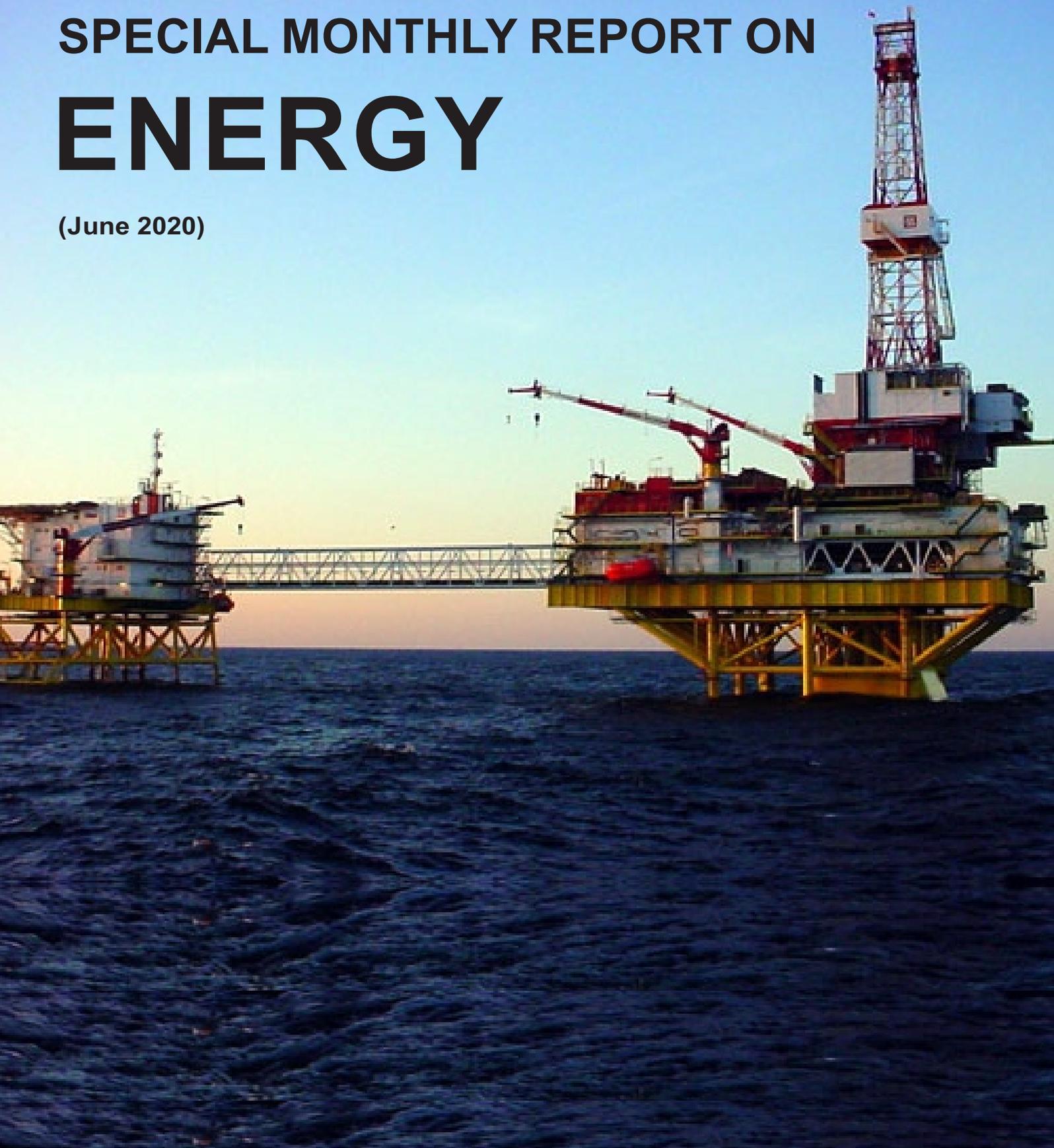


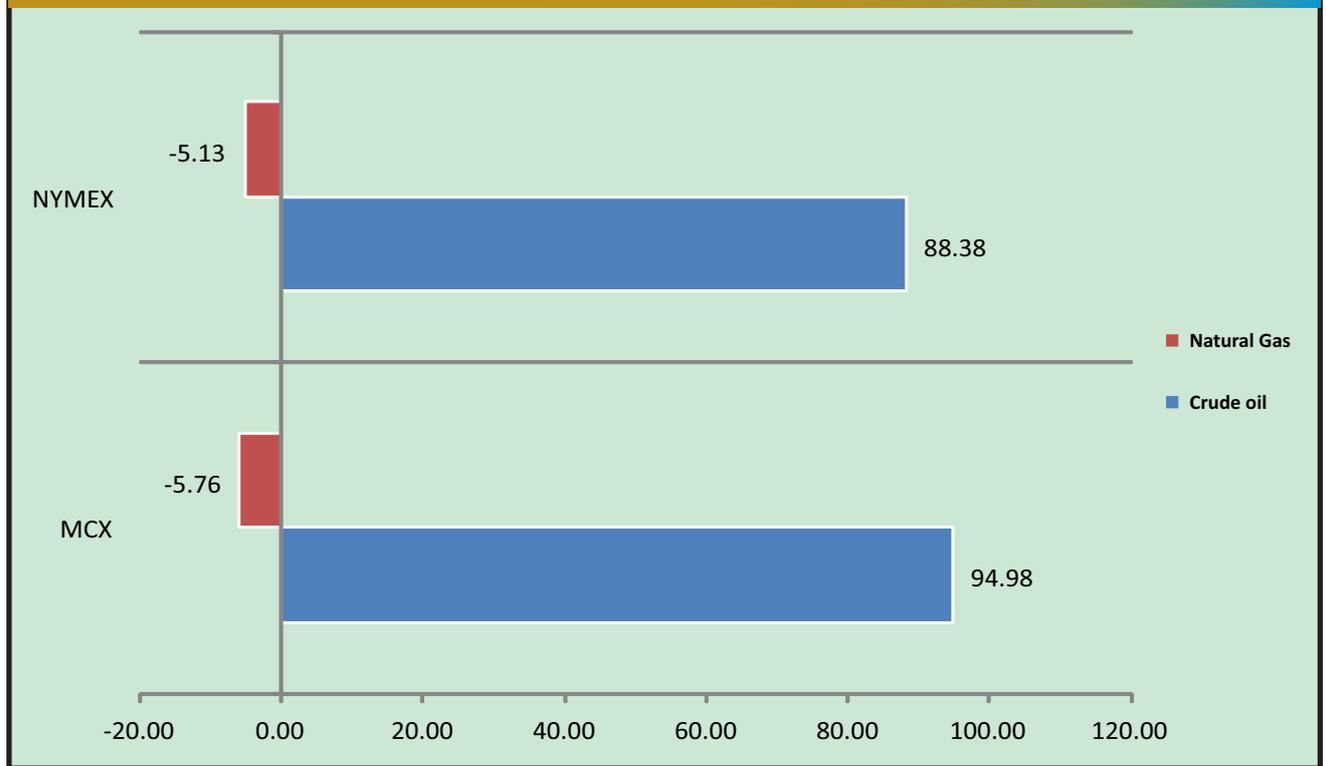
SPECIAL MONTHLY REPORT ON ENERGY

(June 2020)

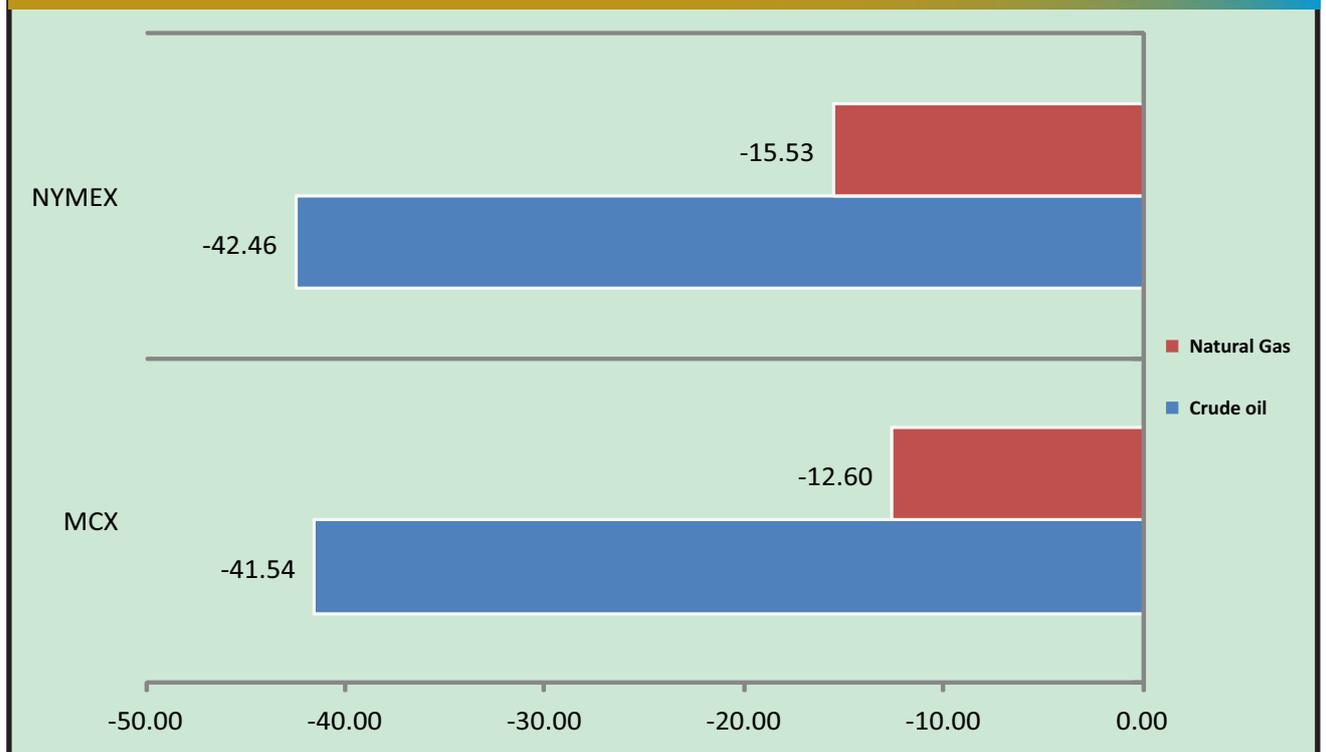


Moneywise. Be wise.

ENERGY PERFORMANCE (May 2020) (% change)



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



In the month of May, crude oil prices posted a gain of more than 88.4% the largest monthly increase on record since the contract's inception in 1983 after rebounding from their lowest levels in history when WTI crude futures fell to an all-time low in April and even went negative for a while, as the coronavirus pandemic destroyed demand amid ramped up production. Brent rose 96% in May. Both benchmarks are still down more than 40% on the year, as crude markets struggle to regain the demand loss of up to 30% experienced during the height of the coronavirus pandemic. Oil prices soared after it was confirmed that President Trump would continue with the Phase 1 trade agreement with Beijing.

There are various reasons but we emphasis on major four reason due to which crude oil surge to its highest. Member countries of the OPEC+ group, looking to shore up prices, have started to withhold output by almost 10 million barrels per day – the largest in history – from May 1. The collective cuts are in response to the unprecedented slump in demand due to the coronavirus outbreak, which led to crude's downward spiral. As per the agreement, Saudi Arabia (the OPEC cartel's biggest producer and exporter) is committed to reducing oil production by 4 million barrels a day from an April baseline.

The sharp decline in the oil rig count over the past few weeks, which currently sits at its lowest since 2009, also points to a near-term slowdown in domestic output.

Key News

Oil consumption in China on almost equal to pre covid-19

Asia's largest economy is leading a recovery in oil consumption, with demand in May almost back to levels seen before the coronavirus triggered stay-at-home orders. Chinese refineries are increasing operations to convert more crude into gasoline and diesel after factories reopened and millions of people returned to work following the easing of restrictions. Government policy dictating that the retail price of fuels won't be cut in line with sub-\$40 a barrel oil has also boosted refining margins in the country.

Two dozen or more crude-laden tankers are waiting to discharge at terminals on China's east coast that supply state-owned and independent refiners in the region, according shipbrokers and vessel-tracking data.

Production cut by OPEC + extended till July end

OPEC, Russia and allies, a group known as OPEC+, agreed to cut output by 9.7 million barrels per day (bpd), equivalent to 10% of global supply, for May and June. The group agreed on June 06, 2020 to extend those cuts to the end of July. Saudi Arabia and two other Gulf producers Kuwait and UAE said they would no longer continue their additional, voluntary cuts made on top of the quota commitments. For June, Saudi Arabia, Kuwait and the United Arab Emirates (UAE) had pledged to cut by 1.18 million bpd on top of that, with Riyadh forfeiting 1 million bpd.

Meanwhile, Azerbaijan has fulfilled obligations under the OPEC+ deal on cutting supplies, with the country's compliance to its production quota running at more than 98% in May, the energy ministry said. Iraq's new oil minister Ihsan Abdul Jabbar said his country is fully committed to cut its production in June and July in compliance with the OPEC+ deal, and also is committed to the production cut deal agreed after June and July.

Price hike by Saudi Aramco

Saudi state oil company Saudi Aramco hiked its July selling prices for crude grades to all destinations in a move likely to discourage buying for storage but rather could help to lower inventories. Prince Abdulaziz said the rise in Saudi crude selling prices could be seen as an indication of a return of global oil demand.

Weekly Price movement of crude oil in MCX



Source: Reuters

Looking ahead in Jun Crude oil prices continue to trade with bullish bias any dip towards 2420 considered as buying opportunity for upside we may see 3180.

Weekly Price movement of crude oil in NYMEX



Source: Reuters

United States oil production falling

Oil production in the United States has now fallen from 13.1 million bpd on March 13 to 11.4 million bpd for May 22, according to the Energy Information Administration—a drop of 1.7 million bpd—more than OPEC’s production cut agreement from last year.

China threatens trade retaliation

After the U.S. downgraded its status with Hong Kong, following Beijing’s new national security law in the territory, China is now threatening to curtail American farm purchases.

China approves \$20 billion mega petrochem project

In an effort at infrastructure stimulus, China is reviving a \$20 billion petrochemical project in Shandong province. “The 400,000 barrel-per-day (bpd) refinery and 3 million tonne-per-year ethylene plant in Yantai, Shandong, the country’s hub for independent oil refineries, was proposed years ago but approval has been slowing in coming because of China’s struggle with excess refining capacity,” Reuters reported.

Cost of shipping falls on production cuts

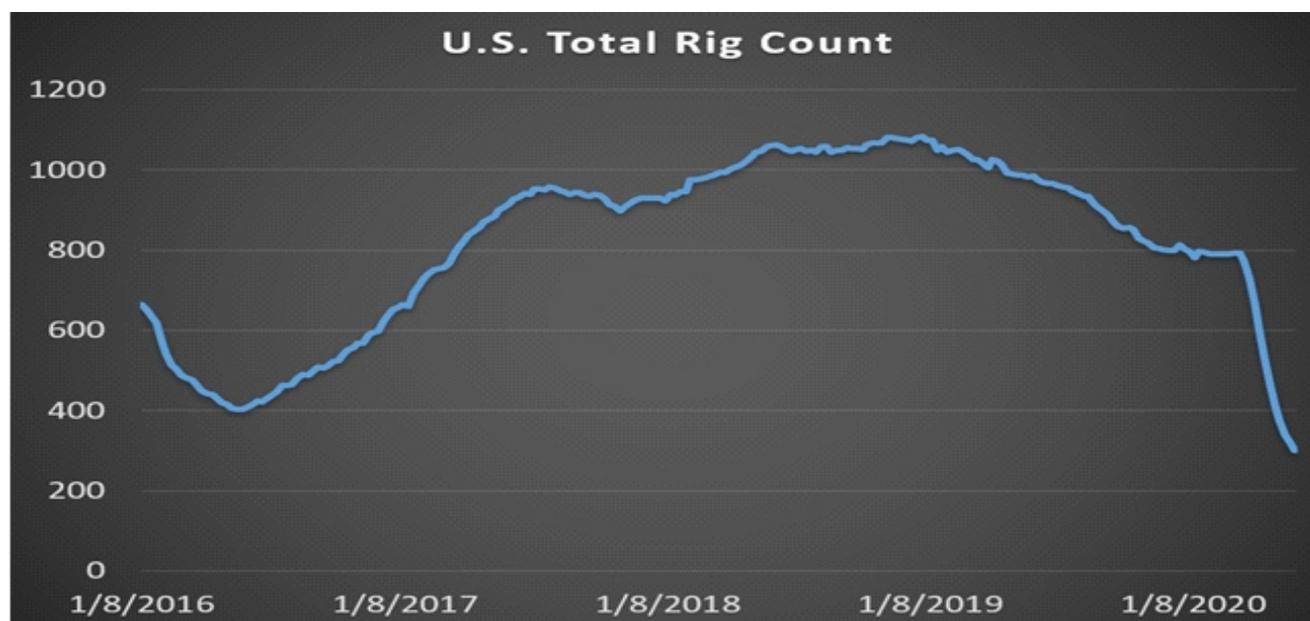
The sharp oil production cuts have led to a decrease in the cost of shipping. Prices for chartering an oil vessel fell 77 percent from the peak in March.

World oil demand

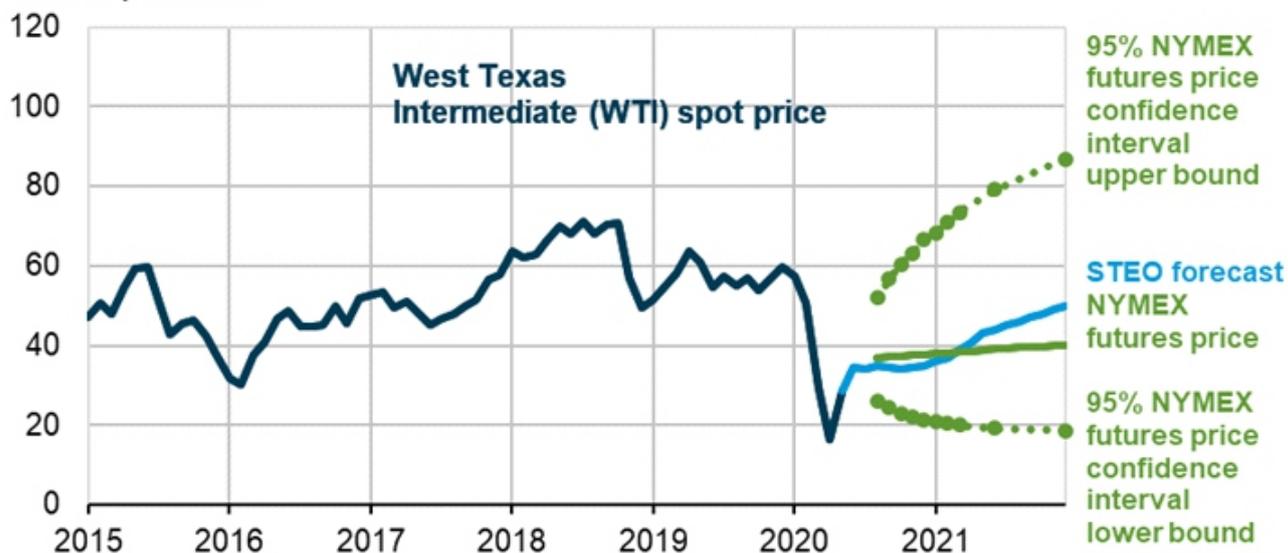
The U.S. Energy Information Administration cut its 2020 world oil demand growth forecast by 210,000 barrels per day to 8.34 million bpd. In its monthly forecast, the agency raised its oil demand growth estimate for 2021 by 190,000 bpd to 7.18 million bpd.

Drilling activity at lowest level since 1949

The total rig count fell to 301 rigs in week ended on May 29, 2020, the lowest level on record since 1949. As per Baker Hughes data, 222 oil rigs were in operation in the U.S.



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



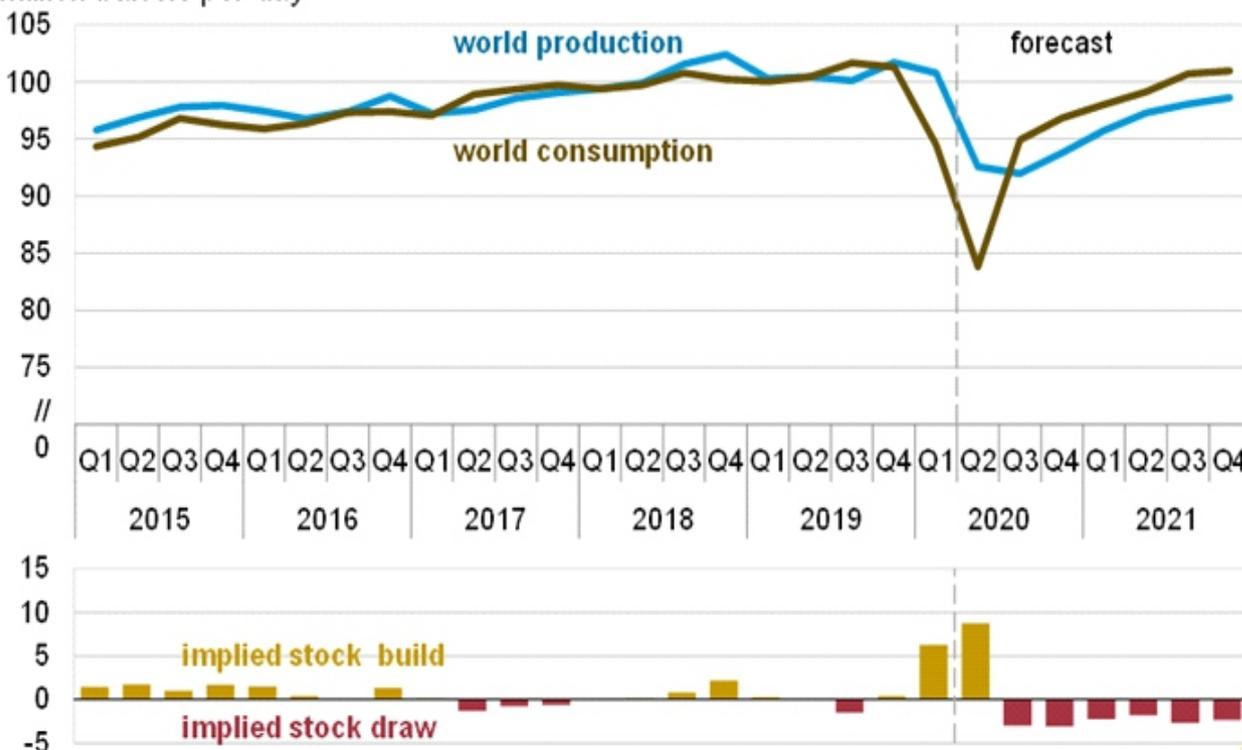
Note: Confidence interval derived from options market information for the five trading days ending Jun 4, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: Short-Term Energy Outlook, June 2020, CME Group, and Bloomberg, L.P.



World liquid fuels production and consumption balance

million barrels per day



Source: Short-Term Energy Outlook, June 2020



Natural Gas

Natural gas continues to trade in range 120-150. Break and sustain on any side of range will define the next trend for counter.

- The coronavirus crisis and a very mild winter in the northern hemisphere have put global natural gas demand on course for the biggest annual fall on record, the International Energy Agency said in its annual outlook.
- Global gas demand is expected to fall by 4%, or 150 billion cubic metres (bcm), to 3,850 bcm this year – twice the size of the drop following the 2008 global financial crisis.
- For the full year, more mature markets across Europe, North America and Asia are forecast to see the biggest drops in demand, accounting for 75% of the total fall in 2020.
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- The oil and gas industry is cutting spending and postponing investment decisions.
- As per Baker Hughes data at the end of May, 77 gas rigs were in operation in the U.S., down from 184 at this time in 2019. Falling production is bullish for the price of natural gas.

Weekly Price movement of Natural gas in MCX



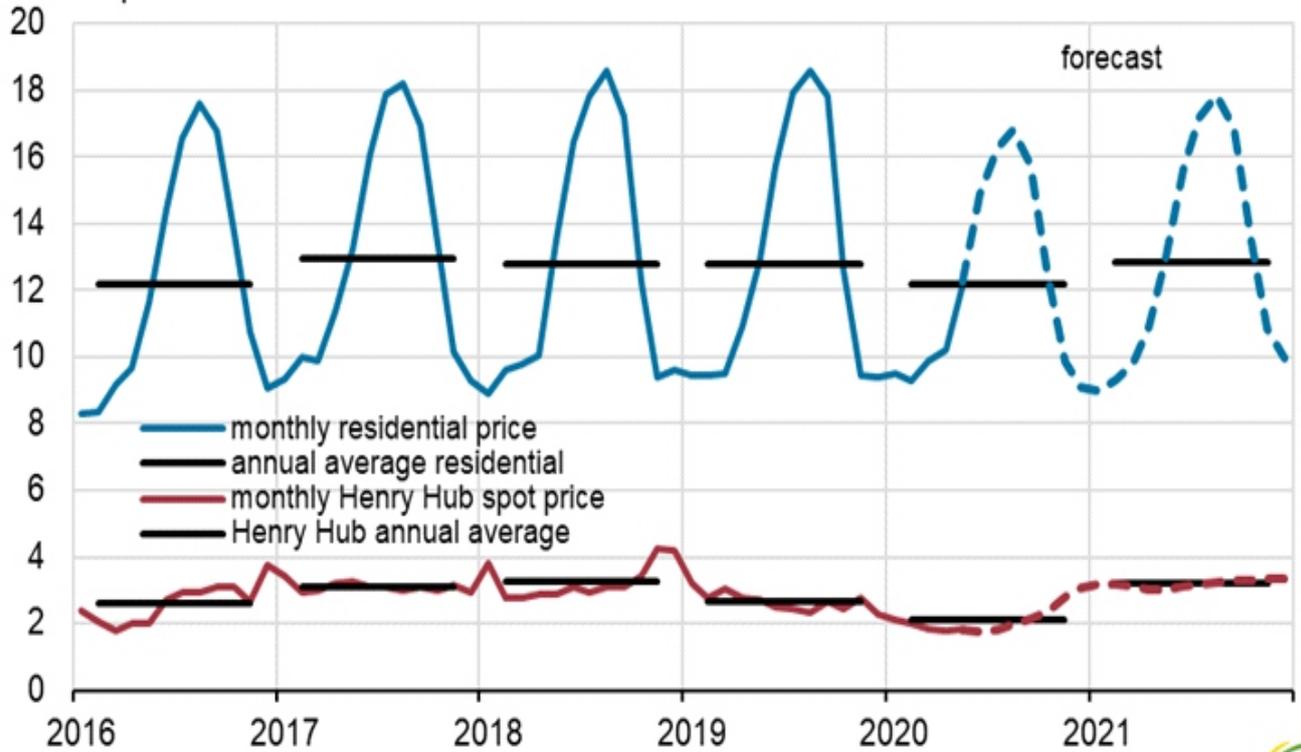
Source: Reuters

Weekly Price movement of Natural gas in NYMEX



Source: Reuters

U.S. natural gas prices dollars per thousand cubic feet



Sources: Short-Term Energy Outlook, June 2020, and Refinitiv

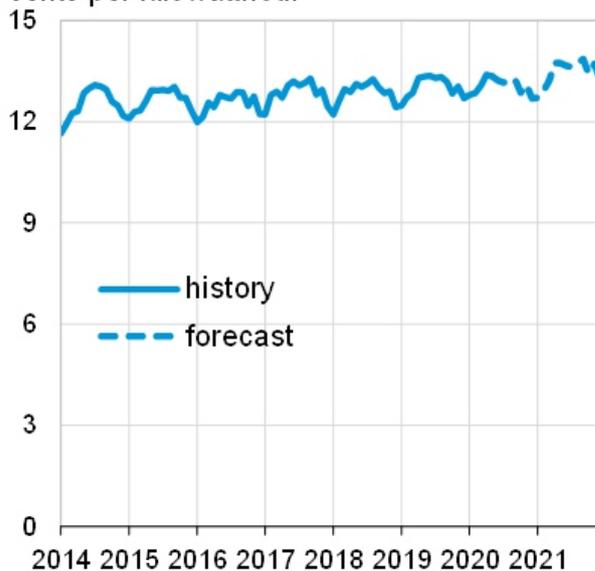


Estimates of EIA

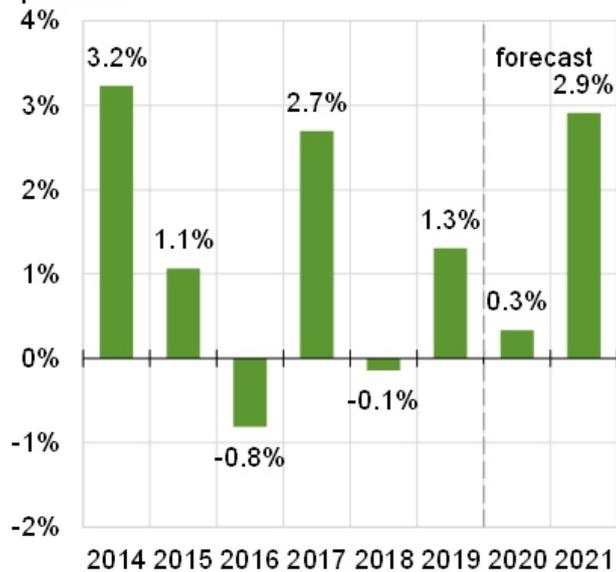
U.S. natural gas production and demand will drop in 2020 and 2021 from last year's record highs as government measures to slow the spread of coronavirus cut economic activity and energy prices, the U.S. Energy Information Administration (EIA) said in its Short Term Energy Outlook. EIA projected dry gas production will drop to 89.65 billion cubic feet per day (bcfd) in 2020 and 85.39 bcfd in 2021 from the all-time high of 92.21 bcfd in 2019. EIA also projected gas consumption would fall to 81.87 bcfd in 2020 and 78.66 bcfd in 2021, from a record 84.97 bcfd in 2019. That would be the first annual decline in consumption since 2017 and the first time demand falls for two consecutive years since 2006. EIA's gas supply projection for 2020 in June was lower than its May forecast of 89.84 bcfd, while its latest demand outlook for 2020 was higher than its May forecast of 81.69 bcfd. In June, the agency forecast U.S. liquefied natural gas exports would reach 5.70 bcfd in 2020 and 7.31 bcfd in 2021, up from a record 4.98 bcfd in 2019. That is flat to lower than EIA's May forecasts of 6.04 bcfd in 2020 and 7.31 bcfd in 2021.

EIA forecasts that Henry Hub natural gas spot prices will average \$2.04/MMBtu in 2020 and \$3.08/MMBtu in 2021.

U.S. monthly residential electricity price
cents per kilowatthour



Annual growth in residential electricity prices
percent



Source: Short-Term Energy Outlook, June 2020



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