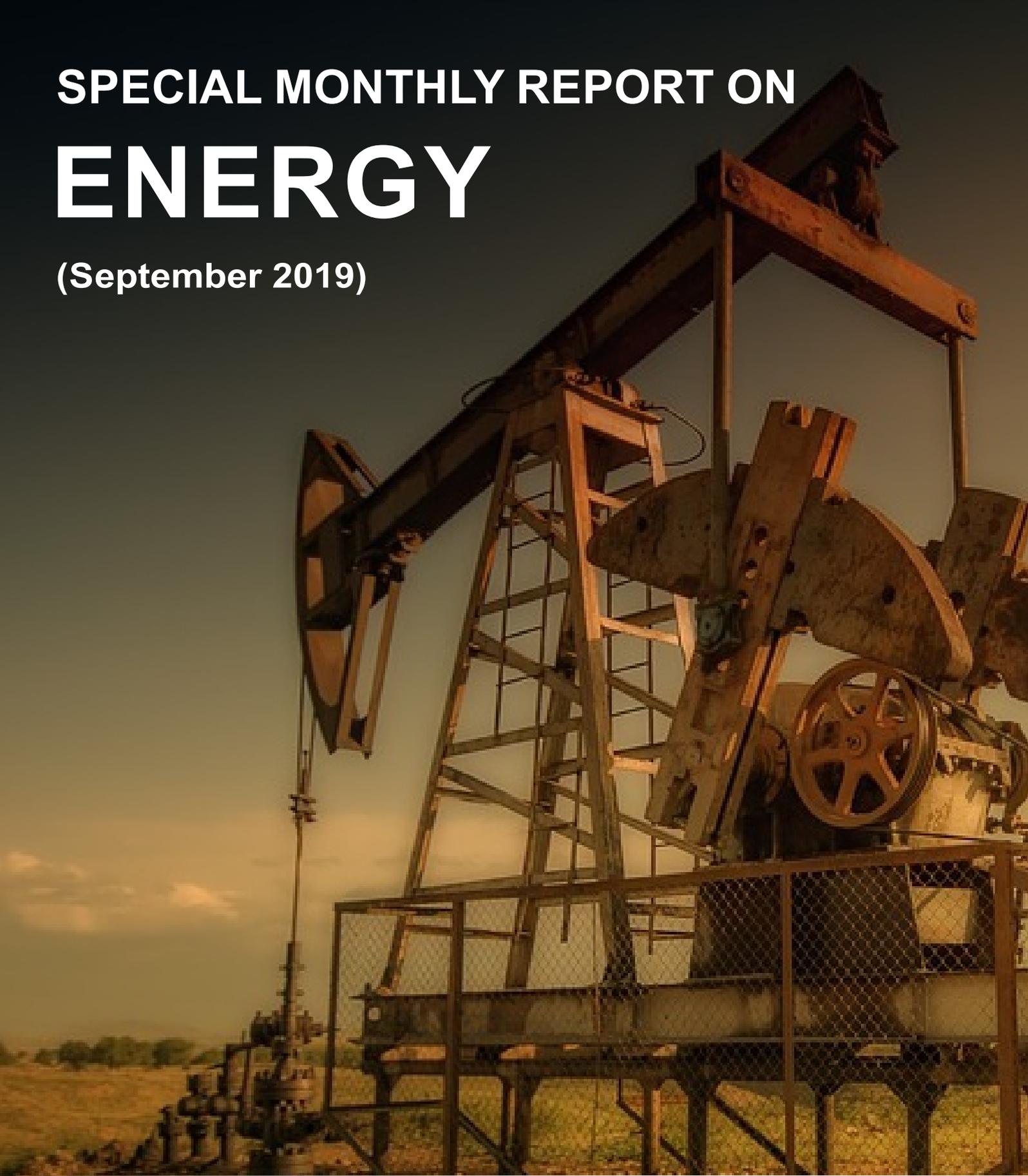


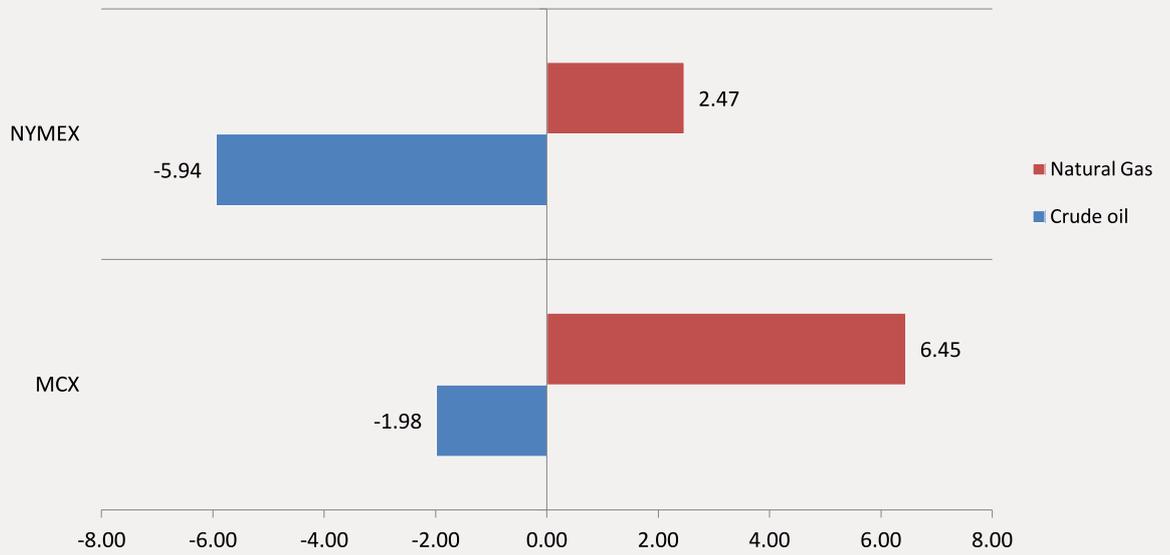
# SPECIAL MONTHLY REPORT ON ENERGY

(September 2019)

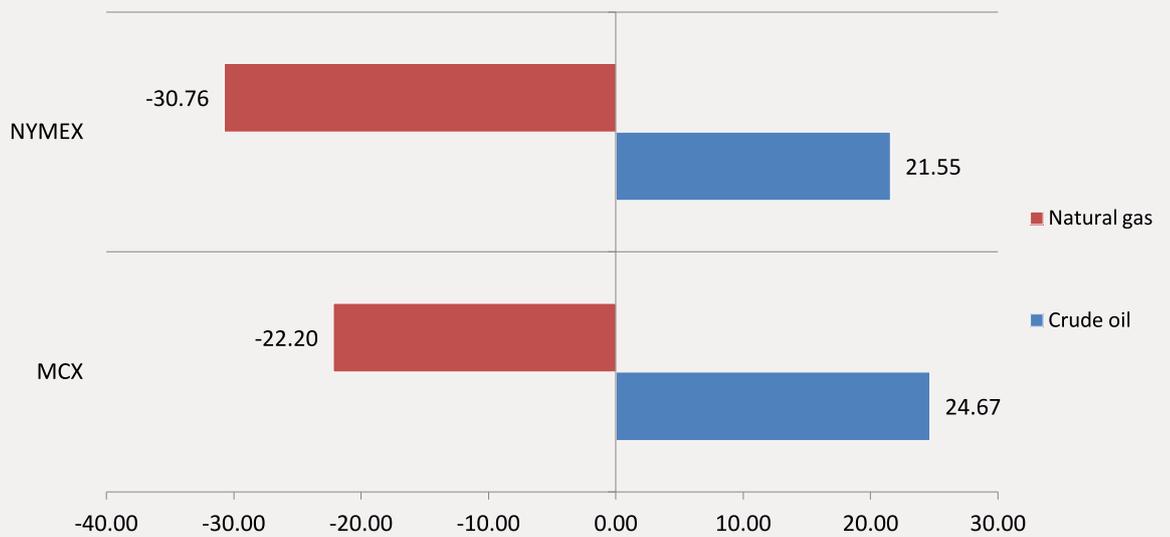


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**ENERGY PERFORMANCE ( August 2019) (% change)**



**ENERGY PERFORMANCE (January - August 2019) (% change)**



## Crude Oil

In the month of Aug, crude oil prices ended on weaker path as global economic growth is likely to slow further amid the U.S.-China trade war, although tensions in the Middle East limited the downside. Overall it traded in range of \$50.52-57.99 in NYMEX and in range of 3603- 4094 in MCX. OPEC delivered a downbeat oil market outlook for the rest of 2019, as economic growth slows and highlighted challenges in 2020 as rivals pump more, building a case to keep up an OPEC-led pact to curb supply. The bearish outlook due to slowing economies amid the U.S.-China trade dispute and Brexit could press the case for OPEC and allies including Russia to maintain a policy of cutting output to support prices. Traders were worried about the prospects for global oil demand especially amid trade tensions between the U.S and China, the world's two biggest economies and oil users. U.S. President Donald Trump stated he was "the chosen one" to address trade imbalances with China, even as congressional researchers warned that his tariffs would reduce U.S. economic output by 0.3% in 2020. Meanwhile, oil markets found some support from the simmering tensions between U.S. and Iran, after Iranian President Rouhani said if Iran's oil exports are cut to zero.

### Outlook

Crude oil prices may witness some recovery in this month on falling inventories and hurricane concerns in US but worries about a slowdown in economic growth due to the U.S.-China trade war have kept a lid on price gains. Inventories at the nation's main delivery hub in Cushing, Oklahoma, where WTI futures are priced, slumped in penultimate week by nearly 2 million barrels to their lowest since December. The approach of Hurricane Dorian toward Florida raised fears that offshore U.S. crude producers may slow output if the storm passes into the Gulf of Mexico. China's commerce ministry stated that the world's two biggest economies were discussing the next round of face-to-face trade talks scheduled for September, but hopes for

progress hinged on whether Washington could create favourable conditions.

**Crude oil can witness short covering at lower levels as it move towards 4300 while taking support near 3800 on domestic bourses. In international market it can recover towards \$62 while taking support near \$53.**

### Key News

#### US oil rigs

The number of active drilling rigs in the United States fell by six to 898 last week, 150 rigs down year on year, according to the weekly data released recently. These active drilling rigs included 738 oil rigs operating in the U.S. oil fields, down 4 from the previous week. The number of drilling rigs increased the most by three to 54 rigs in the state of North Dakota, while Oklahoma lost the most with five to 75 rigs. Texas lost three to 438 rigs.

#### U.S. shale oil output to rise to record 8.77 mln bpd in September

U.S. oil output from seven major shale formations is expected to rise by 85,000 barrels per day (bpd) in September, to a record 8.77 million bpd, the U.S. Energy Information Administration forecast in its monthly drilling productivity report. The largest change is expected in the Permian Basin of Texas and New Mexico, where output is seen climbing 75,000 bpd to 4.42 million bpd in September, also an all-time high.

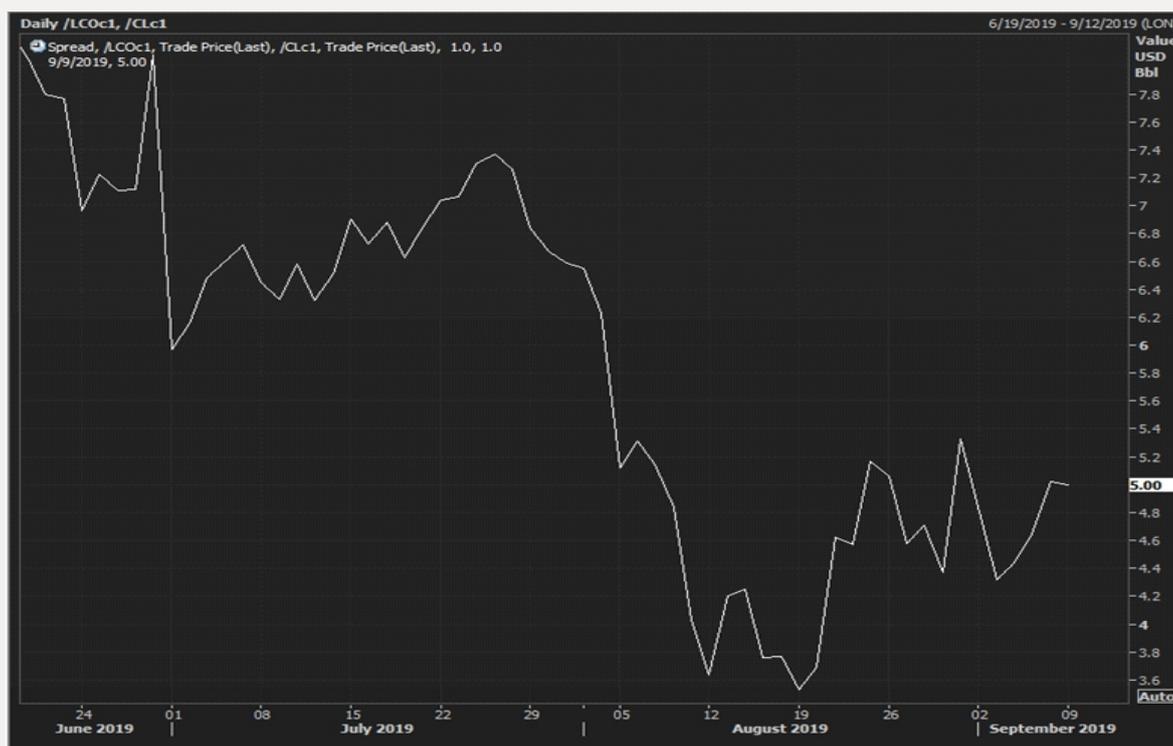
#### IEA says oil demand growth at lowest since 2008

Mounting signs of an economic slowdown and a ratcheting up of the U.S.-China trade war have caused global oil demand to grow at its slowest pace since the financial crisis of 2008, the International Energy Agency (IEA) stated. From January to May, oil demand increased by 520,000 bpd, marking the lowest rise for that period since 2008.

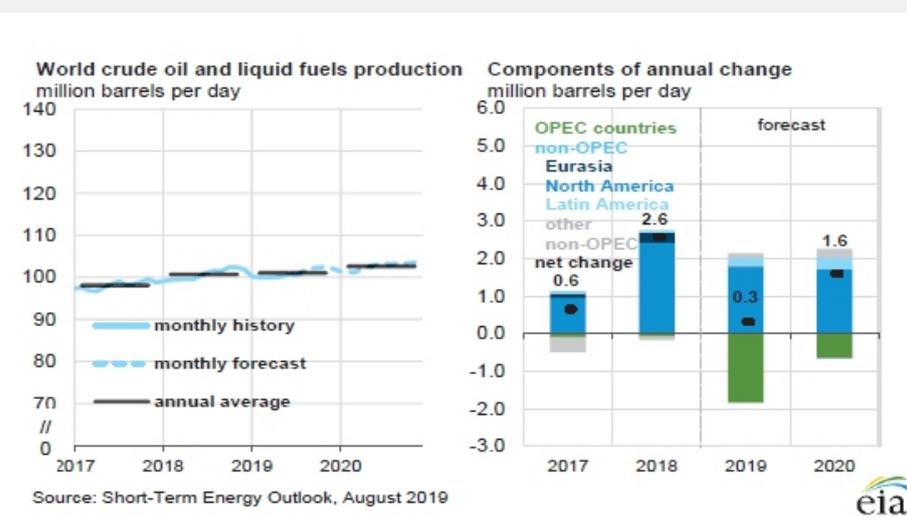
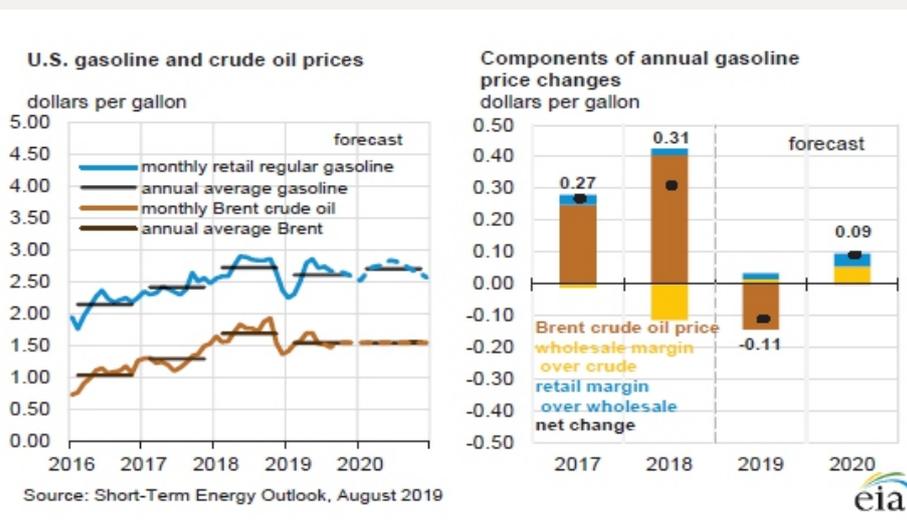
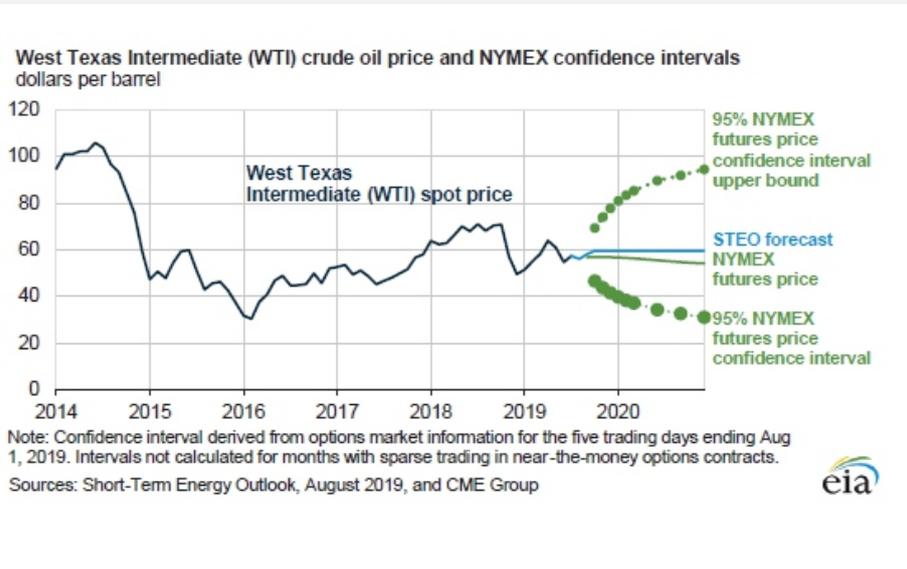
### Highlights of latest EIA report

EIA estimates that U.S. crude oil production averaged 11.7 million b/d in July, down by 0.3 million b/d from the June level. The declines were mostly in the Federal Gulf of Mexico (GOM), where operators shut platforms for several days in mid-July because of Hurricane Barry. EIA estimates that GOM crude oil production fell by more than 0.3 million b/d in July. Those declines were partially offset by the Lower 48 States onshore region, which is mostly tight oil production, where supply rose by more than 0.1 million b/d. EIA expects monthly growth in Lower 48 onshore production to slow during the rest of the forecast period, averaging 50,000 b/d per month from the fourth quarter of 2019 through the end of 2020, down from an average of 110,000 b/d per month from August 2018 through July 2019. EIA forecasts that West Texas Intermediate (WTI) crude oil prices will average \$5.50/b lower than Brent prices from the fourth quarter of 2019 through the end of 2020.

### Brent WTI Spread



**Analysis:** Brent WTI crude oil spread moved in range of 4.4-5.4. Overall it can hover in range of \$4-6 in the month of September.



## Natural gas

Natural gas witnessed lower level buying as U.S. Natural gas futures got support on forecasts for greater heat and cooling demand than previously expected despite an increase in output to a record high. Overall it traded in range of \$2.02-2.33 in NYMEX and 144.60-166.40 in MCX in the month of August.

U.S. natural gas futures rose to hit a one-month peak after a government report showed a weekly U.S. storage build broadly in line with estimates and on expectations for increased cooling demand due to warmer-than-normal weather. Seasonality also played a role in producing the huge rally. Natural gas prices usually start to move higher around Labor Day in US.

**Natural gas counter can extend the recent recovery and it can test 200 while taking support near 160 in the month of September on MCX .While in international market it can test 2.70 while taking support near 2.35.**

### Short-Term Weather Outlook

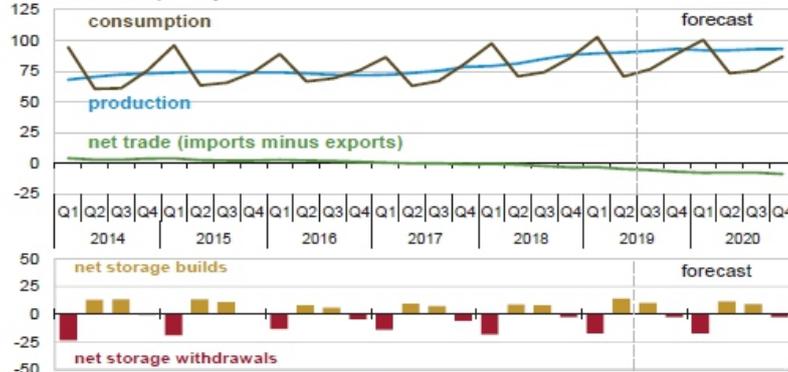
The weather is expected to be colder than normal in the mid-west which is helping to buoy prices. According to NatGasWeather for September 7 to September 13, "Comfortable conditions continue across the Midwest & Northeast with highs of upper 60s to 80s for light demand. The southern US will be hot with highs of 90s and 100s as high pressure rules for strong demand. Hurricane Dorian will bring showers to the Mid-Atlantic and Northeast Coast the next few days before exiting. The West will cool this weekend into next week, while the rest of the country remains warmer versus normal. Overall, demand will be high across the southern US and moderate to low across the northern US.

### EIA estimates of Natural gas

EIA forecasts that U.S. dry natural gas production will average 91.0 billion cubic feet per day (Bcf/d) in 2019, up 7.6 Bcf/d from 2018. EIA expects monthly average natural gas production to grow in late 2019 and then decline slightly during the first quarter of 2020 as the lagged effect of low prices in the second half of 2019 reduces natural gas-directed drilling. However, EIA forecasts that growth will resume in the second quarter of 2020, and natural gas production in 2020 will average 92.5 Bcf/d.

EIA estimates that natural gas inventories ended July at 2.7 trillion cubic feet (Tcf), 13% higher than levels from a year earlier and 4% lower than the five-year (2014-18) average. EIA forecasts that natural gas storage injections during the 2019 April through-October injection season will outpace the previous five-year average and that inventories will rise to more than 3.7 Tcf at the end of October, which would be 16% higher than October 2018 levels and slightly above to the five-year average.

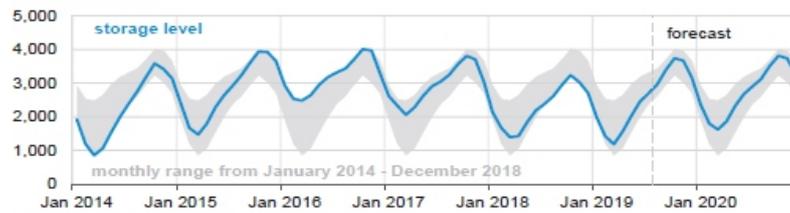
U.S. natural gas production, consumption, and net imports  
billion cubic feet per day



Source: Short-Term Energy Outlook, August 2019



U.S. working natural gas in storage  
billion cubic feet



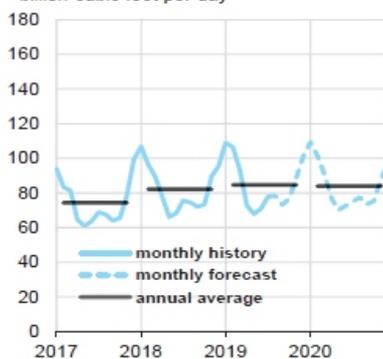
Percent deviation from 2014 - 2018 average



Source: Short-Term Energy Outlook, August 2019

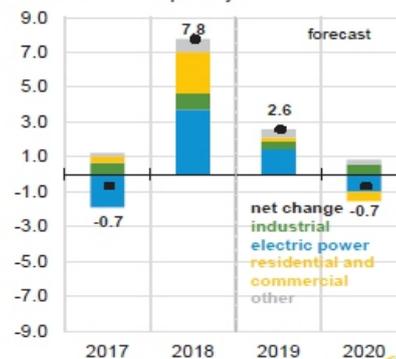


U.S. natural gas consumption  
billion cubic feet per day



Source: Short-Term Energy Outlook, August 2019

Components of annual change  
billion cubic feet per day



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