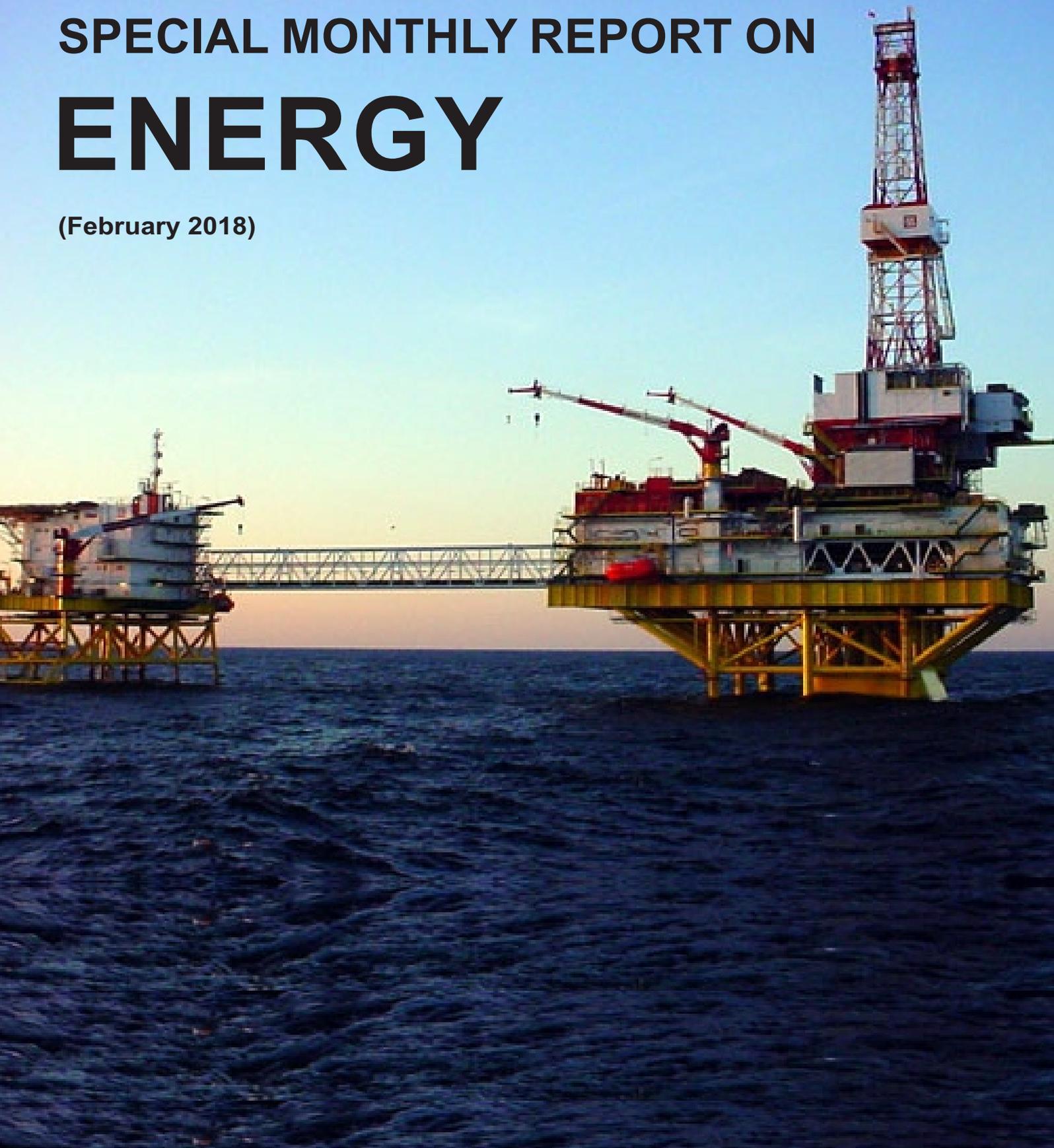
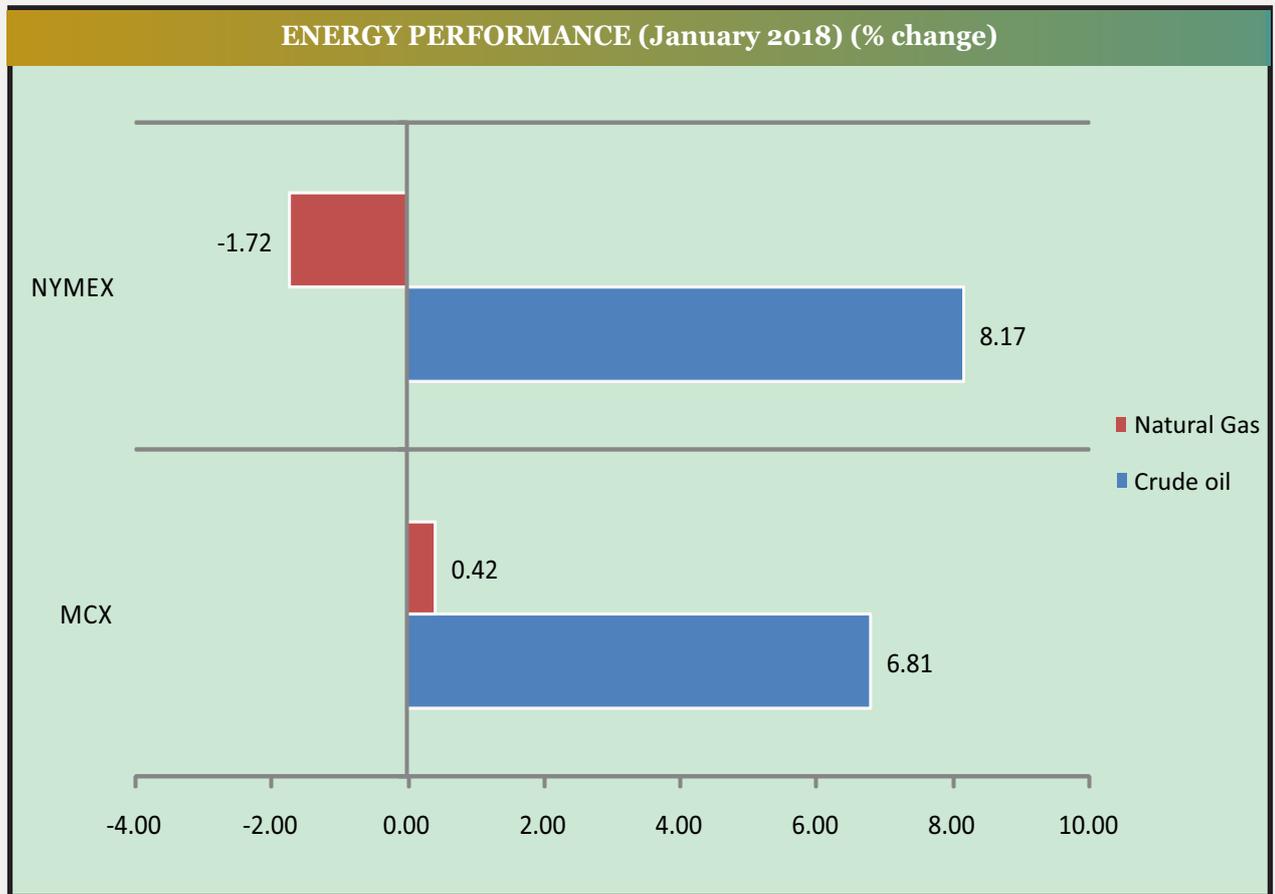


SPECIAL MONTHLY REPORT ON ENERGY

(February 2018)



ENERGY PERFORMANCE (January 2018) (% change)



ENERGY COMPLEX

Overview

In the month of January crude oil prices ended on positive path as it managed to hover in range of \$60.10-66.66 in NYMEX and 3782-4271 in MCX. Russian Energy Minister Alexander Novak stated that the oil market was not yet balanced and that the global deal to cut output should continue as the price rise could be due to cold weather. EIA forecasted that US shale oil production will grow by 111,000 barrels a day to 6.55 million bpd in Feb, a new record. Permian Basin in Texas and New Mexico will account for most of gains. Oil prices remain near three year highs as OPEC producers plan to keep their oil output below year-ago level in Q1 despite strong demand and decline in global inventories.

Outlook

Crude oil futures are expected to trade on upside path in the month of February but some profit booking cannot be denied at higher levels. Meanwhile decline in inventories, healthy global economic growth and OPEC countries strong compliance towards production cut can continue to give support to the prices. **Overall crude oil can move in range of 3750-4400 in the month of February.** According to the Energy Information Administration "U.S. crude stocks fell for a record 10th straight week as levels at the Cushing, Oklahoma hub continued to draw down to three-year lows, while gasoline and distillate inventories rose". Crude stocks at the Cushing, Oklahoma, delivery hub for U.S. crude futures fell by 3.2 million barrels to 39.2 million, their lowest since January 2015. Crude inventories rose by 4.8 million barrels in the week to Jan. 19 to 416.2 million after nine weeks of drawdowns, compared with expectations for a decrease of 1.6 million barrels.

Crude Oil Speculators Boost Bullish Net Positions Higher For 4th Week

Large energy speculators once again raised their bullish net positions to another new record high in the Crude Oil WTI Futures markets this week, according

to the latest Commitment of Traders (COT) data released by Commodity Futures Trading Commission (CFTC).

US overproduction can cap crude oil prices

Despite efforts led by the Organization of the Petroleum Exporting Countries (OPEC) and Russia to withhold production since January last year in order to tighten the market and prop up prices, crude supplies remain relatively ample. That's largely due to soaring US oil production, which has jumped by almost 18 per cent since mid-2016 to 10 million barrels per day (bpd) - surpassing output by leading exporter Saudi Arabia.

US oil rigs rising and refinery can go for maintenance

What's more, there are indications that US oil production will rise further: the amount of rigs drilling for oil fields rose to 765 by late January, easily more than double the 316 that were in operation during 2016's production lull. There is also a seasonal downturn to demand, as many refineries shut down for maintenance following the upcoming end to the peak consumption winter heating season in the northern hemisphere.

Highlights of latest IEA report

U.S. crude oil production averaged an estimated 9.3 million barrels per day (b/d) in 2017 and is estimated to have averaged 9.9 million b/d in December. U.S. crude oil production is forecast to average 10.3 million b/d in 2018, which would mark the highest annual average production in U.S. history.

Global Petroleum and Other Liquid Fuels Consumption

Global consumption of petroleum and other liquid fuels grew by 1.4 million b/d in 2017, reaching an average of 98.4 million b/d for the year. Although the rate of consumption growth slowed in 2017 compared with 2016, EIA expects that consumption growth will average 1.7 million b/d in 2018 and almost 1.7 million b/d 2019, driven by the countries outside of the Organization for Economic Cooperation and Development (OECD).

Non - OPEC Petroleum and Other Liquid Fuels Supply

EIA estimates that petroleum and other liquid fuels production increased by 0.7 million b/d in 2017 in countries outside of the Organization of the Petroleum Exporting Countries (OPEC). Combined production growth of 1.0 million b/d in the United States and Canada more than offset a decrease of 0.3 million b/d among the rest of the non-OPEC producers. EIA expects non-OPEC petroleum and other liquid fuels production to rise by 2.0 million b/d in 2018 and by 1.3 million b/d in 2019. The forecast production growth is centered in the Americas, as U.S. production growth is forecast to average 1.5 million b/d in 2018 and 1.0 million b/d in 2019.

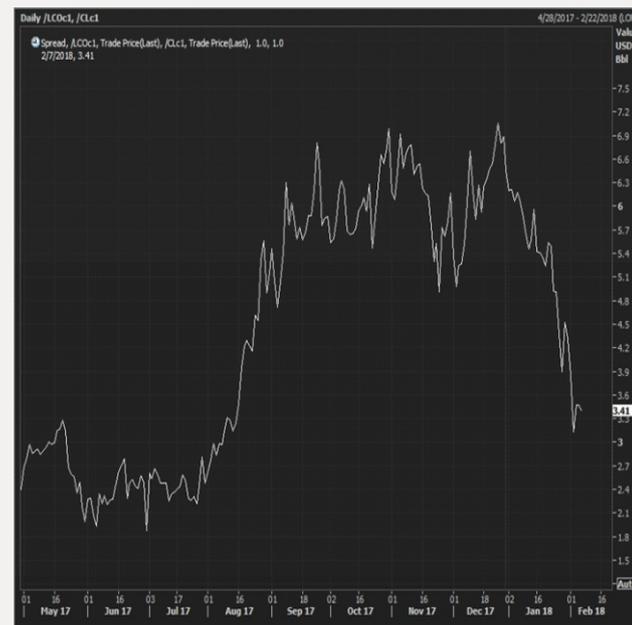
Consumption

Total U.S. petroleum and other liquid fuels consumption is forecast to average 20.3 million barrels per day (b/d) in 2018, an increase of 470,000 b/d (2.4%) from the 2017 level. Consumption is forecast to grow by 340,000 b/d (1.7%) in 2019.

Supply

EIA forecasts total U.S. crude oil production to average 10.3 million b/d in 2018, up 1.0 million b/d from 2017. If achieved, forecast 2018 production would be the highest annual average on record, surpassing the previous record of 9.6 million b/d set in 1970. In 2019, crude oil production is forecast to rise to an average of 10.8 million b/d.

Brent WTI Spread



Source: Reuters

Analysis: Brent WTI crude oil spread can hover in range of \$2.1-5.1 in the month of February.

Crude oil may trade on upside path due to coordinated efforts by OPEC nations for production cut. Global macroeconomic numbers along with weekly inventory data in US will also affect the overall sentiments.

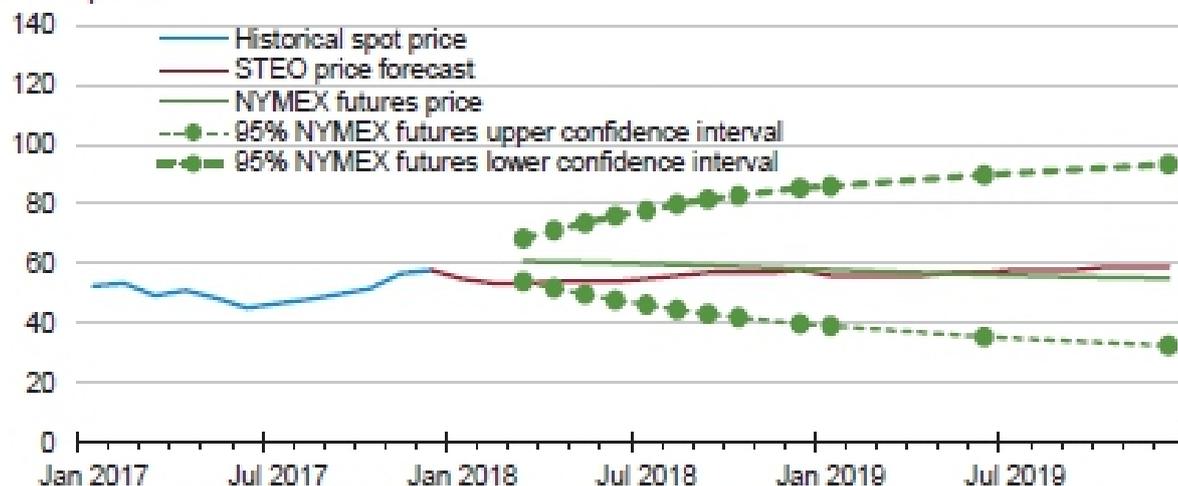
Range

Crude Oil

MCX	Rs 3750-4400 per barrel
NYMEX	\$56-68 per barrel

West Texas Intermediate (WTI) crude oil price

dollars per barrel

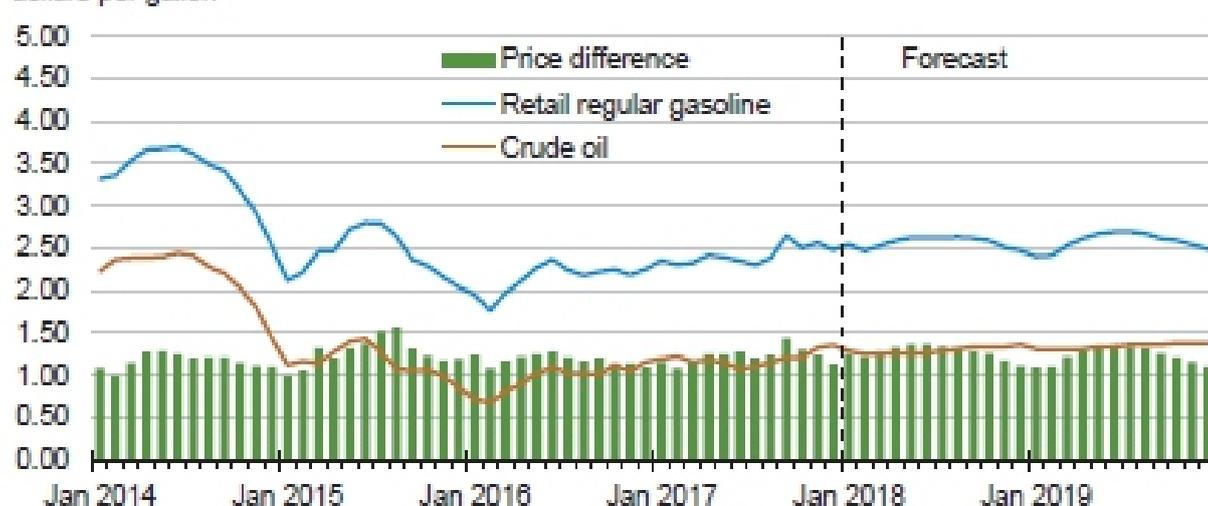


Note: Confidence interval derived from options market information for the 5 trading days ending Jan 4, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.

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

U.S. gasoline and crude oil prices

dollars per gallon

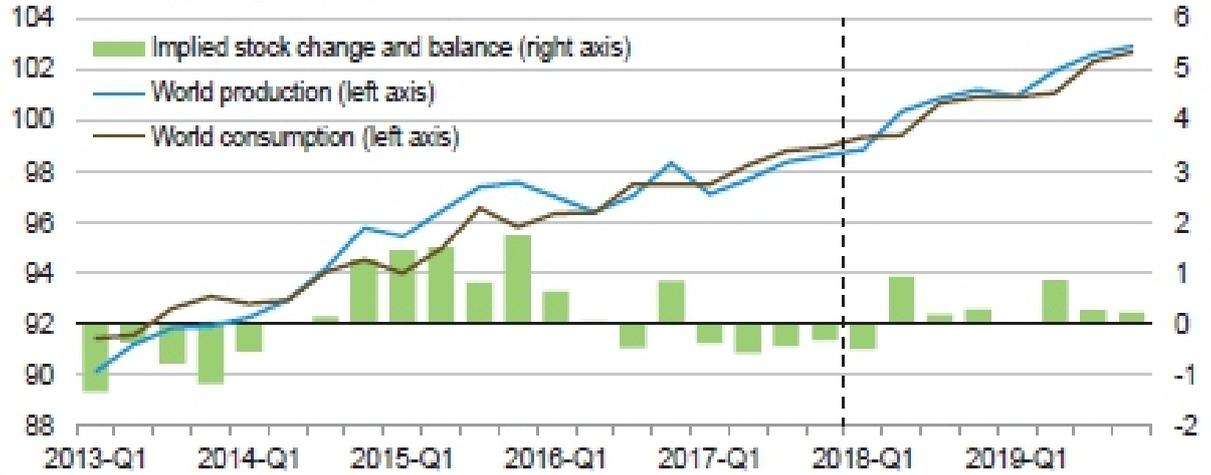


Crude oil price is composite refiner acquisition cost. Retail prices include state and federal taxes.

Source: Short-Term Energy Outlook, January 2018.

World liquid fuels production and consumption balance

million barrels per day (MMb/d)



Source: Short-Term Energy Outlook, January 2018.

Natural Gas

Overview

Natural gas ended the month of January on volatile path amid mixed fundamentals. Overall it traded in range of \$2.93-3.19 in NYMEX and 185.20-200.10 in MCX in the month of January. Natural gas traded on highly volatile path as its prices jumped higher on colder weather in major part of the month amid increase in demand. Natural gas surged owing to forecast of another wave of extremely cold weather in the United States. Natural gas production is expected to exceed domestic consumption over the next two years, something that has not happened in more than half a century, according to the U.S. Department of Energy.

Outlook

Natural gas may trade on volatile path as weather related news will give further direction to the prices. Recently forecasts for colder weather in the first week of February is expected to boost heating demand and could re-freeze thawing production wells. The winter has been much colder than forecasters predicted and a lot more cold appears to be on the way in February. Structural demand has absorbed most of the production increases in natural gas over the last year. AccuWeather is forecasting colder than normal weather could invade the U.S. in February. This is due to Arctic air being displaced by a sudden stratospheric warming event going on right now in the Arctic.

Natural gas may trade on volatile path as it can move in range of 165-205 in the month of February.

EIA estimates of Natural gas

Natural Gas Consumption

Total U.S. natural gas consumption averaged 74.0 billion cubic feet per day (Bcf/d) in 2017, a 1% decrease from 2016. Natural gas consumption is

forecast to increase by 3.5 Bcf/d in 2018 and by 2.2 Bcf/d in 2019. The 2017 decrease in total natural gas consumption mainly reflects warm winter temperatures and lower electric power sector use.

Natural Gas Production and Trade

Dry natural gas production averaged 73.6 Bcf/d in 2017, up 1.0% from the 2016 level and reversing the 2016 production decline. The strongest growth in dry natural gas production occurred late in the year. EIA expects dry natural gas production to rise by 6.9 Bcf/d (9.3%) in 2018 and by 2.6 Bcf/d (3.2%) in 2019. If achieved, the forecast 6.9 Bcf/d increase in 2018 would be the highest on record.

Natural gas imports

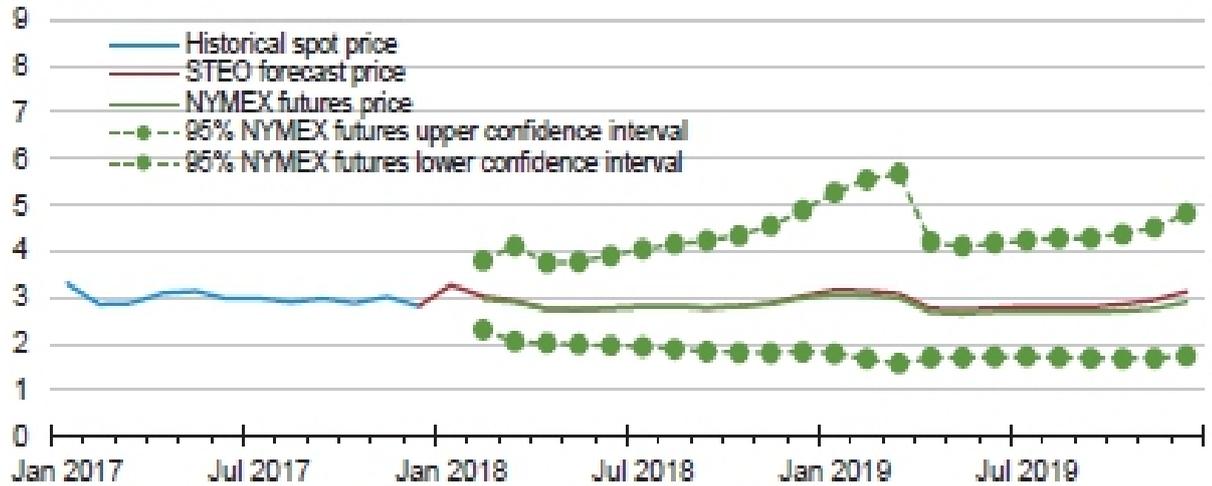
Total U.S. natural gas imports averaged 8.2 Bcf/d in 2017, and they are expected to average 7.9 Bcf/d in 2018 and 8.2 Bcf/d in 2019. A low natural gas price environment in Western Canada could contribute to increased seasonal imports for some regional U.S. markets.

Natural gas may trade on volatile path in the month of February as rig count data along with weather conditions in US and inventory data is likely to give further direction to the prices.

Range	
Natural gas	
NYMEX	\$2.55- \$3.10 per mmBtu
MCX	Rs 165-205 per mmBtu

Henry Hub natural gas price

dollars per million Btu

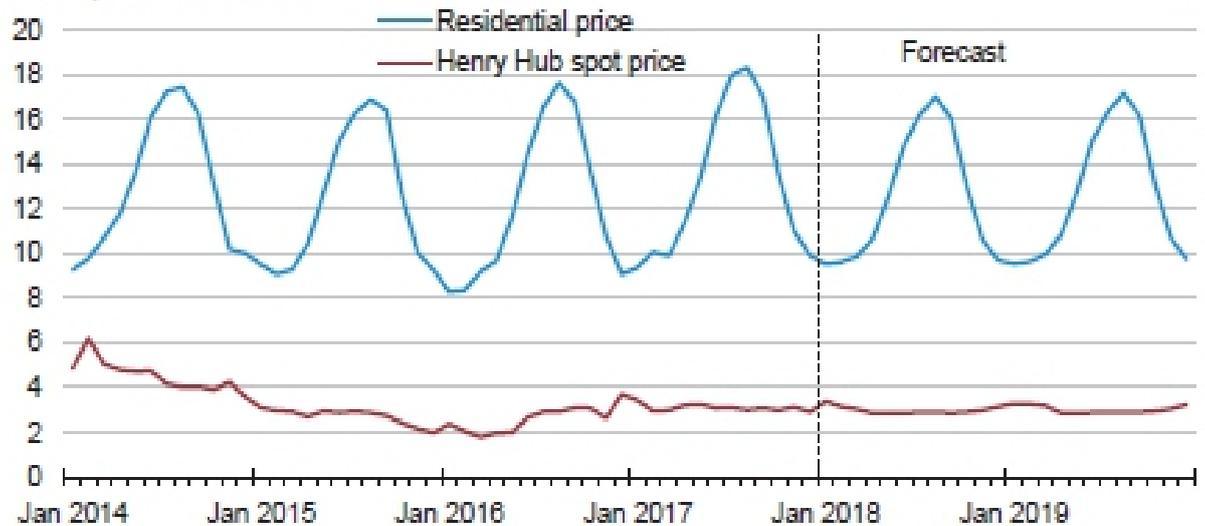


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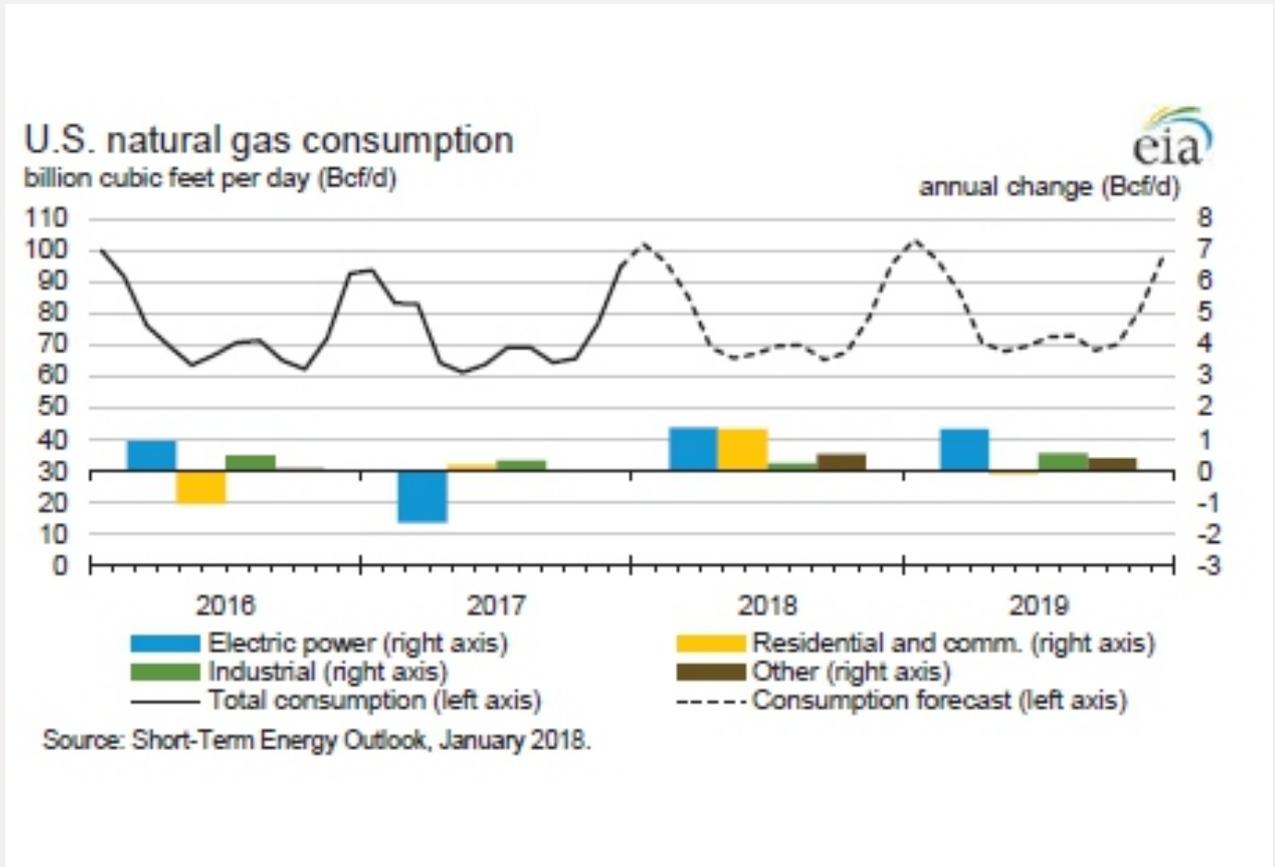
Source: Short-Term Energy Outlook, January 2018, and CME Group.

U.S. natural gas prices

dollars per thousand cubic feet



Source: Short-Term Energy Outlook, January 2018, and Thomson Reuters.



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