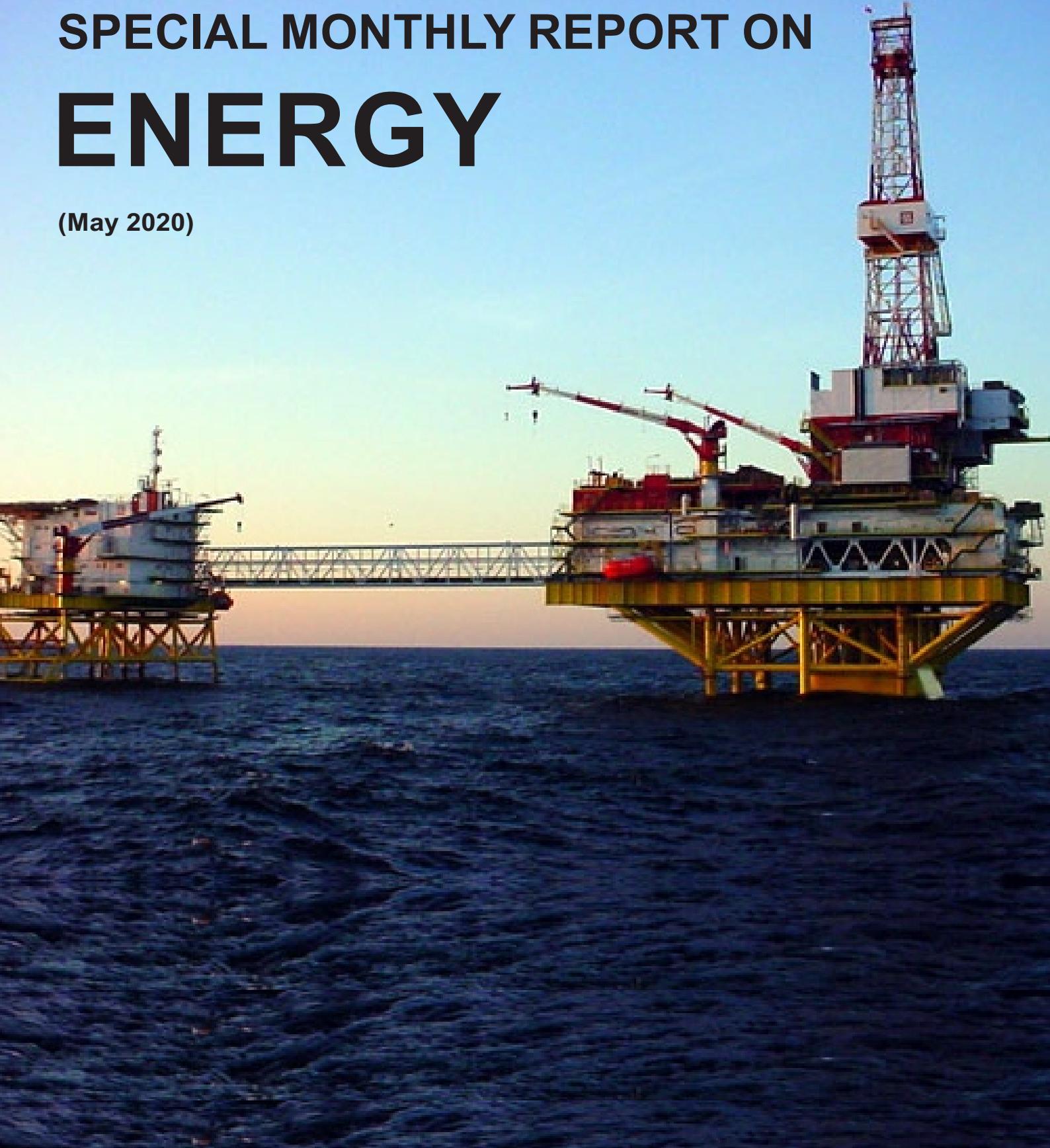


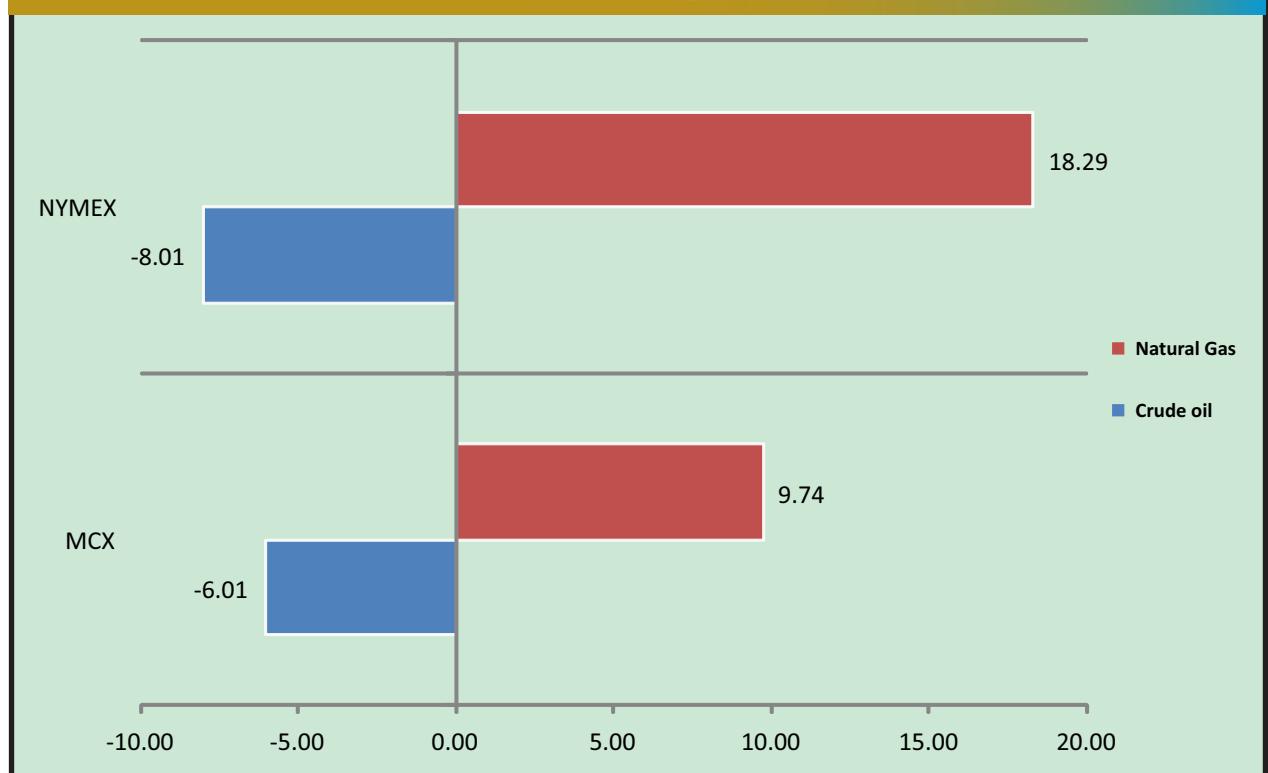
SPECIAL MONTHLY REPORT ON ENERGY

(May 2020)

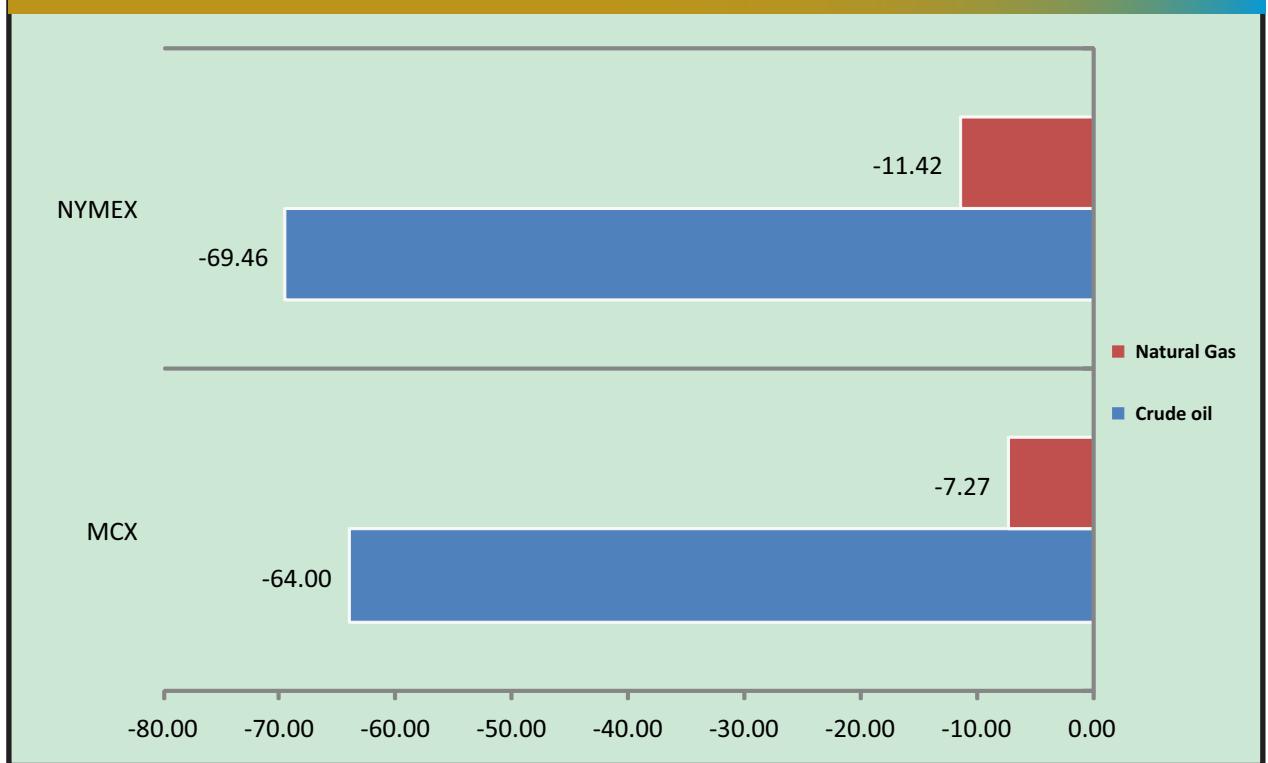


May 2020

ENERGY PERFORMANCE (April 2020) (% change)



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



ENERGY COMPLEX

Overview

In the month of April, crude oil prices continued its downside journey as fear of slowdown in demand due to widespread Coronavirus concerns across the whole world. Some lower level buying was seen on hope of coordinated production cuts by OPEC and OPEC +nations. Under a deal agreed between the Organization of the Petroleum Exporting Countries (OPEC) and associated producers like Russia, a grouping known as OPEC+, production cuts equal to 9.7 million barrels of oil per day are due to kick in from May. Saudi Arabia on stated that it was ready to take extra measures with other producers and Iraq made similar comments. The next formal OPEC+ meeting is in June. The United States and other countries also said this month they would pump less. Even besides the economic signal, the crude oil plunge puts fresh and unbearable pressure on producers and has investors worrying about a credit crunch if heavily indebted energy firms collapse or a systemic funding crisis if traders are affected. The oil industry has been swiftly reducing production in the face of an estimated 30% decline in fuel demand worldwide.

Outlook

Crude oil may witness lower levels buying on hope of coordinated production cuts by OPEC and OPEC+ from this week. But there are concerns that production cuts will not be fast enough to catch up with the collapse in demand from the coronavirus pandemic. Kuwait and Azerbaijan are coordinating cuts, while Russia is set to reduce its western seaborne exports by half in May. The Organization of the Petroleum Exporting Countries and its allies including Russia, a group known as OPEC+, pledged earlier this month to cut output by an unprecedented 9.7 million barrels per day in May and June. Strategists stated that part of the WTI decline is due to retail investment vehicles like exchange-traded funds selling out of the front-month June contract and buying into months later

in the year to avert massive losses recently, when WTI plummeted below zero.

Crude oil can witness some further recovery as it can recover towards 2200-2300 while taking support near 1500 on domestic bourses. In international market it can recover towards \$32 while taking support near \$19.

Key News

China's daily crude oil imports rebound in April as fuel demand picks up

China's crude oil imports rebounded in April from a month earlier on daily basis as refiners ramped up output amid a recovery in fuel demand with the impact of the coronavirus outbreak easing while crude prices crashed on slumping consumption elsewhere. Crude oil arrivals were 40.43 million tonnes last month according to a full data table released by the General Administration of Customs on Thursday, equivalent to 9.84 million barrels per day (bpd).

Venezuela power outages, price plunge deal setbacks to PDVSA crude upgraders

Power outages in Venezuela and a plunge in oil prices have dealt setbacks to state oil company Petroleos de Venezuela's plans to produce more upgraded crude.

U.S. drillers cut oil & gas rigs to historic low - Baker Hughes

The number of operating oil and natural gas rigs fell to an all-time low - reflecting data going back 80 years - as the energy industry slashes output and spending to deal with the coronavirus-led crash in fuel demand. The rig count, an early indicator of future output, fell by 34 to a record low of 374 in the week to May 8, according to data from energy services firm Baker Hughes Co going back to 1940.

CME extends negative price capabilities to more energy contracts

CME Group is expanding its list of energy products for which it will support negative prices, the world's biggest

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futures exchange operator said in a notice dated May 7. CME updated its systems to process negative prices in early April, shortly before an unprecedented fall into negative territory by U.S. WTI crude oil futures.

OPEC+ should focus on market share as oil demand recovers - Moscow

The alliance of OPEC, Russia and other oil producers, known as OPEC+, should focus on the global market share for the group's crude once demand starts recovering from the coronavirus crisis.

EIA estimates

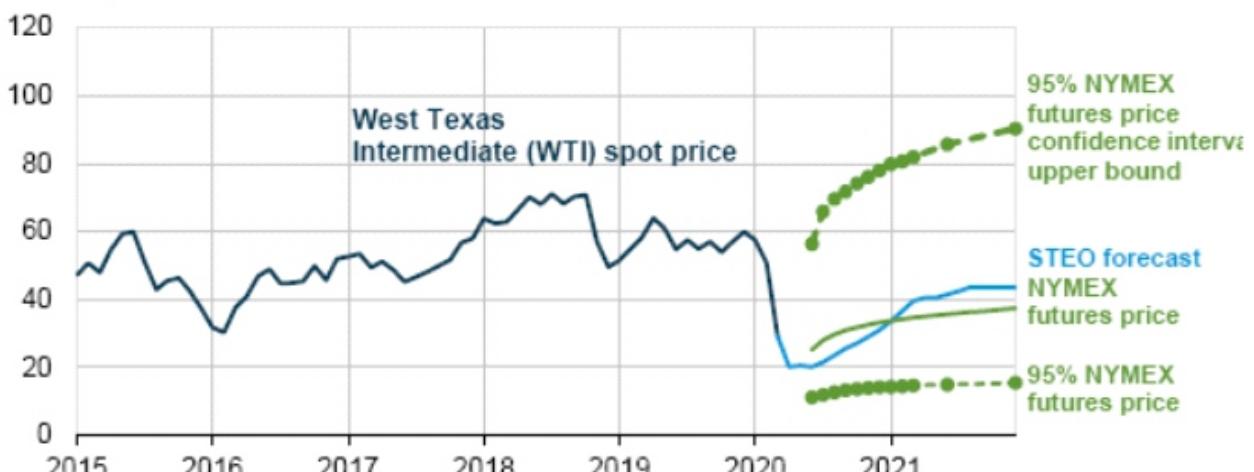
EIA forecasts that the United States will return to being a net importer of crude oil and petroleum products in the third quarter of 2020 and remain a net importer in most months through the end of the forecast period. This is a result of higher net imports of crude oil and lower net exports of petroleum products. Net crude oil imports are expected to increase because as U.S. crude oil production declines, there will be fewer barrels available for export. On the petroleum product side, net exports

will be lowest in the third quarter of 2020, when U.S. refinery runs are expected to decline significantly.

EIA estimates global petroleum and liquid fuels consumption averaged 94.4 million barrels per day (b/d) in the first quarter of 2020, a decline of 5.6 million b/d from the same period in 2019. EIA expects global petroleum and liquid fuels demand will decrease by 5.2 million b/d in 2020 from an average of 100.7 million b/d last year before increasing by 6.4 million b/d in 2021. Lower global oil demand growth for 2020 in the April STEO reflects growing evidence of significant disruptions to global economic activity along with reduced expected travel globally because of COVID-19.

EIA expects that global liquid fuels inventories will grow by an average of 3.9 million b/d in 2020 after falling by about 0.2 million b/d in 2019. EIA expects inventory builds will be largest in the first half of 2020, rising at a rate of 5.7 million b/d in the first quarter and increasing to builds of 11.4 million b/d in the second quarter as a result of widespread travel limitations and sharp reductions in economic activity. Firm demand growth as the global economy begins to recover and slower supply growth will contribute to global oil inventory draws beginning in the fourth quarter of 2020. EIA expects global liquid fuels inventories will decline by 1.7 million b/d in 2021.

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

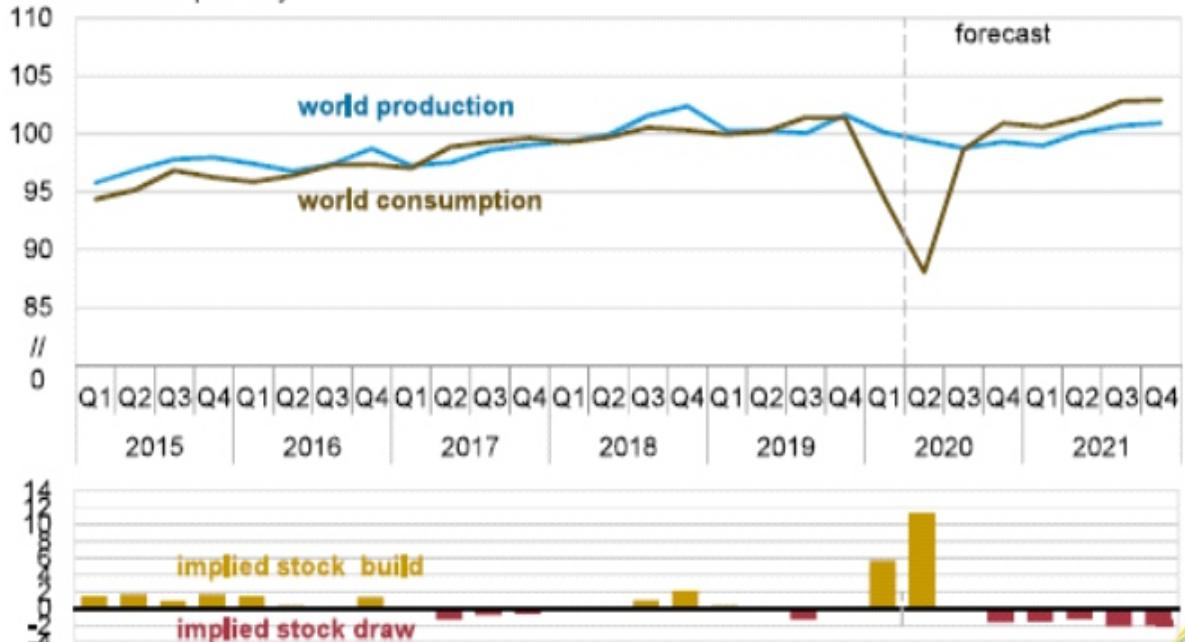


Note: Confidence interval derived from options market information for the five trading days ending Apr 2, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: Short-Term Energy Outlook, April 2020, and CME Group

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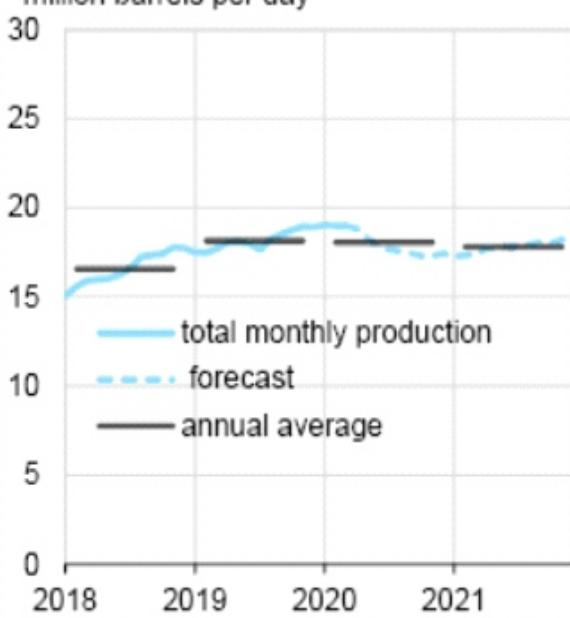
World liquid fuels production and consumption balance million barrels per day



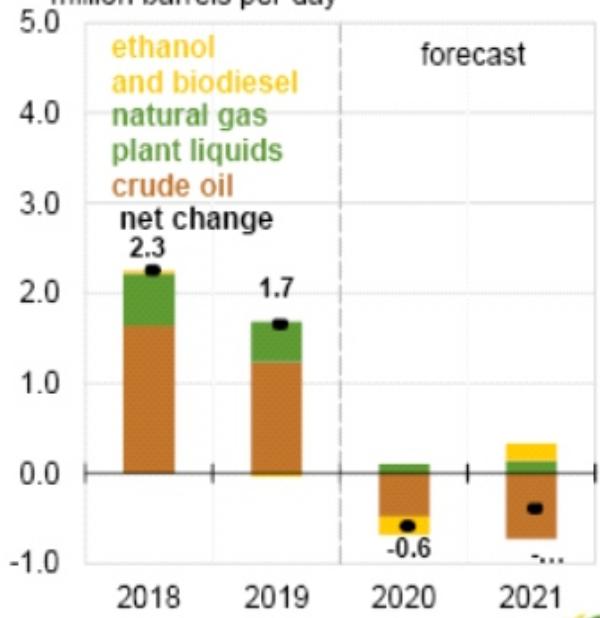
Source: Short-Term Energy Outlook, April 2020



U.S. crude oil and liquid fuels production million barrels per day



Components of annual change million barrels per day




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Natural Gas

Overview

Natural gas witnessed buying at lower levels and ended on positive path in the month of April due to favorable weather. There are a slew of bankruptcies coming down the road for natural gas companies as they will be shutting down production and that may support the prices. The weather remained colder than normal on the east coast in US.

The EIA last week reported a 109 Bcf storage injection for the week-ending May 1, on the upper end of the estimates. This compares with the 96 Bcf increase in storage recorded by the EIA in the same week last year and the five-year average build of 74 Bcf for that week.

Total stocks now stand at 2.319 trillion cubic feet, up 796 billion cubic feet from a year ago, and 395 billion cubic feet above the five-year average. The COVID-19 pandemic has caused significant changes in energy fuel supply and demand patterns

Natural gas counter can continue to witness short covering as prices in MCX can bounce back towards 160 levels while taking support neat 125. In NYMEX it can test \$2.10 by taking support near \$1.60.

Short Term Weather Outlook

According to NatGasWeather, "Weather systems with showers and cooling will sweep across the northern U.S. through mid-next week with lows 20s to 40s, highs 40s to 60s. Near ideal temperatures with highs of 70s to 80s will rule Texas, the South and the Southeast. The Southwest will be hot with 90-100s, while mild to warm over the rest of the West with 60s to 80s. Overall, moderate heating demand North but light cooling demand in Texas, the South, and the Southeast.

EIA estimates of Natural gas

EIA expects residential consumption of natural gas to average 12.9 billion cubic feet per day (Bcf/d) in

2020, down 5.8% from the 2019 average primarily because of warmer than-normal weather in the first quarter. Similarly, EIA expects commercial consumption of natural gas to average 9.0 Bcf/d in 2020, a decrease of 7.1%, as a result of warm weather and the slowing economy. EIA forecasts industrial natural gas consumption to average 22.9 Bcf/d in 2020, about the same as in 2019.

EIA estimates that total U.S. working natural gas in storage ended March at 2.0 trillion cubic feet (Tcf), 17% more than the five-year (2015–19) average. In the forecast, inventories rise by 1.9 Tcf during the April through October injection season to reach almost 3.9 Tcf on October 31.

U.S. dry natural gas production set a record in 2019, averaging 92.2 Bcf/d. EIA forecasts dry natural gas production will average 91.7 Bcf/d in 2020, with monthly production falling from an estimated 94.4 Bcf/d in March to 87.5 Bcf/d in December. Natural gas production declines the most in the Appalachian and Permian regions. In the Appalachian region, low natural gas prices are discouraging producers from engaging in natural gas-directed drilling, and in the Permian region, low oil prices reduce associated gas output from oil-directed wells. In 2021, forecast dry natural gas production averages 87.5 Bcf/d, rising in the second half of 2021 in response to higher prices.

There were minor shifts in space heating demand in March and April as more people stay at home rather than go to work or shop at retail establishments as a result of the COVID-19 pandemic. This shift increases residential natural gas demand while decreasing commercial natural gas demand. Commercial natural gas demand sees further reductions in the near term under the assumption that restaurants and other food establishments, which use more natural gas for cooking food and for hot water heating, compared with other segments of the commercial sector, will see a particularly high number of closings.

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Henry Hub natural gas price and NYMEX confidence intervals dollars per million Btu

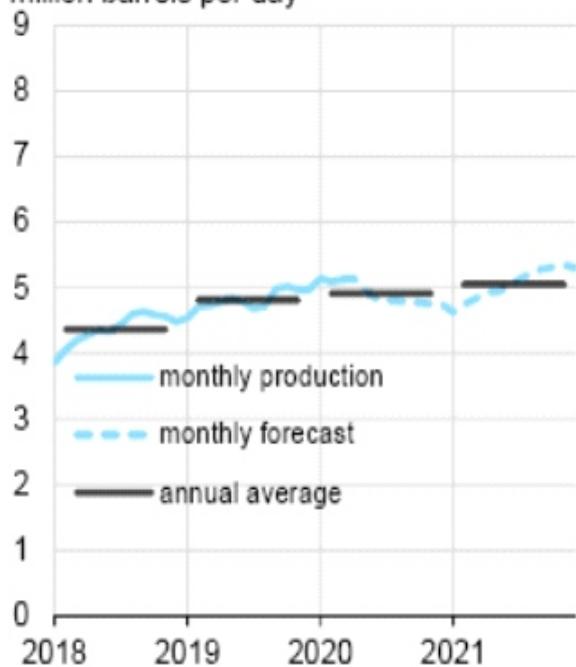


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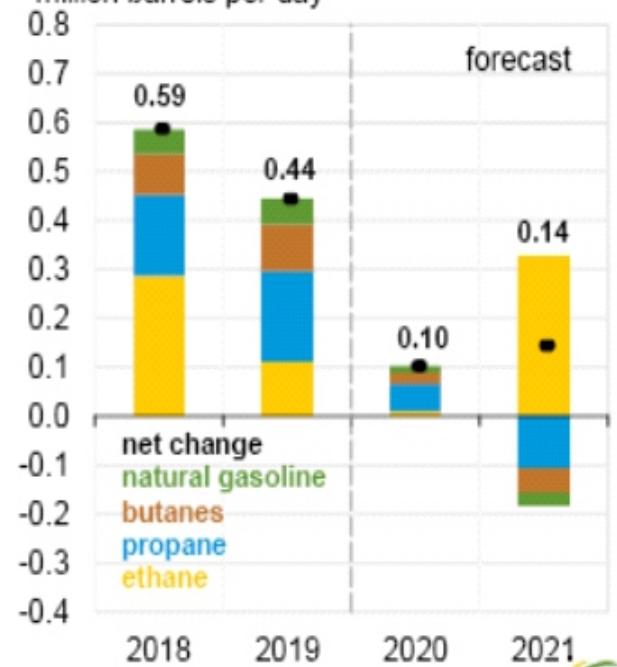


U.S. natural gas plant liquids production million barrels per day



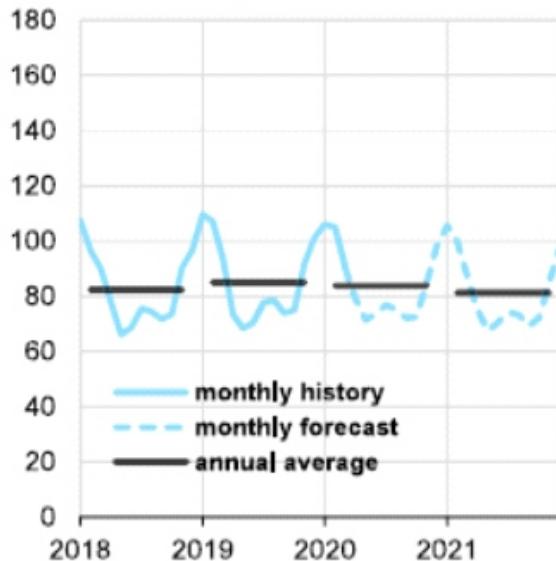
Source: Short-Term Energy Outlook, April 2020

Components of annual change million barrels per day



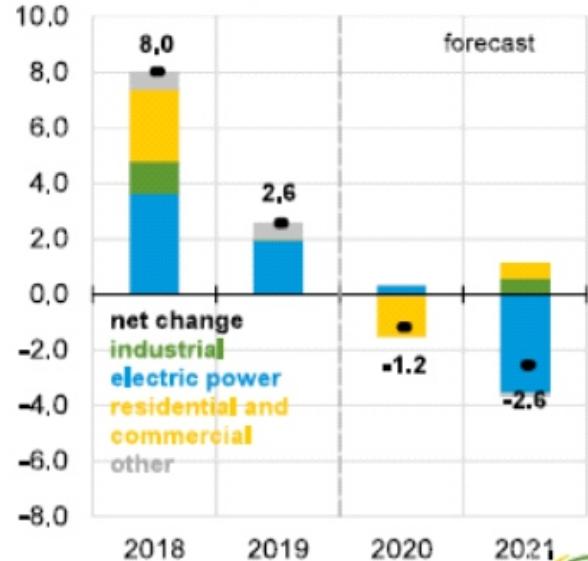
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U.S. natural gas consumption
billion cubic feet per day



Source: Short-Term Energy Outlook, April 2020

Components of annual change
billion cubic feet per day



forecast
eia

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