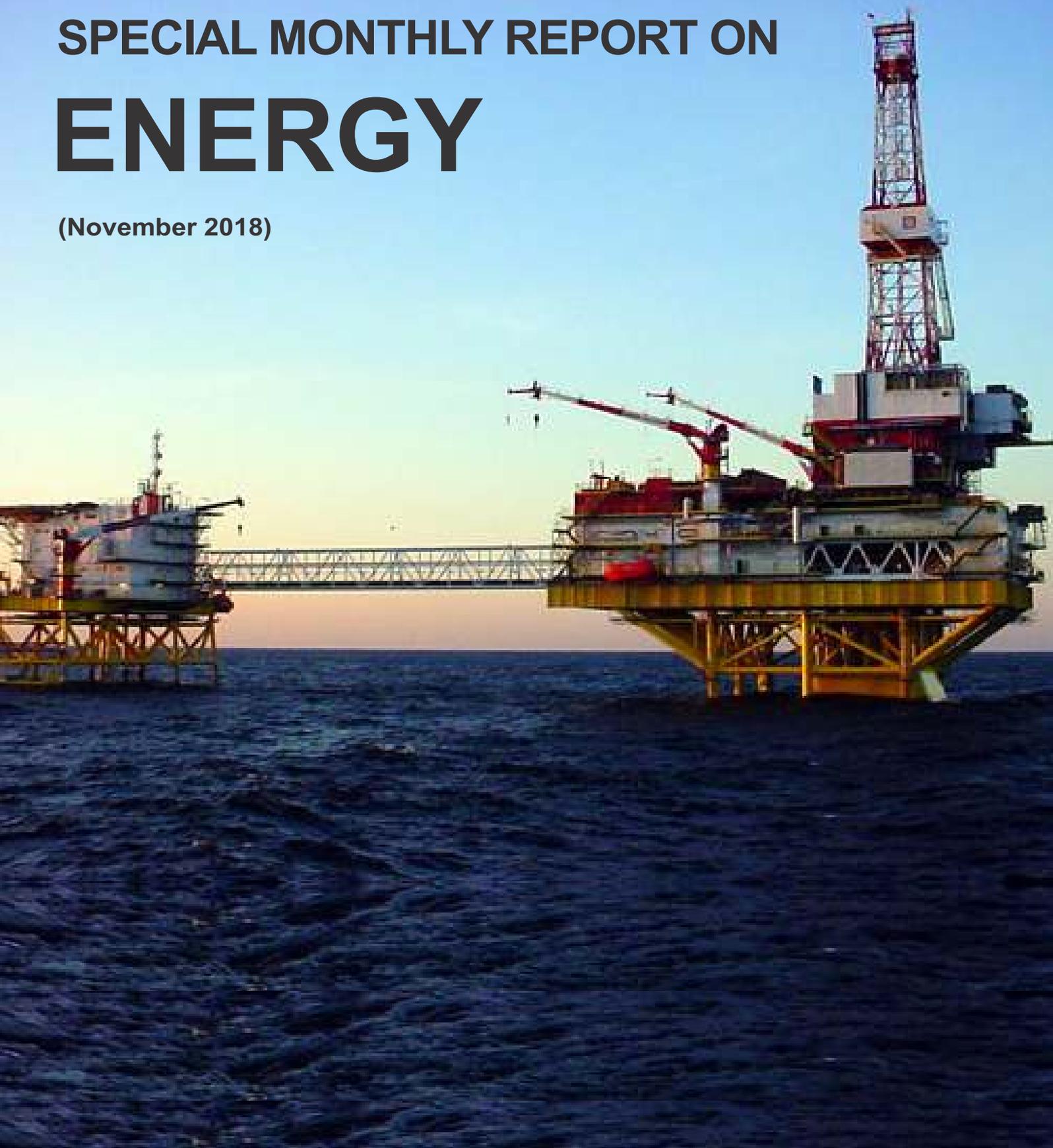


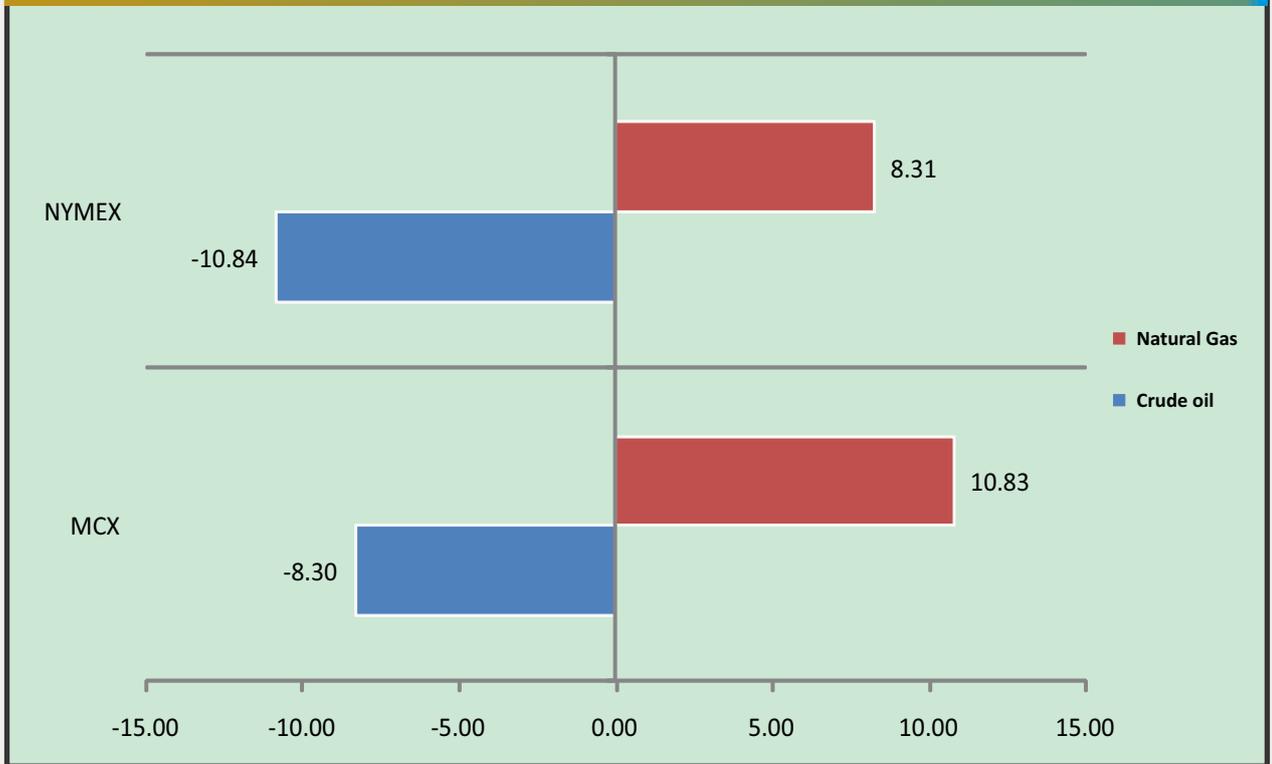
SPECIAL MONTHLY REPORT ON ENERGY

(November 2018)

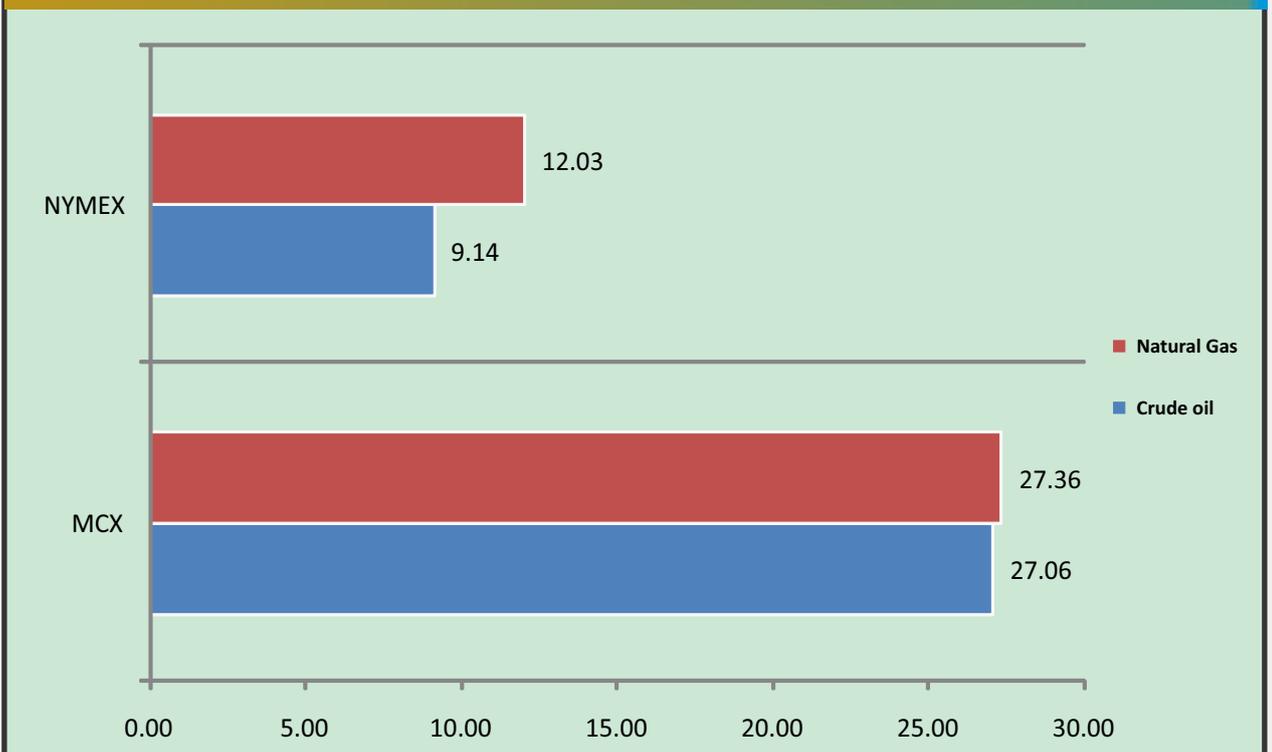


Moneywise. Be wise.

ENERGY PERFORMANCE (October 2018) (% change)



ENERGY PERFORMANCE (January - October 2018) (% change)



ENERGY COMPLEX

Overview

In the month of Oct crude oil prices traded sharply lower after Saudi Arabia's pledge to raise production to a record high, two weeks before US sanctions potentially choke off Iranian supplies. On the one side crude oil has been supported by reports that Iranian crude exports may be falling faster than expected deadline of Nov 4, the date U.S. sanctions on the commodity are due to start. While on the other hand fall in global stock markets can cap the upside. Overall it managed to hover in range of \$65.33-76.90 in NYMEX and 4819-5669 in MCX. Meanwhile, OPEC Secretary-General Mohammad Barkindo urged oil producing companies to increase capacities and invest more to meet future demand as spare oil capacity shrinks worldwide. Russian Government reported that it's no longer capping oil output increases by local producers, signaling that Moscow's supply-restraint pact with OPEC has effectively expired for now. On Saudi-U.S. tension, U.S. President gave Saudi Arabia benefit of the doubt in the disappearance of journalist Jamal Khashoggi even as U.S. lawmakers pointed finger at Saudi leadership.

Outlook

Crude oil prices may continue to remain downbeat as Saudi Arabia assured that markets would continue to meet customer demand for crude despite looming U.S. sanctions that are expected to reduce oil exports from Iran. Meanwhile, OPEC signaled that it may have to return to oil production cuts as global inventories rise that may further sour relations with U.S. President Donald Trump. Countries complied with 111% of pledged supply curbs in Sep compared to adherence of 129%, which means production has increased from August. Saudi Arabia reported that there could be need for intervention to reduce oil stockpiles after increases in recent months. The decline in prices over the past weeks follows a rally between August and October

when crude was pushed up ahead of the re-introduction of sanctions against Iran's oil exports on November 5. The huge decline was due to Trump administration, which announced it would issue waivers to eight countries, allowing them to continue importing Iranian crude for the next 180 days to eight importers - China, India, South Korea, Japan, Italy, Greece, Taiwan and Turkey. Meanwhile, U.S. output also hit an all-time high at 11.6 million bpd which kept pressure on prices. Elsewhere, prices got supported after Chinese crude imports eased concerns that slowdown in world's No.2 economy could stoke an emerging fuel glut.

Crude oil can continue to remain under pressure as its prices can face resistance near 4700 and support near 4200.

Key News

Increase in US rig count

U.S. rig count data continue to pressure crude prices after data from rig count which showed that U.S. energy firms added 12 oil rigs, bringing the total count to 886, the highest level since March 2015.

US crude oil production to rise

U.S. production will rise to record high 10.9 million bpd in 2018 and 12.1 million bpd in 2019 from 9.4 million bpd in 2017.

Highlights of latest EIA report

U.S. crude oil production is rising at a faster rate than EIA previously anticipated. Crude oil production reached a new monthly record of 11.3 million barrels per day (b/d) in August 2018 and surpassed 11 million b/d for the first time. August 2018 crude oil production was 290,000 b/d higher than expected in the October STEO. This higher level of production raised the baseline for EIA's forecast for 2019 crude oil production, and EIA now expects U.S. crude oil production to average 12.1 million b/d in 2019, compared with a forecast of 11.8 million b/d in the October.

EIA forecasts Brent crude oil prices to average \$72 per barrel (b) in 2019, which is \$3/b lower than previously forecast. EIA expects West Texas Intermediate crude oil prices to average \$65/b in 2019, which is \$5/b lower than previously forecast. The lower crude oil price forecasts are partly the result of higher expected crude oil production in the United States in the second half of 2018 and in 2019, which is expected to contribute to growth in global oil inventory and put downward pressure on crude oil prices.

Canadian oil production in July and August was higher than previously estimated, as updated analysis indicates that crude oil volumes EIA previously assumed were disrupted were online during those months. As a result, Canada's total liquid fuels production for the third quarter of 2018 is more than 0.3 million b/d higher than estimated in the October.

Brent WTI Spread



Source: Reuters

Analysis: Brent WTI crude oil spread widened from 8 to above 10.5. Overall it can hover in range of \$9-12 in the month of November.

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

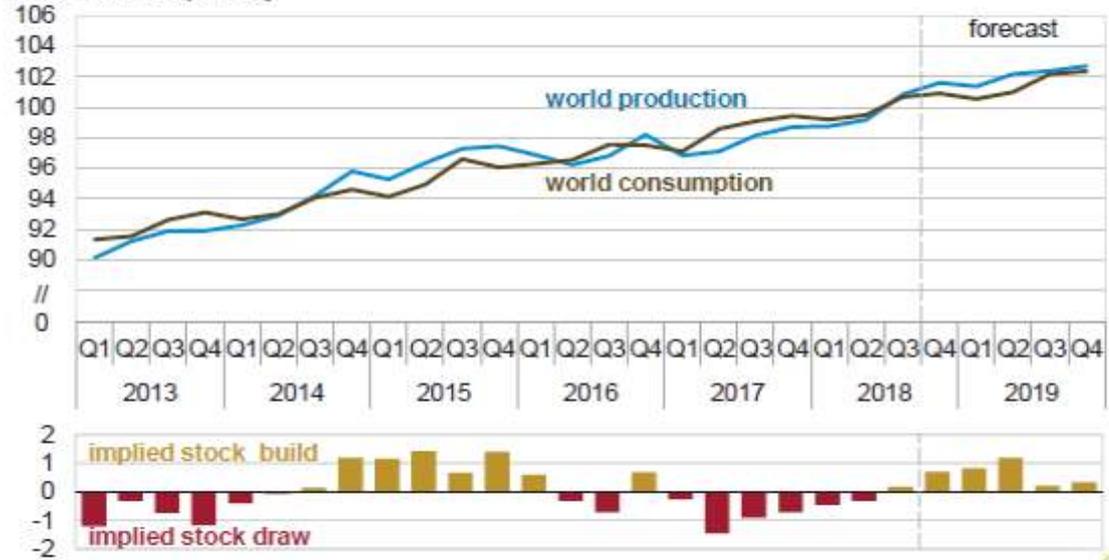


Note: Confidence interval derived from options market information for the five trading days ending Nov 1, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, November 2018, and CME Group



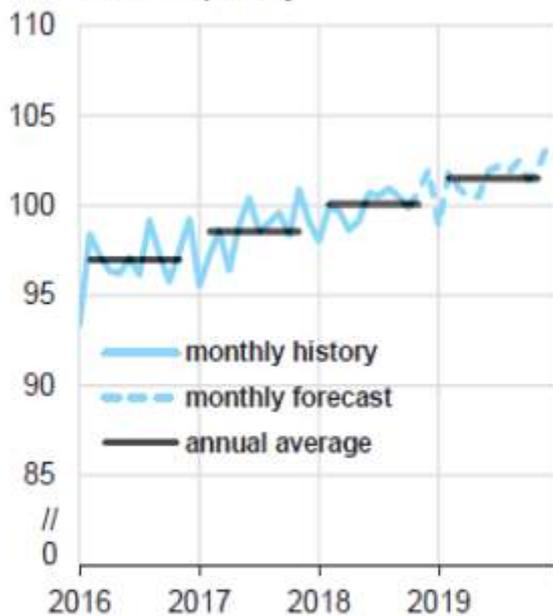
World liquid fuels production and consumption balance
million barrels per day



Source: Short-Term Energy Outlook, November 2018

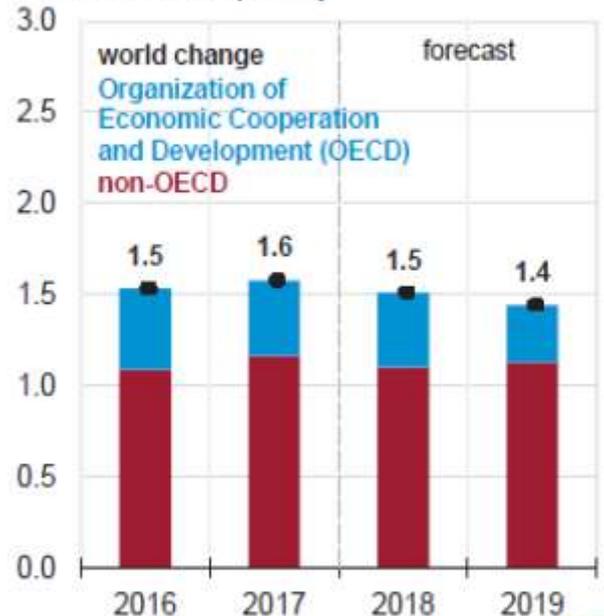


World liquid fuels consumption
million barrels per day



Source: Short-Term Energy Outlook, November 2018

Components of annual change
million barrels per day



Natural Gas

Overview

Natural gas traded on upside path on higher demand. Overall it traded in range of \$3.01-3.36 in NYMEX and 219.70-250.80 in MCX in the month of October. Recently natural gas got support on forecasts for more heating demand over the next two weeks than previously expected. Traders noted that heat should cut the amount of gas utilities will be able to inject into inventory to reduce the vast storage deficit before the start of the industry's winter heating season at the end of October. Natural gas prices also got support as colder than normal weather is forecast to move east generating additional heating demand during the balance of October.

Natural gas can trade with upside bias as it can take support near 240 and resistance near 290 in the month of November.

Natural Gas Prices Spike on Colder US Forecast

Natural gas prices spiked recently after a new long-term North American weather forecast found much higher heating demand than previously expected.

Short-Term Weather Outlook

According to NatGasWeather.com for the period November 9 to November 15, "Cold air will continue to spread across the Great Lakes and east-central U.S. today, including into portions of Texas and the South. Lows behind the cold front will reach the teens to 30's, locally single digits. The East will be mild again today with highs mostly of 50s to 70s, but

cooling this weekend into the 30s to near 50F. The southern U.S. will be mild to warm with highs of upper 40s to 60s, locally 70s. California and the Southwest will be warm with highs of 60s to 80s, while colder over the interior West. Overall, demand will be high, locally very high."

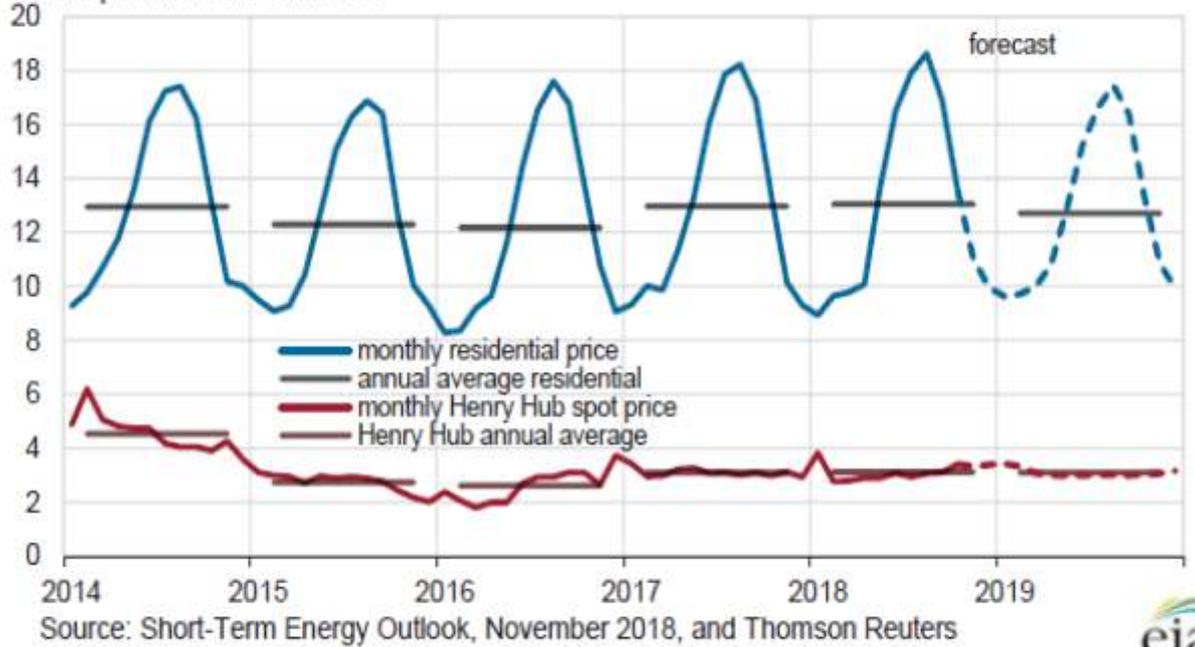
EIA estimates of Natural gas

EIA estimates dry natural gas production in the United States averaged 86.9 billion cubic feet per day (Bcf/d) in October, up 0.7 Bcf/d from September. EIA forecasts that dry natural gas production will average 83.2 Bcf/d in 2018, up 8.5 Bcf/d from 2017. Both the level and growth of natural gas production in 2018 would establish new records. EIA expects natural gas production will continue to rise in 2019 to an average of 89.6 Bcf/d.

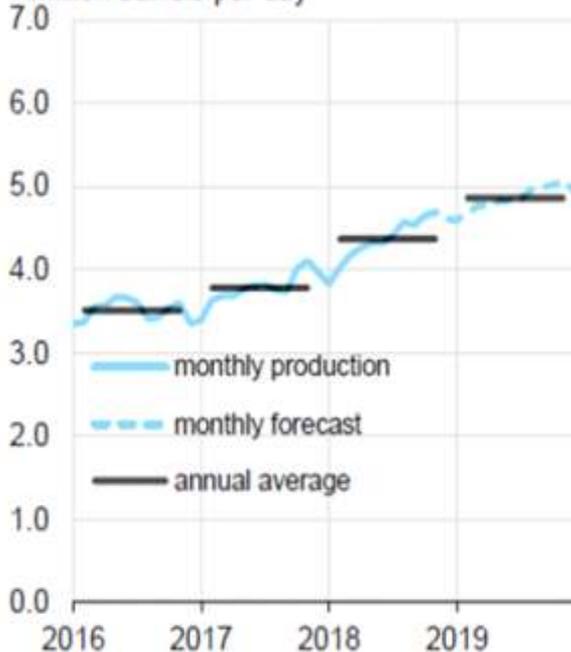
EIA estimates that U.S. natural gas storage inventories were 3.2 trillion cubic feet (Tcf) at the end of October. This level was 16% lower than both the 2017 end-of-October level and the five-year (2013-17) average for the end of October and was the lowest end-of-October level since 2005.

Despite low storage levels, EIA expects strong growth in U.S. natural gas production to put downward pressure on prices in 2019. EIA expects Henry Hub natural gas spot prices to average \$2.98/million British thermal units (MMBtu) in 2019, down 4 cents from the 2018 average and down from a forecast average price of \$3.25/MMBtu in the fourth quarter of 2018. NYMEX futures and options contract values for February 2019 delivery traded during the five-day period ending November 1, 2018, suggest a range of \$2.06/MMBtu to \$4.94/MMBtu encompasses the market expectation for February Henry Hub natural gas prices at the 95% confidence level.

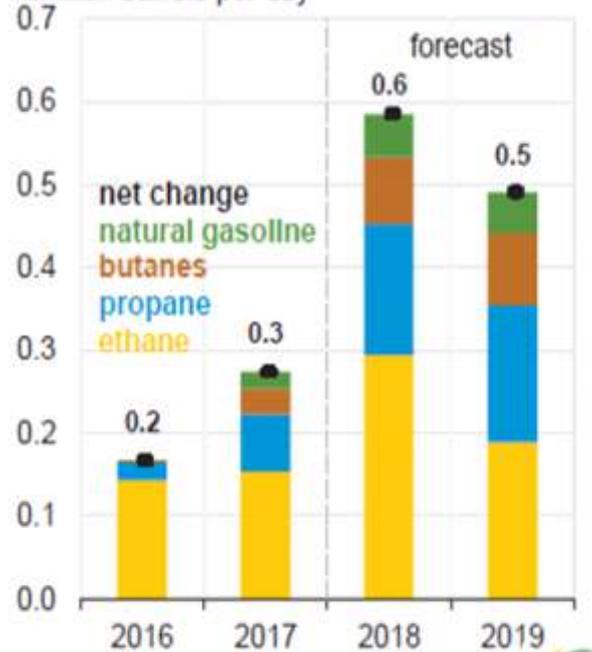
U.S. natural gas prices
dollars per thousand cubic feet

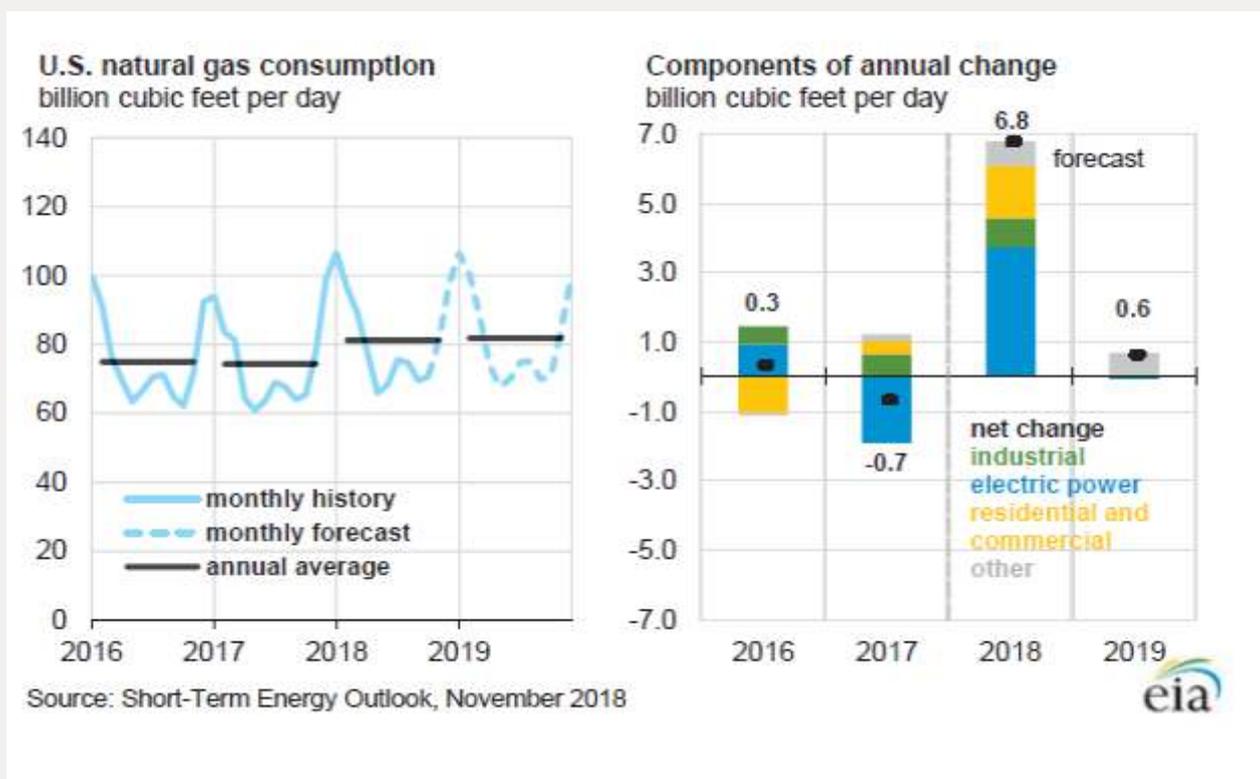


U.S. natural gas plant liquids production
million barrels per day



Components of annual change
million barrels per day





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