive" in its use of missiles and artillery targeting cities, including civilian infrastructure around Kyiv. If conflict continue longer, the supply disruption of crude may increased.

### **Opec+ policy decision**

OPEC and non-OPEC partners, known as OPEC+, agreed to stick to their plans of small output rise in April, defying calls for more crude even as prices rally to multi-year highs on Russia supply disruption fears. Several OPEC members have struggled to pump even in line with their quotas due to under-investments of the past few years.

### **Oil release from Strategic Petroleum Reserve**

The International Energy Agency said the United States and 30 other member countries, supported by the European Commission, agreed to collectively release an initial 60 million barrels of oil from strategic petroleum reserves to offset energy market disruptions caused by international sanctions against Russia over its war with Ukraine. The U.S. has said 30 million of that total will come from the

U.S. Strategic Petroleum Reserve. The release of oil from the U.S. and other IEA members reflects the magnitude of expected disruptions to global energy markets. India, Japan, South Korea and the UK said they would release some modest volumes into the market. China, the world's No.2 consumer and largest importer, never officially committed to the move.

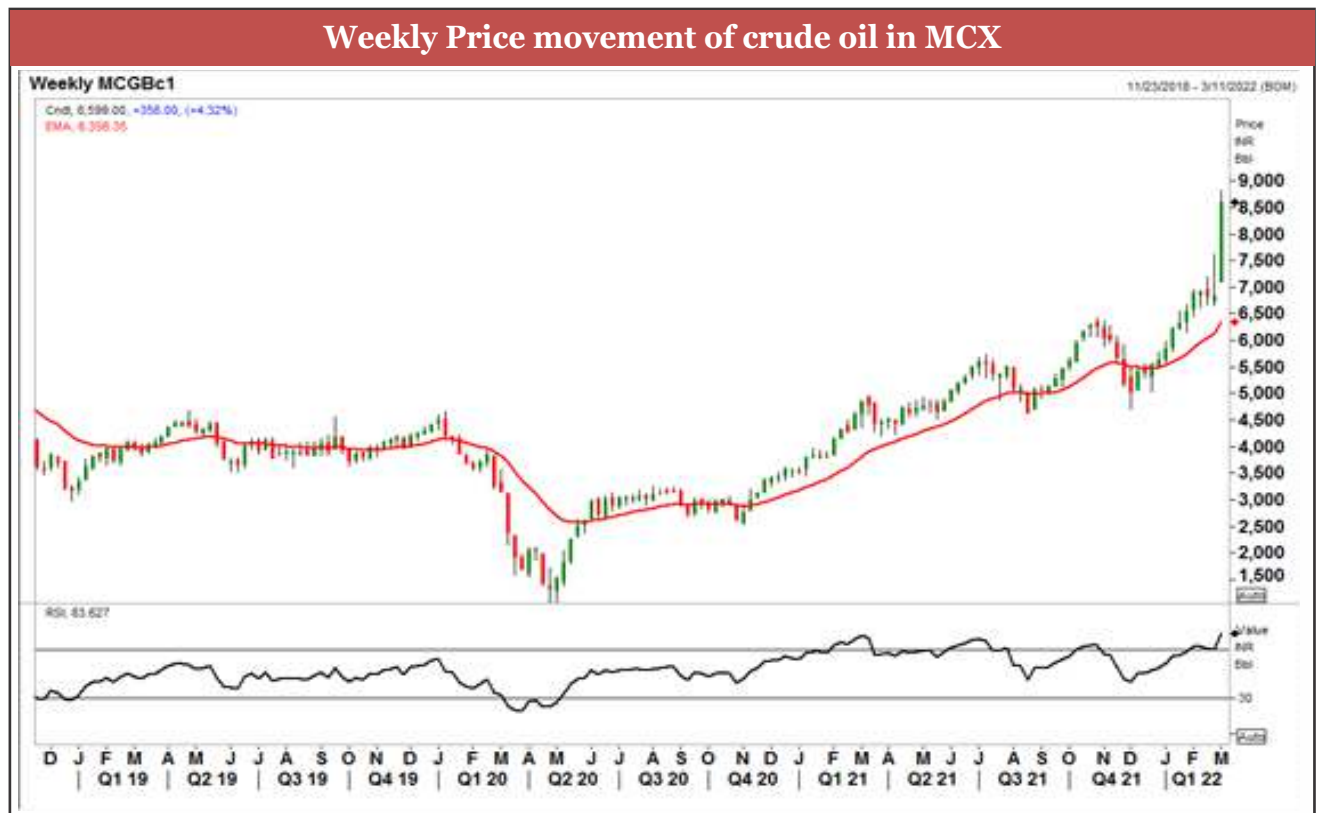
### Chinese import of crude oil

China has ramped up purchases into its oil reserves this year even as oil prices soared, despite calls from Washington for a global coordinated stocks release to help cool the market. Crude oil inventories in China are up roughly 30 million barrels since mid-November, with 10 million barrels in refineries and 20 million in commercial terminals.

### The possible revival of Iran's 2015 nuclear agreement

The United States and Iran have been engaged in indirect nuclear talks in Vienna that could lead to the removal of sanctions on Iranian oil sales. Iran's top security official, Ali Shamkhani, said that it is possible to achieve a good nuclear agreement with Western powers after significant progress in negotiations. The head of the International Atomic Energy Agency (IAEA) will visit Tehran on near future suggesting this could help pave the way to a revival of Iran's 2015 nuclear agreement with major powers.

### Weekly Price movement of crude oil in MCX



Source: Reuters

## Weekly Price movement of crude oil in NYMEX



Source: Reuters

**In March 2022, Crude oil prices may trade with bullish bias where buying near support would be strategy and short term resistance is seen near 9000 levels, support is seen near 7500.**

### Natural gas

In February, natural gas prices slipped more than 8 % on slowing demand and on weather issue. Natural gas prices have followed temperature variations, as the heating needs of residential and commercial customers in the main northern hemisphere markets slows gas demand as weather is already expected to be warmer than normal. Mild temperatures, together with higher LNG inflow, moderated European prices at the start of 2022.

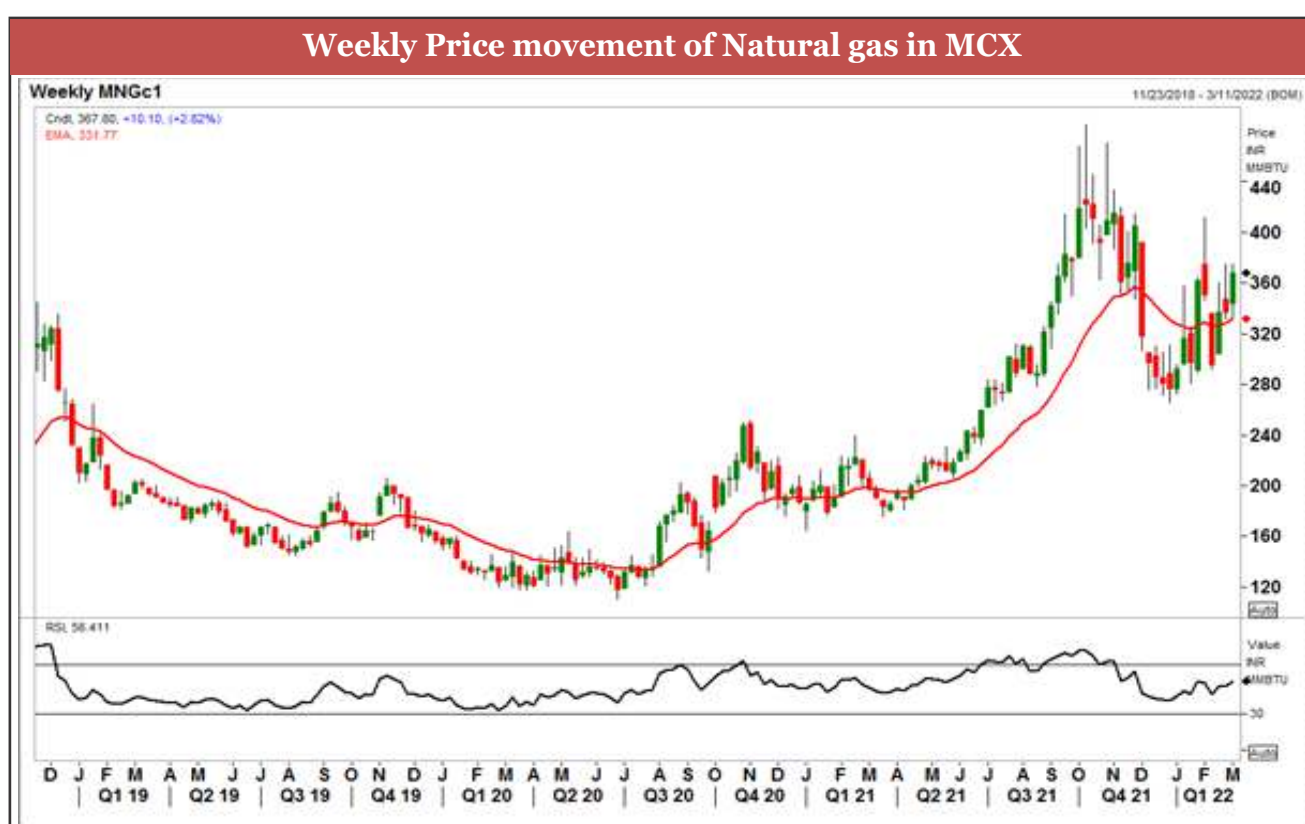
### Outlook

In March, the wild swing on both sides in gas prices may continue as prices may drop sharply on mild weather forecast while falling inventory level and growing supply concern due to Ukraine issue may push the prices on higher level. EU sanctions against Russia could target gas shipments, while some cargos of Russian liquefied gas changed course.

### Major News and events

- Britain on Monday ordered Russian-associated vessels be blocked from its ports to while officials from some European Union countries have said the 27-country bloc is considering a ban on Russian ships.
- A major Russian pipeline that supplies natural gas to Europe remains stuck in reverse after requests to transport gas westwards through it into Germany were abruptly withdrawn, data on the website of its German operator showed.
- Despite the ongoing war in Ukraine physical deliveries of gas from Russia to Europe through its various pipelines have so far remained largely unchanged.

- Even gas coming from Russia via pipelines through Ukraine have remained robust. Capacity nominations for supply to Slovakia from Ukraine via the Velke Kapusany border point were expected to hit their highest level so far in 2022, at 881,917 megawatt hours (MWh)
- Gazprom-controlled gas storage sites in Europe have less gas than usual for this time of year, with Russia saying it is concentrating on replenishing domestic stocks before releasing any more gas to Europe.
- European storage inventories were already low well before Russia invaded Ukraine.
- Fading heating demand and recovering production following freeze-offs could pressure prices lower. Bespoke Weather Services observed notable warmer trends over the weekend, primarily driven by milder temperatures projected for the current week.



Source: Reuters

MCX Natural gas prices may trade with high volatility. If the price will breach the recent resistance of 400 then can move again upside towards 440 levels respectively. Overall the commodity can move upside from its support level. Support is seen near 320.

## Weekly Price movement of Natural gas in NYMEX



Source: Reuters

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