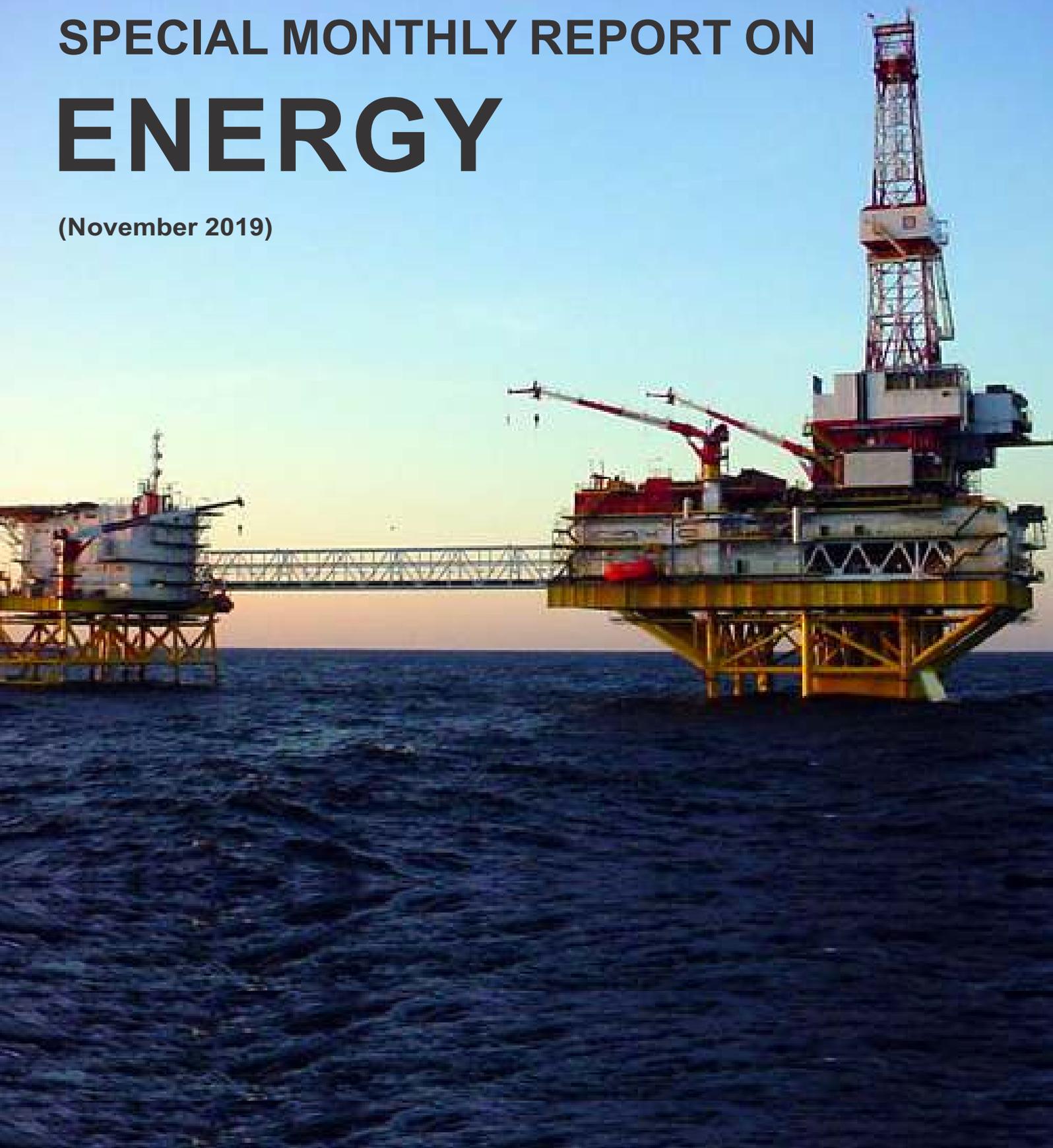


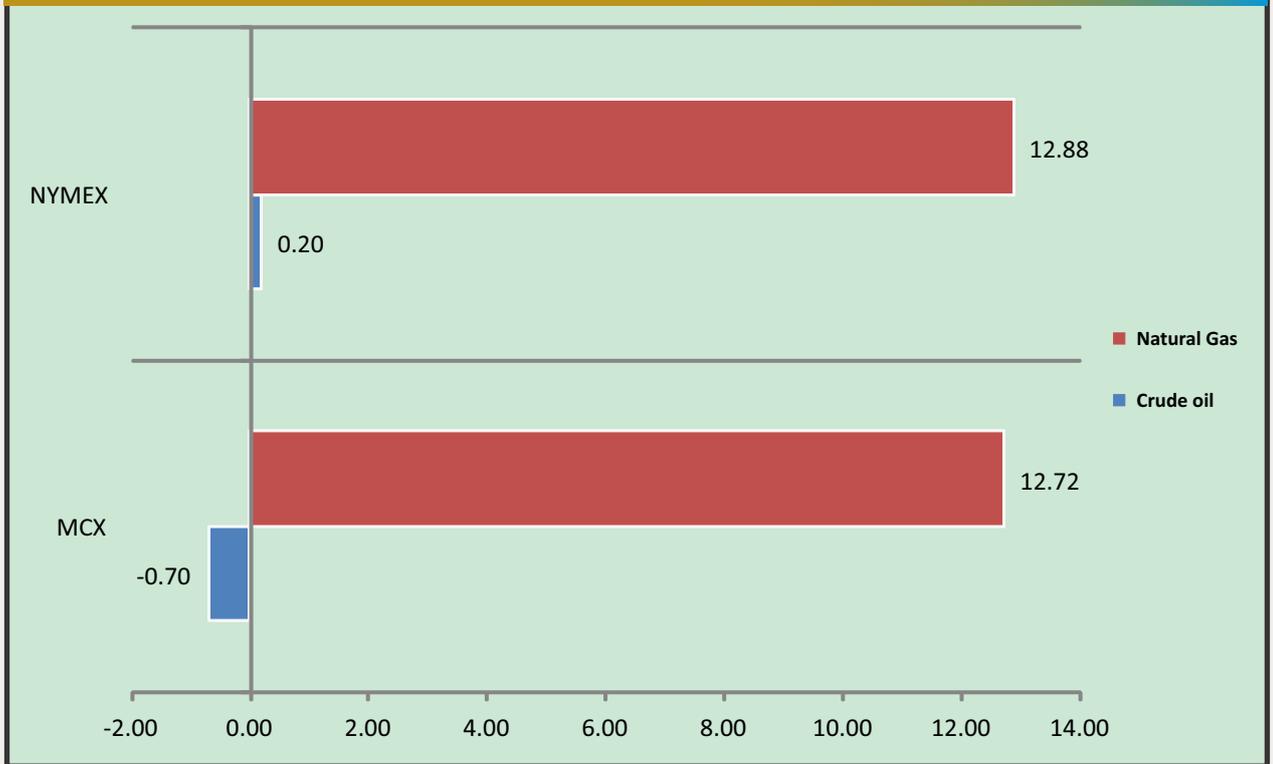
SPECIAL MONTHLY REPORT ON ENERGY

(November 2019)

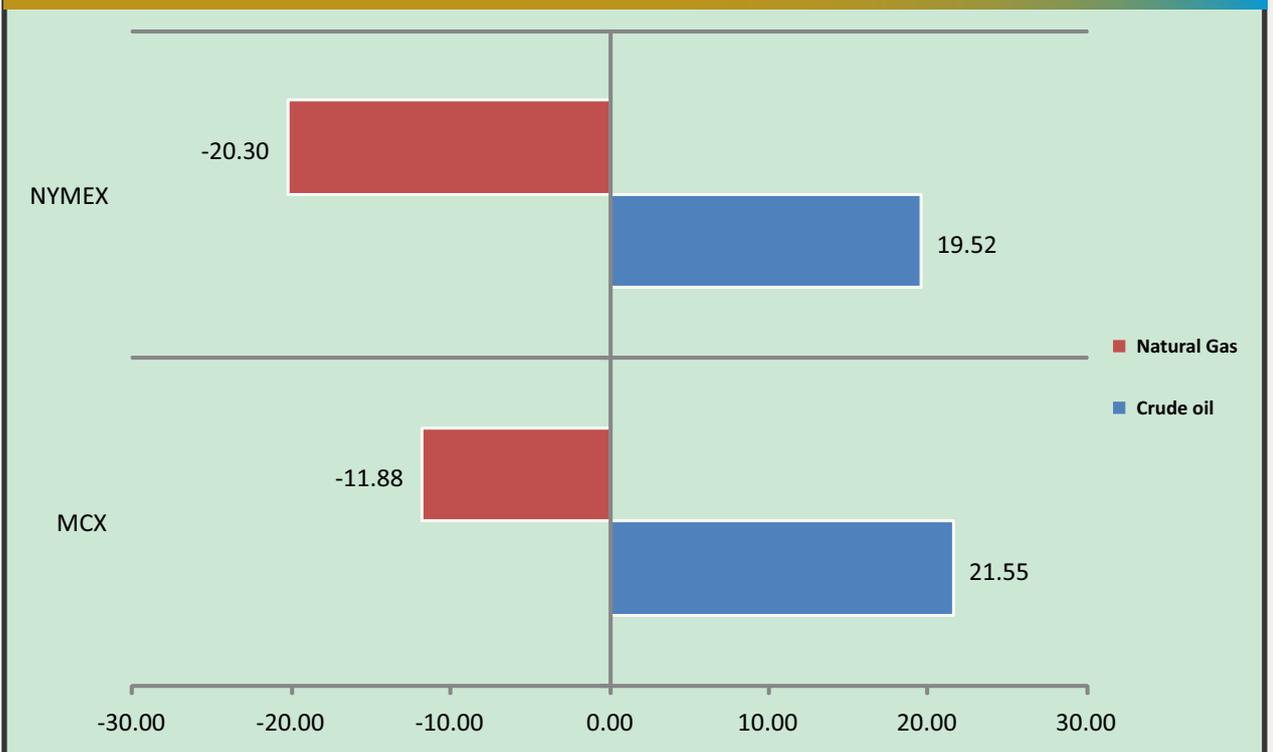


Moneywise. Be wise.

ENERGY PERFORMANCE (October 2019) (% change)



ENERGY PERFORMANCE (January - October 2019) (% change)



ENERGY COMPLEX

Overview

In the month of Oct, crude oil prices traded with lot of volatility as supply disruptions regarding Saudi Arabia oil installations and uncertainty regarding geopolitical tensions in Middle East kept the investors sentiments jittery. U.S. crude inventories increased by 9.3 million barrels in the week ended Oct.11, compared with expectations for an increase of 2.9 million barrels. Elsewhere, the joint technical committee monitoring a global deal to cut output between the Organization of the Petroleum Exporting Countries (OPEC) and partners, including Russia, found compliance with cuts for September stood at 236%. OPEC and its allies have agreed to limit their oil production by 1.2 million barrels per day (bpd) until March 2020. OPEC Secretary-General Mohammad Barkindo stated that the Organization of the Petroleum Exporting Countries and allied producers “will do whatever (is) in its power” to sustain oil market stability beyond 2020. Overall it traded in range of \$50.99-56.92 in NYMEX and in range of 3622- 4045 in MCX.

Outlook

Crude oil prices may witness range bound movement as drop in stockpiles supported its prices while renewed concerns about fuel demand in light of gloomy economic growth forecasts can cap the upside. Meanwhile Saudi Arabia, OPEC’s de facto leader, wants to focus first on boosting adherence to the group’s production-reduction pact with Russia and other non-members, an alliance known as OPEC+, before committing to more cuts. The prospects of deeper production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and its allies also helped support the market. OPEC, Russia and other producers have since January implemented a deal to cut oil output by 1.2 million barrels per day (bpd) until March 2020 to support the market.

Crude oil can witness range bound movement in the month of November as it can face resistance near 4300 while taking support near 3700 on domestic bourses. In international market it can face resistance near \$60 while taking support near \$51.

Key News

Saudi still China's top oil supplier in Sept; Venezuelan supply diverted

Saudi Arabia held its position as China's largest crude oil supplier in September helped by demand from new refineries and as imports from Iran and Venezuela continued to fall due to U.S. sanctions.

OPEC, allies to mull deeper oil cut amid worries over demand growth

OPEC and its allies will consider whether to deepen cuts to crude supply when they next meet in December due to worries about weak demand growth in 2020. Saudi Arabia, OPEC's de facto leader, wants to focus first on boosting adherence to the group's production-reduction pact with Russia and other non-members, an alliance known as OPEC+, before committing to more cuts. OPEC members Iraq and Nigeria are among the countries that have failed to comply properly with pledged output reductions. Saudi Arabia and other Gulf producers in the Organization of the Petroleum Exporting Countries have been delivering more than their share of promised cuts to stabilise the market and prevent prices from falling.

Russia says it missed oil-deal target due to rise in gas condensate output

Russia produced more oil in September than envisaged by a global deal due to an increase in gas condensate output as the country prepared for winter. Russian oil output edged down to 11.25 million barrels per day (bpd) last month from August's 11.29 million bpd but remained above the cap set under the global production deal.

Highlights of latest EIA report

EIA estimates that crude oil production from the Organization of the Petroleum Exporting Countries (OPEC) averaged 28.2 million barrels per day (b/d) in September. Production was down 1.6 million b/d from August, the lowest level of OPEC production since November 2003—as a result of the disruptions in Saudi Arabia—and down 4.0 million b/d from September 2018. The decrease in OPEC crude oil production during the past year was primarily the result of falling production in Iran and Venezuela as well as the recent disruption in Saudi Arabia. However, EIA estimates that Saudi Arabia's crude oil production returned to preoutage levels as of October 3. EIA forecasts that annual average OPEC crude oil production will average 29.8 million b/d in 2019, down by 2.1 million from 2018, and 29.6 million b/d in 2020.

U.S. crude oil production remained relatively flat during the first seven months of 2019 because of disruptions to Gulf of Mexico platforms and slowing growth in tight oil production. The slowing rate of growth in tight oil production reflects relatively flat crude oil price levels and slowing growth in well-level productivity in the Lower 48 states. However, EIA expects growth to pick up in the fourth quarter as production returns in the Gulf of Mexico and pipelines in the Permian Basin come online to link production areas in West Texas and New Mexico to refining and export centers on the Gulf Coast.

Brent WTI Spread



Source: Reuters

Analysis: Brent WTI crude oil spread moved in range of 5-6. Overall it can hover in narrow range of \$4-6.5 in the month of November.

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

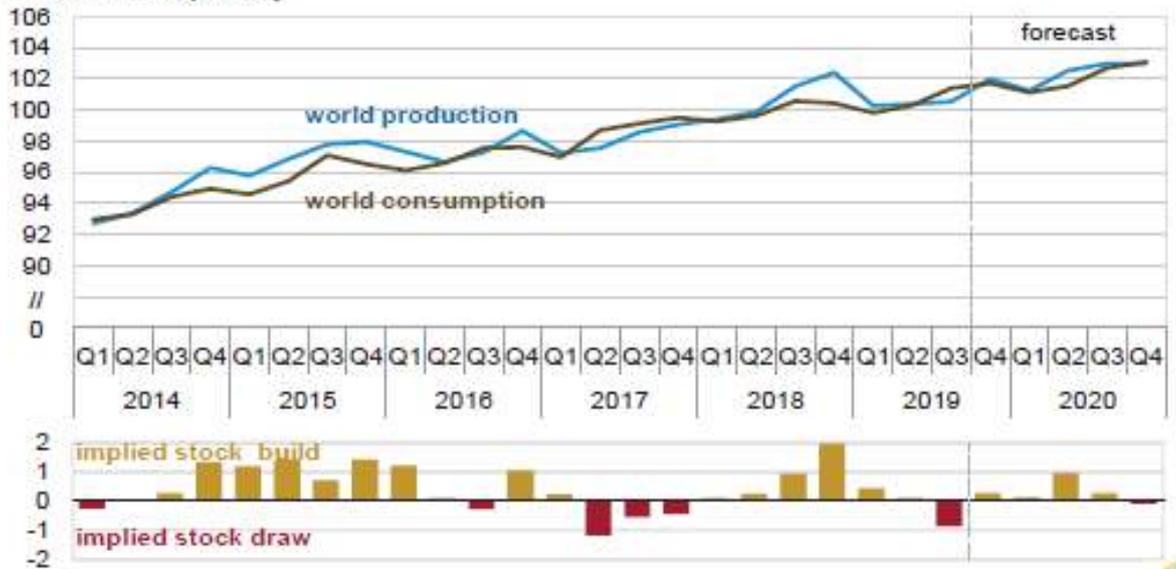


Note: Confidence interval derived from options market information for the five trading days ending Oct 3, 2019. Intervals not calculated for months with sparse trading in near-the-money options contracts.

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



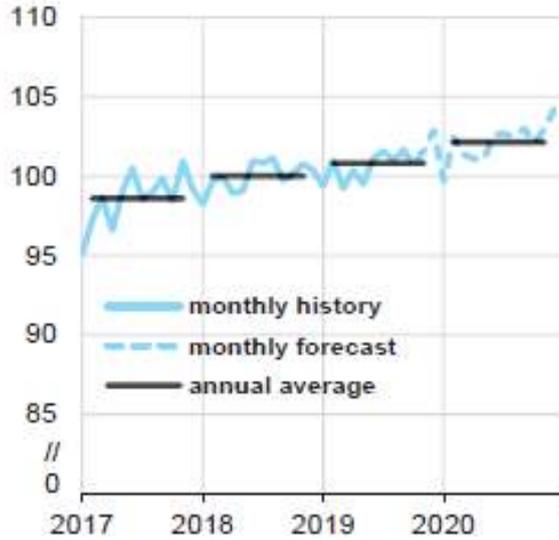
World liquid fuels production and consumption balance
million barrels per day



Source: Short-Term Energy Outlook, October 2019

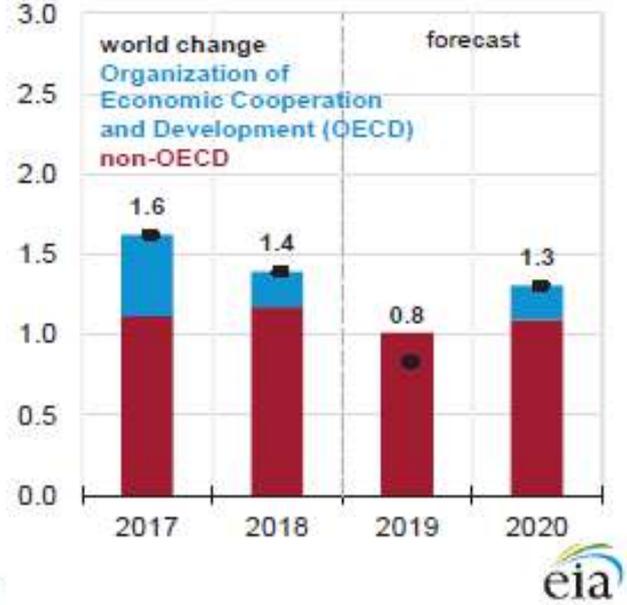


World liquid fuels consumption
million barrels per day



Source: Short-Term Energy Outlook, October 2019

Components of annual change
million barrels per day



Natural Gas

Overview

Natural gas witnessed sharp rally last month as prices rallied more than 12 percent as colder than normal weather is forecasted to cover most of U.S. which will increase heating demand ahead of the beginning of the withdrawal season. Natural gas storage injections in the United States have outpaced the previous five-year average so far during the 2019 injection season as a result of rising natural gas production. The United States saw its net natural gas exports in the first half of 2019 more than double from the same period last year, thanks to more liquefied natural gas (LNG) export capacity coming online in recent months. Overall it traded in range of \$2.18-2.73 in NYMEX and 156.00-194.80 in MCX in the month of October.

Natural gas may witness further recovery on colder than normal weather is forecasted to cover most of U.S. which will increase heating demand ahead of the beginning of the withdrawal season. Natural gas storage injections in the United States have outpaced the previous five-year average so far during the 2019 injection season as a result of rising natural gas production. The United States saw its net natural gas exports in the first half of 2019 more than double from the same period last year, thanks to more liquefied natural gas (LNG) export capacity coming online in recent months.

Natural gas counter can continue its upside momentum and buy on dip should be the strategy as investors can accumulate in range of 185-190 for the upside target 220 in the month of November. While in international market it can test 3.20 while taking support near 2.50.

Short Term Weather Outlook

According to Natgasweather for November 12 to November 18, "A frigid Arctic blast continues across much of the U.S. east of the Rockies this morning with lows of -0s to 20s. The cold front will bring rain and snow into the East today, with lows for major Northeast cities dropping into the 10s and 20s the next few nights to aid very strong national demand.

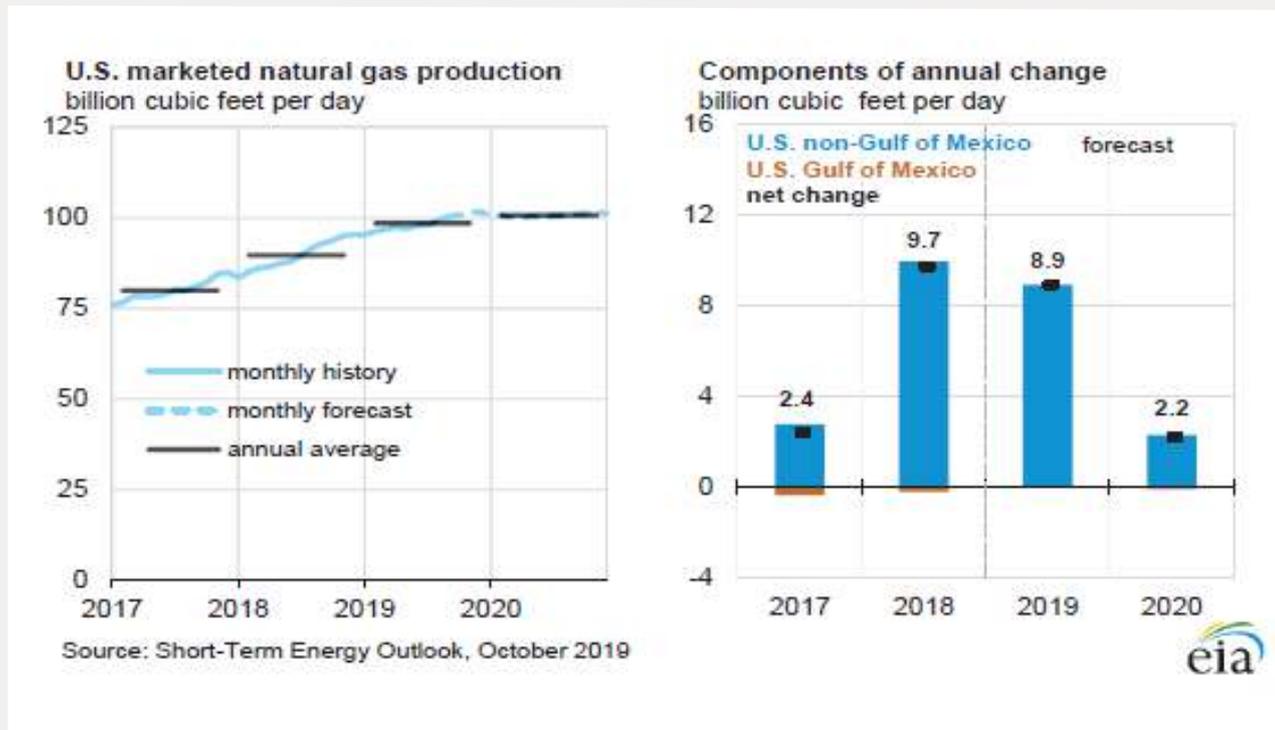
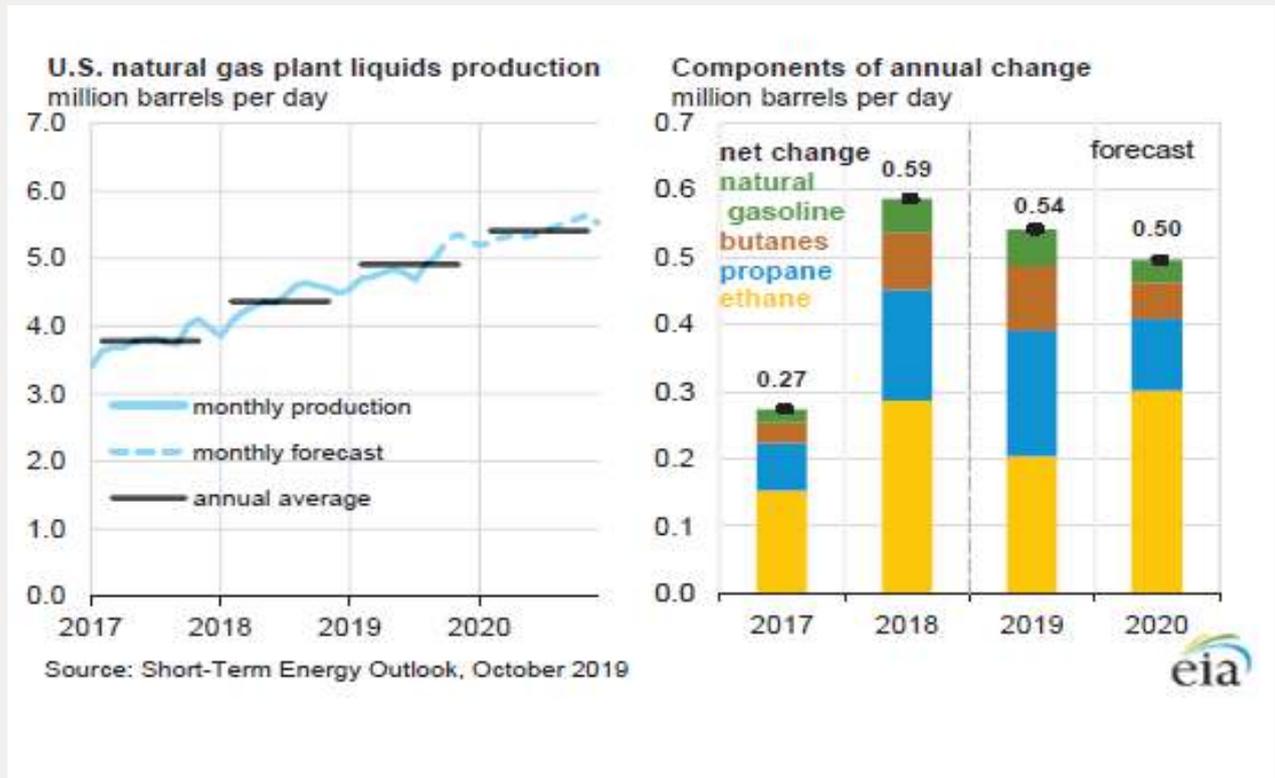
Mid-Term Weather Outlook

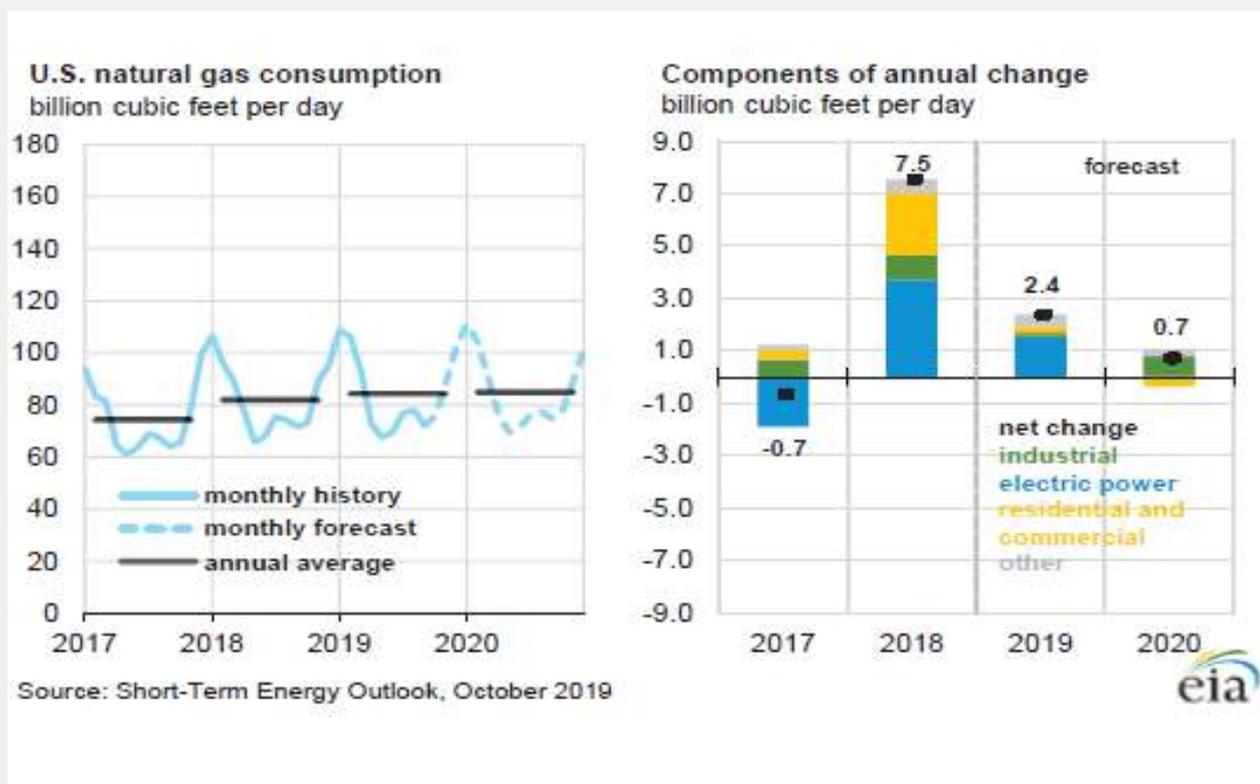
"The midday Global Forecast System data added more heating degree days to the 15-day outlook, improving the demand picture for the period starting next week and continuing through November 25," according to NatGasWeather.

EIA estimates of Natural gas

EIA forecasts that average annual U.S. dry natural gas production will average 91.6 billion cubic feet per day (Bcf/d) in 2019, up 10% from the 2018 average. EIA expects that natural gas production will grow much less in 2020 because the delayed effect of low prices in the second half of 2019 will reduce natural gas-directed drilling in 2020. EIA forecasts natural gas production in 2020 will average 93.5 Bcf/d.

Natural gas storage injections in the United States have outpaced the previous five year (2014-18) average so far during the 2019 injection season as a result of rising natural gas production. At the beginning of April, the natural gas inventory injection season started with working inventories 28% below the five-year average for the same period. By the week ending September 27, working gas inventories reached 3,317 billion cubic feet (Bcf), within 1%, of the five-year average. EIA forecasts that natural gas storage levels will total 3,792 Bcf by the end of October, which is 2% above the five-year average and 17% above October 2018 levels.





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