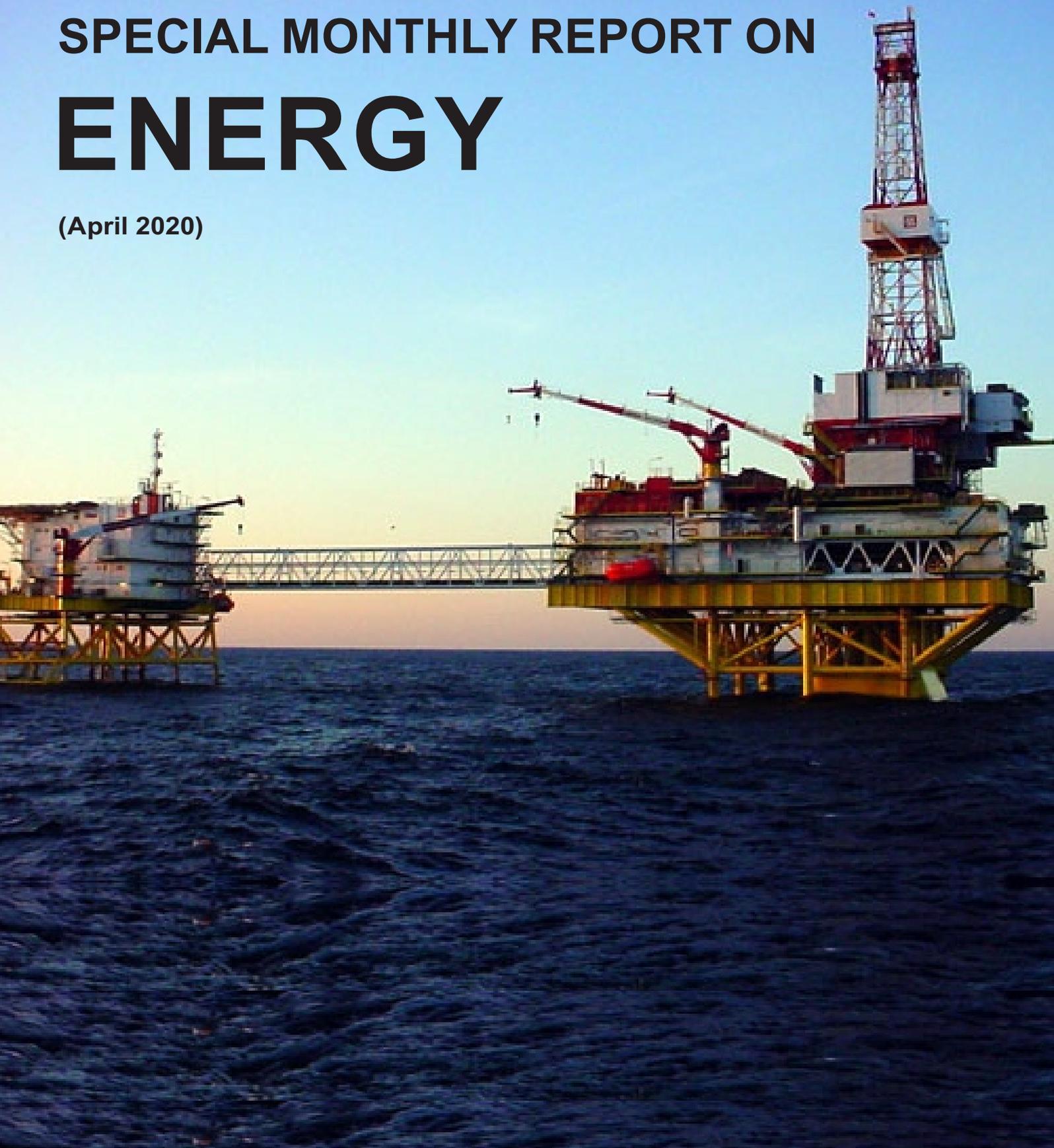
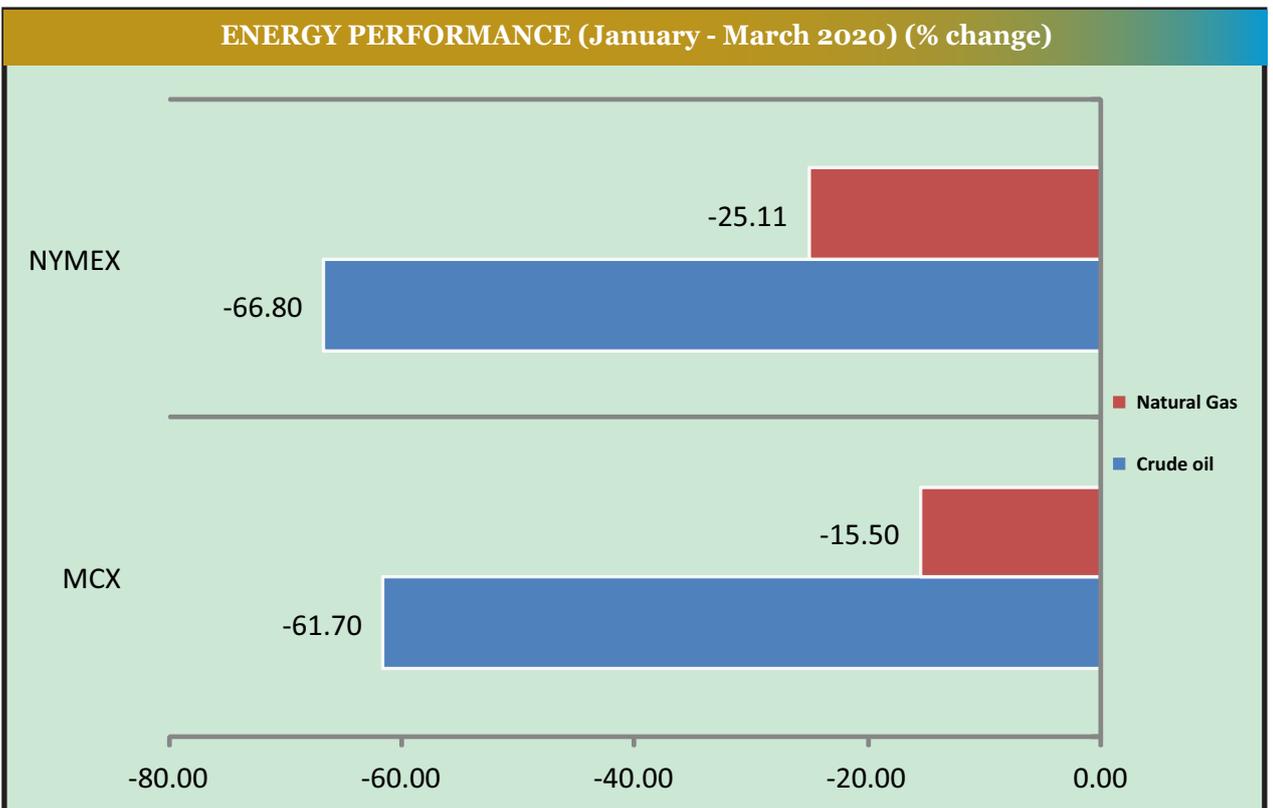
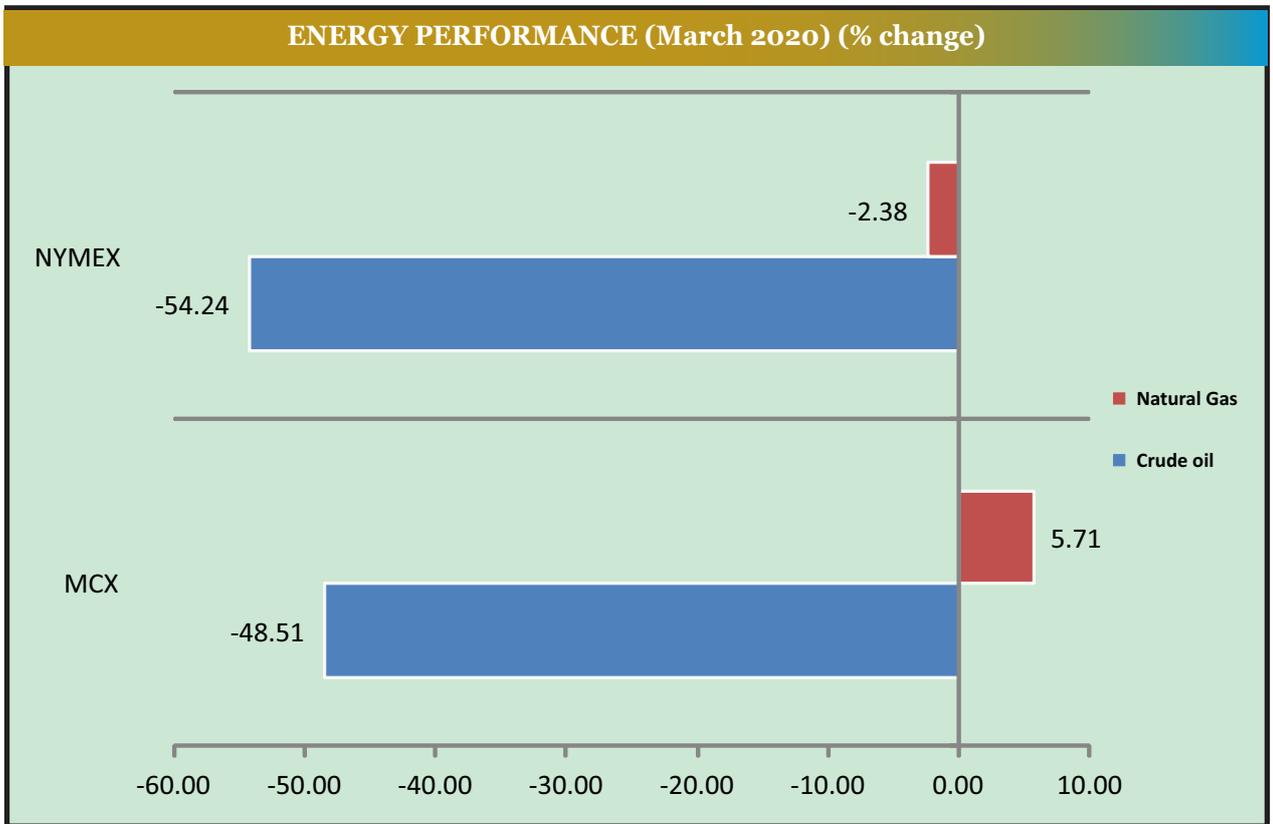


SPECIAL MONTHLY REPORT ON ENERGY

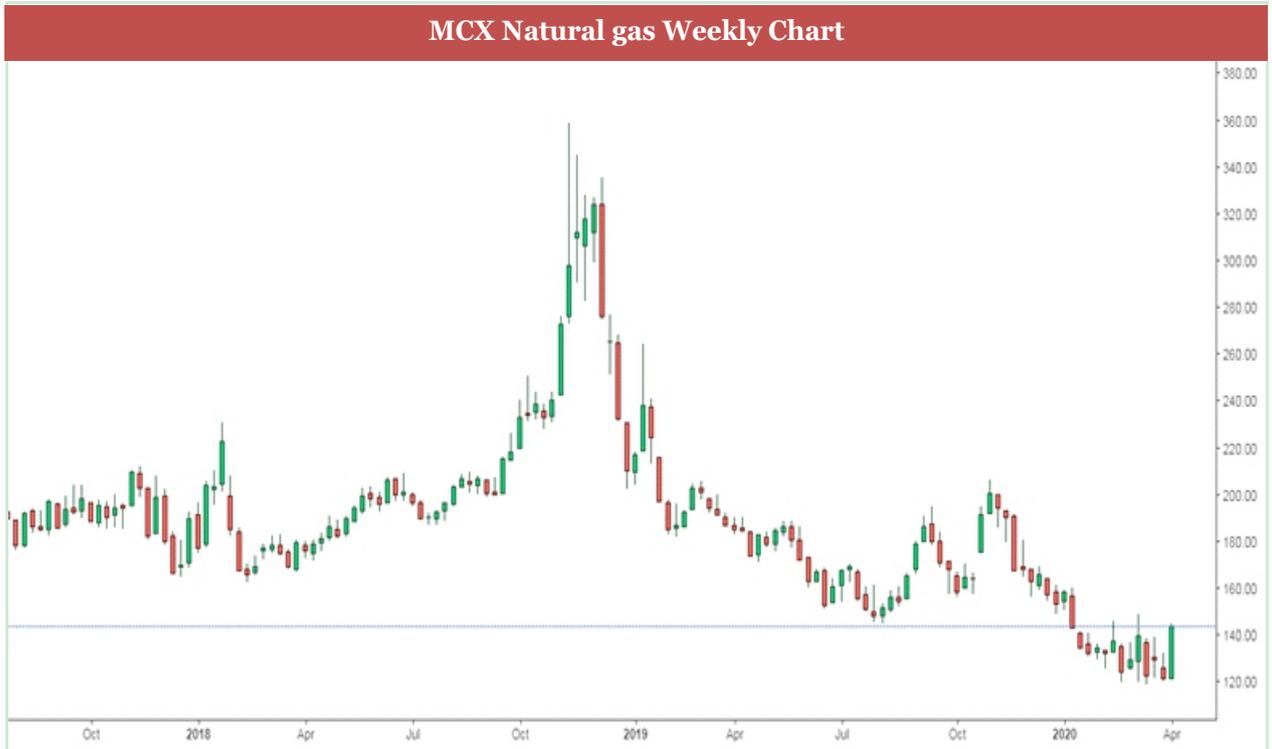
(April 2020)



Moneywise. Be wise.

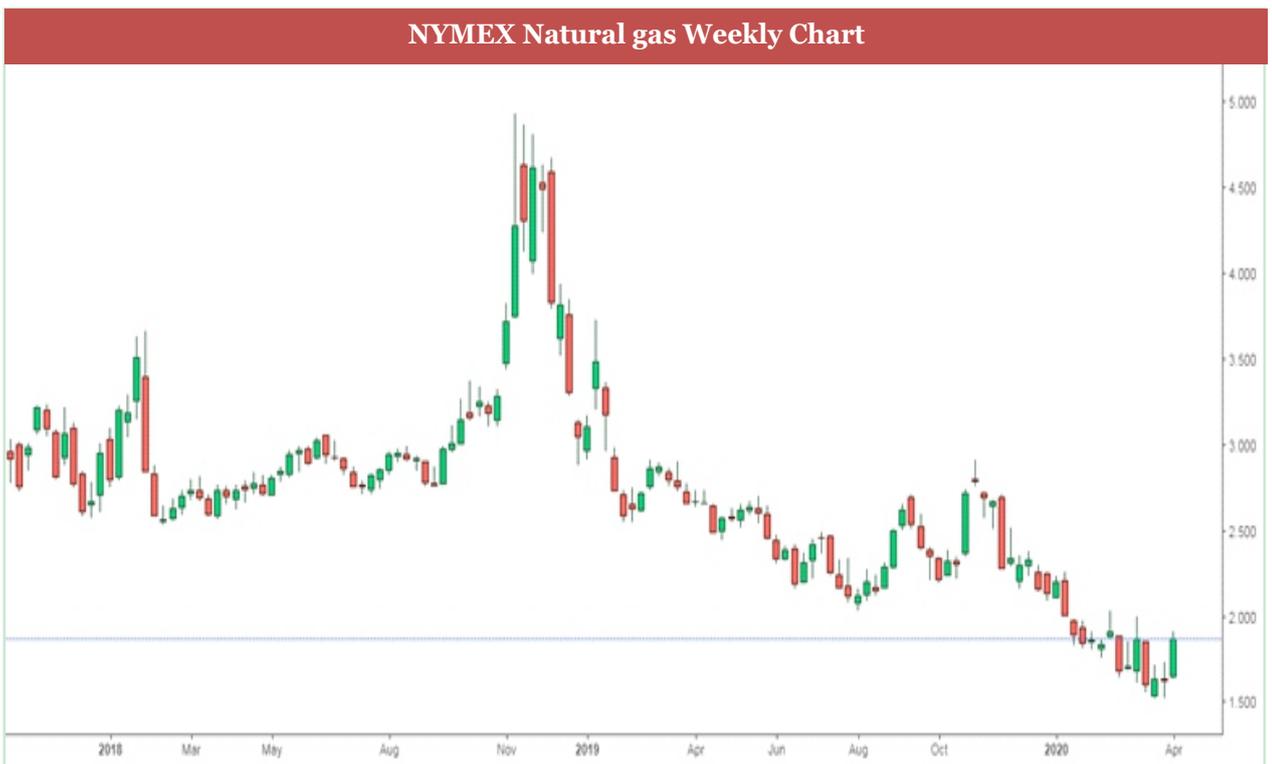


Hot Pick of the Month



Source: Investing

Recommendation: Investors can Buy Natural gas (Apr) in range of 135-140 for the upside target of 165-170 with stop loss of 120.



Source: Investing

ENERGY COMPLEX

Overview

In the month of March also crude oil prices continues its downside journey due to fear of slowdown in demand due to widespread Coronavirus concerns across the whole world. Overall its prices fell more than 50 percent last month to below \$20 in NYMEX and below 1600 in MCX. Coronavirus pandemic sharply dented global fuel demand as some recovery was seen as world leaders promised a massive injection of funds to limit the economic fallout from the coronavirus pandemic, despite fears the outbreak will destroy demand for oil. Leaders of the Group of 20 major economies pledged to inject over \$5 trillion into the global economy to limit job and income losses from the coronavirus and “do whatever it takes to overcome the pandemic. Fuel demand is expected to fall sharply worldwide in the second quarter with aviation largely at a halt and road travel severely curtailed. Threats of increasing supplies by OPEC and Russia are other downside risks for the market after the Organization of the Petroleum Exporting Countries and Russia failed to extend an agreement to cut production and support prices beyond end-March. Moreover the demand for oil products, especially jet fuel, is falling worldwide as more governments announce nationwide lockdowns to curb the spread of the coronavirus, putting a lid on oil price gains. International Energy Agency stated that with the pandemic shutting in around 3 billion people around the world, crude-oil demand was set to plunge by 20 million barrels a day in the first half of 2020.

Outlook

Crude oil may remain under pressure but short covering at lower levels can be seen as prices have fallen very steeply in recent months. U.S. President Donald Trump stated that he had brokered a deal between Saudi Arabia and Russia to cut output, but made no offer to reduce U.S. production. But there will be skepticism over whether a deal to call off a

damaging Saudi-Russian price war would go ahead if there was no cooperation from other producers including the United States. Trump stated that he had spoken with both Saudi Crown Prince Mohammed bin Salman and Russian President Vladimir Putin and said he expected they would cut oil output by as much as 10 million to 15 million barrels per day (bpd). With the coronavirus pandemic worsening, the global market is facing a huge oversupply of around 25 million bpd. Cutting 10 million bpd of supply would at least help ease a shortage of crude storage capacity. Saudi Arabia, de facto leader of the Organization of Petroleum Exporting Countries (OPEC), planned to boost its oil exports to 10.6 million barrels per day (bpd) from May on lower domestic consumption. Global oil refiners, meanwhile, have cut their production due to the slump in demand for transportation fuel, with European refineries slashing output by at least 1.3 million barrels per day (bpd).

Crude oil can witness some further recovery on hope of deal between Saudi Arabia and Russia to cut output. Overall it can recover towards 2200-2300 while taking support near 1700-1600 on domestic bourses. In international market it can recover towards \$35 while taking support near \$19.

Key News

U.S. pushes back on call by OPEC+ to join big oil output cuts

Saudi Arabia, Russia and allied oil producers will agree to deep cuts to their crude output at talks this week only if the United States and several others join in with curbs to help prop up prices that have been hammered by the coronavirus crisis. However, the U.S. Department of Energy noted in a statement that U.S. output is already falling without government action, in line with the White House's insistence that it would not intervene in the private markets. That decline, however, would take place slowly, over the course of the next two years. While Saudi Arabia, Russia and other members of the group known as OPEC+ have expressed willingness to return

to the bargaining table, they have made their response conditional upon actions by the United States and other countries that are not members of OPEC. No agreement has yet been formalised.

U.S. oil output to drop, demand to plunge more than 1 mln bpd in 2020 -EIA

U.S. crude production is expected to slump by 470,000 barrels per day (bpd) and demand is set to plunge by about 1.3 million bpd in 2020, the U.S. Energy Information Administration (EIA) stated.

EIA estimates

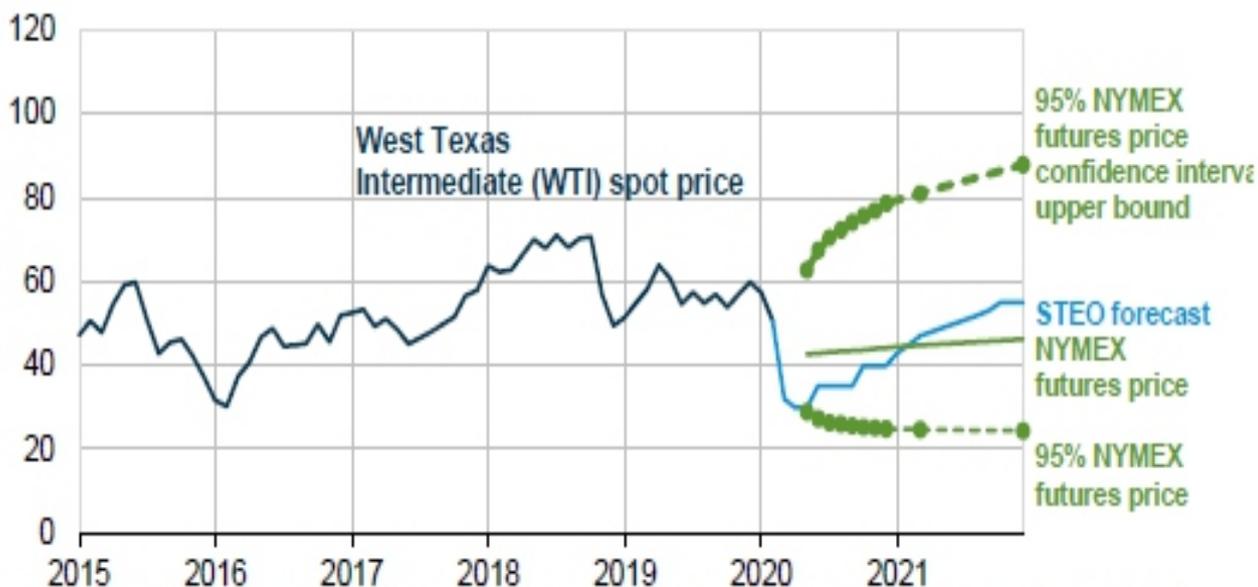
EIA’s forecast assumes that OPEC will target market share instead of a balanced global oil market. EIA forecasts OPEC crude oil production will average 29.2 million barrels per day (b/d) from April through December 2020, up from an average of 28.7 million b/d in the first quarter of 2020. EIA forecasts OPEC crude oil production will rise to an

average of 29.4 million b/d in 2021.

EIA expects global petroleum and liquid fuels consumption will average 99.1 million b/d in the first quarter of 2020, a decline of 0.9 million b/d from the same period in 2019. EIA expects global petroleum and liquid fuels demand will rise by less than 0.4 million b/d in 2020 and by 1.7 million b/d in 2021.

EIA forecasts U.S. crude oil production will average 13.0 million b/d in 2020, up 0.8 million b/d from 2019, but then fall to 12.7 million b/d in 2021. The forecast decline in 2021 is in response to lower oil prices and would mark the first annual U.S. crude oil production decline since 2016. EIA models show oil prices affect production after about a six-month lag. Despite forecast annual average growth of 0.8 million b/d in 2020, EIA expects monthly U.S. crude oil production to begin declining around May, with production falling from 13.2 million b/d in May to 12.8 million b/d in December 2020.

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



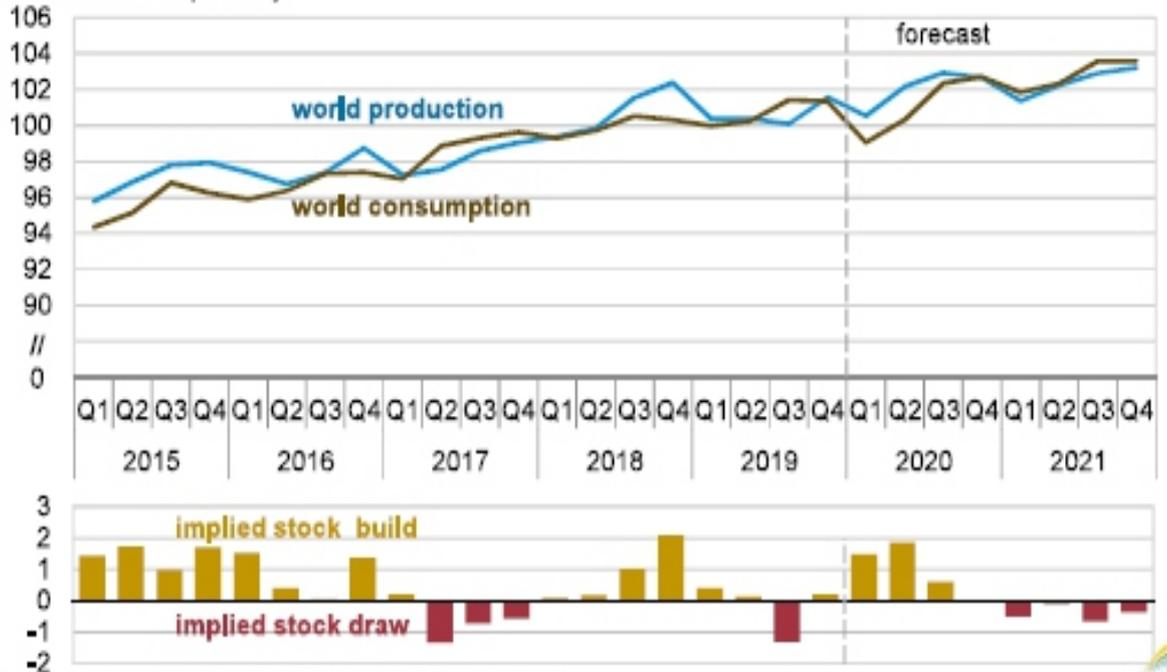
Note: Confidence interval derived from options market information for the five trading days ending Mar 9, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.

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



World liquid fuels production and consumption balance

million barrels per day

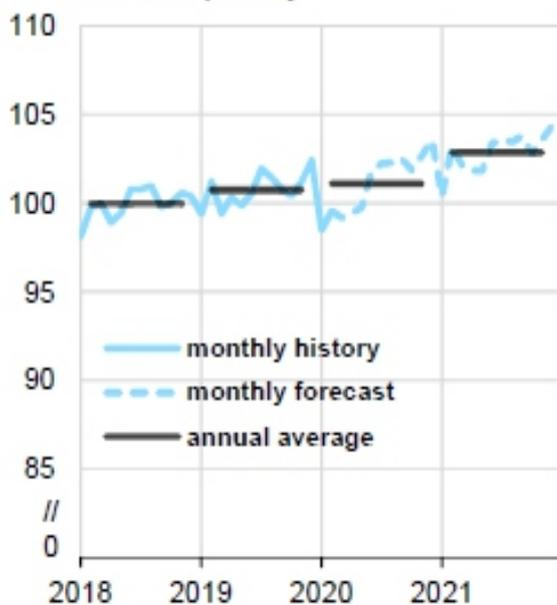


Source: Short-Term Energy Outlook, March 2020



World liquid fuels consumption

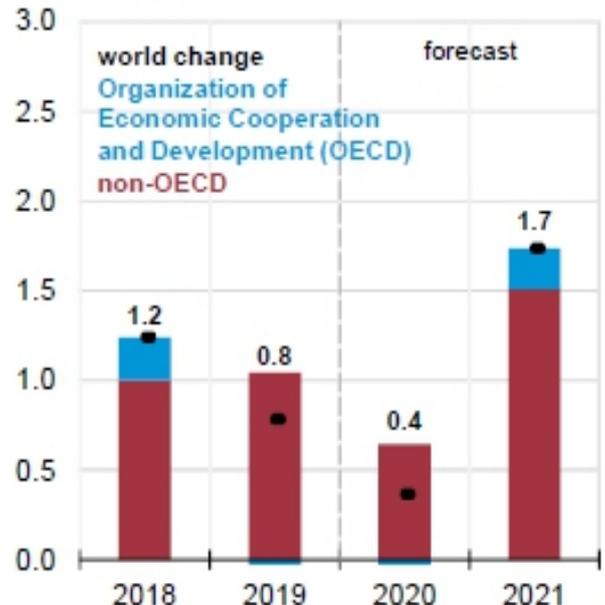
million barrels per day



Source: Short-Term Energy Outlook, March 2020

Components of annual change

million barrels per day



Natural Gas

Overview

Natural gas continued to plunge lower on decline in demand as prices traded in range of \$1.53-2.01 in NYMEX and 118.50-148.20 in MCX in the month of March. Recently Natural gas has seen sharp bounce back from lower levels as colder trends in the overnight weather data helped natural gas futures extend their recent run higher. Also supporting natural gas prices is the prospect of longer-term cuts to associated gas supply as the collapse in oil prices has prompted a swift reduction in drilling activity. It is estimated that the low oil prices could “radically” alter the trajectory of gas supply in North America, leading to an 8-10 Bcf/d drop in associated gas volumes by the end of 2021. The impact to gas demand is only likely to grow in April as more industries are forced to close plants due to the spread of the virus, either as workers test positive or amid low demand for products due to the macroeconomic uncertainty.”

Natural gas counter can continue to witness short covering as prices in MCX can bounce back towards 165-170 levels while taking support neat 120. In NYMEX it can test \$2.20 by taking support near \$1.55.

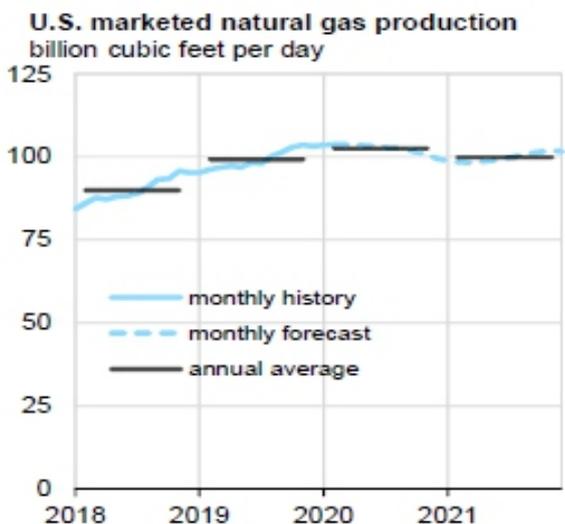
Short Term Weather Outlook

The Global Forecast System again trended colder overnight to add another 4-5 heating degree days to the outlook, while the forecast from the European model remained mostly unchanged, according to NatGasWeather. Both models “show a decent cool shot late this week across the northern U.S., a mild break late this weekend, then more impressive cold shots into the U.S. next week through the following weekend,” the forecaster said. Essentially, bullish weather trends held for (April 9) through April 19.

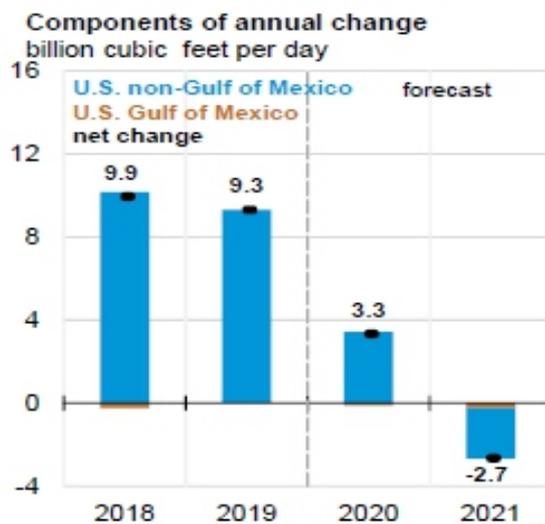
EIA estimates of Natural gas

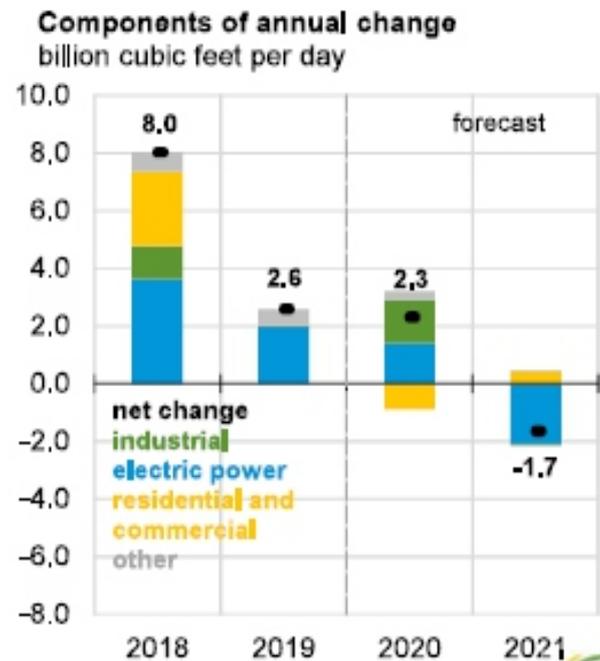
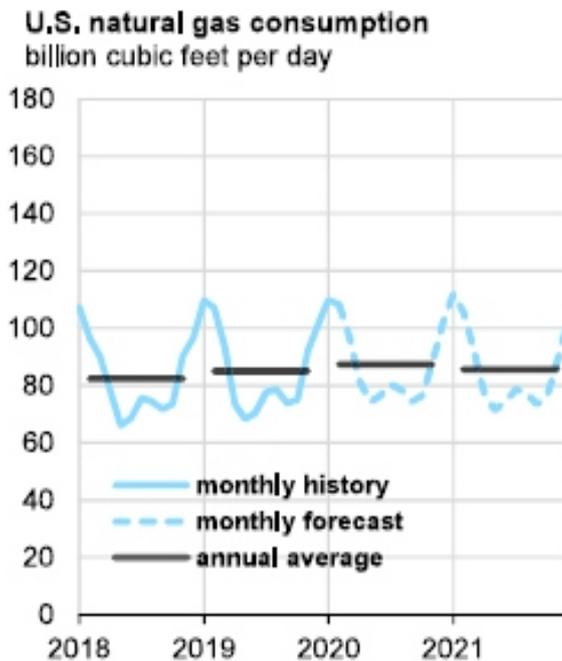
U.S. dry natural gas production set a record in 2019, averaging 92.2 billion cubic feet per day (Bcf/d). Although EIA forecasts dry natural gas production will average 95.3 Bcf/d in 2020, a 3% increase from 2019, EIA expects monthly production to generally decline through 2020, falling from an estimated 96.5 Bcf/d in February to 92.3 Bcf/d in December.

EIA expects Henry Hub natural gas spot prices to average \$2.11 per million British thermal units in 2020, 10 cents/MMBtu lower than last month’s forecast. EIA forecasts that U.S. liquefied natural gas exports will average 5.3 billion cubic feet per day (Bcf/d) in the second quarter of 2020 and 6.3 Bcf/d in the third quarter of 2020. These forecasts are 0.5 Bcf/d and 0.2 Bcf/d lower, respectively, than forecast in the February STEO because of less expected global demand for natural gas.



Source: Short-Term Energy Outlook, March 2020

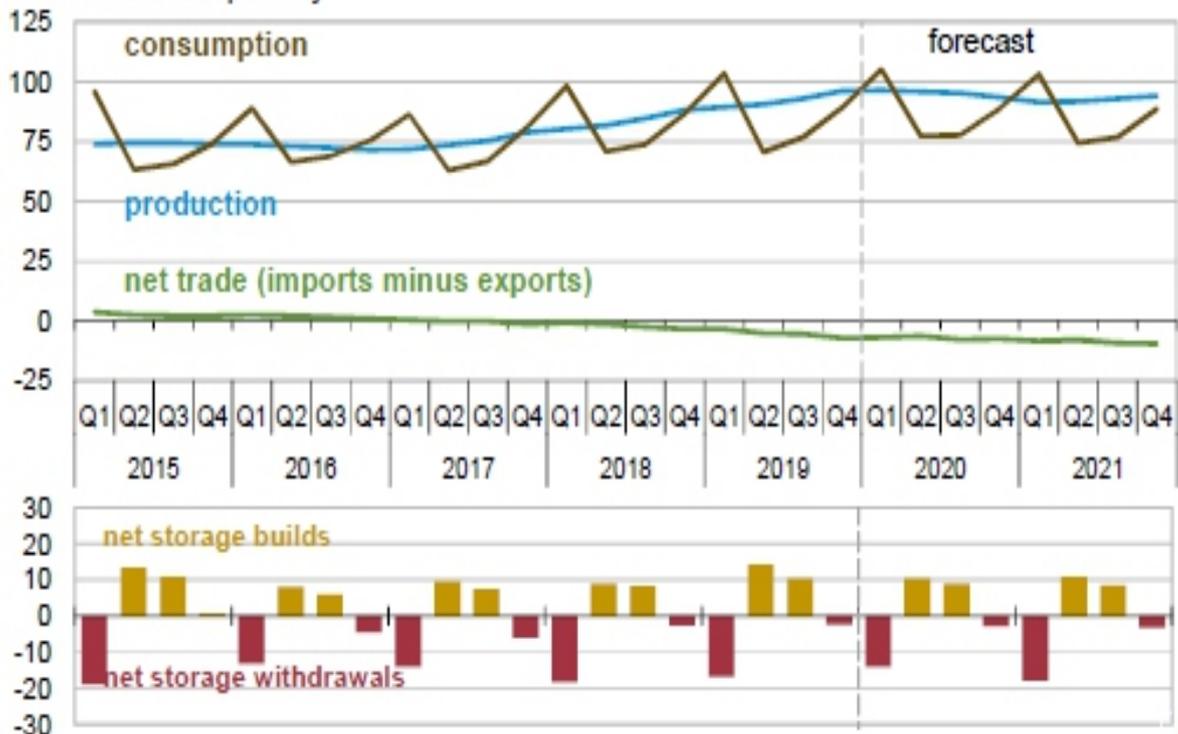




Source: Short-Term Energy Outlook, March 2020



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



Source: Short-Term Energy Outlook, March 2020



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