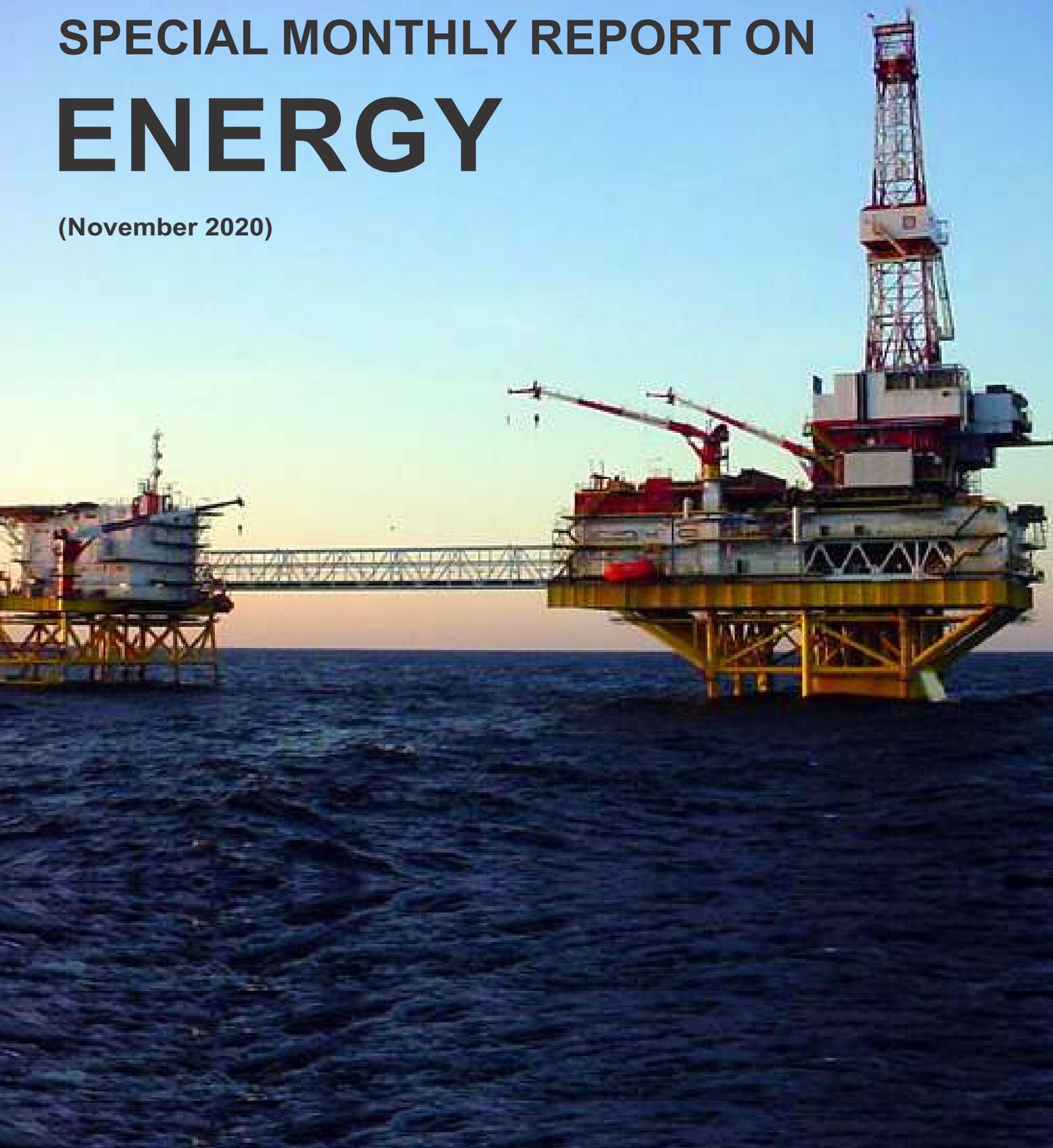
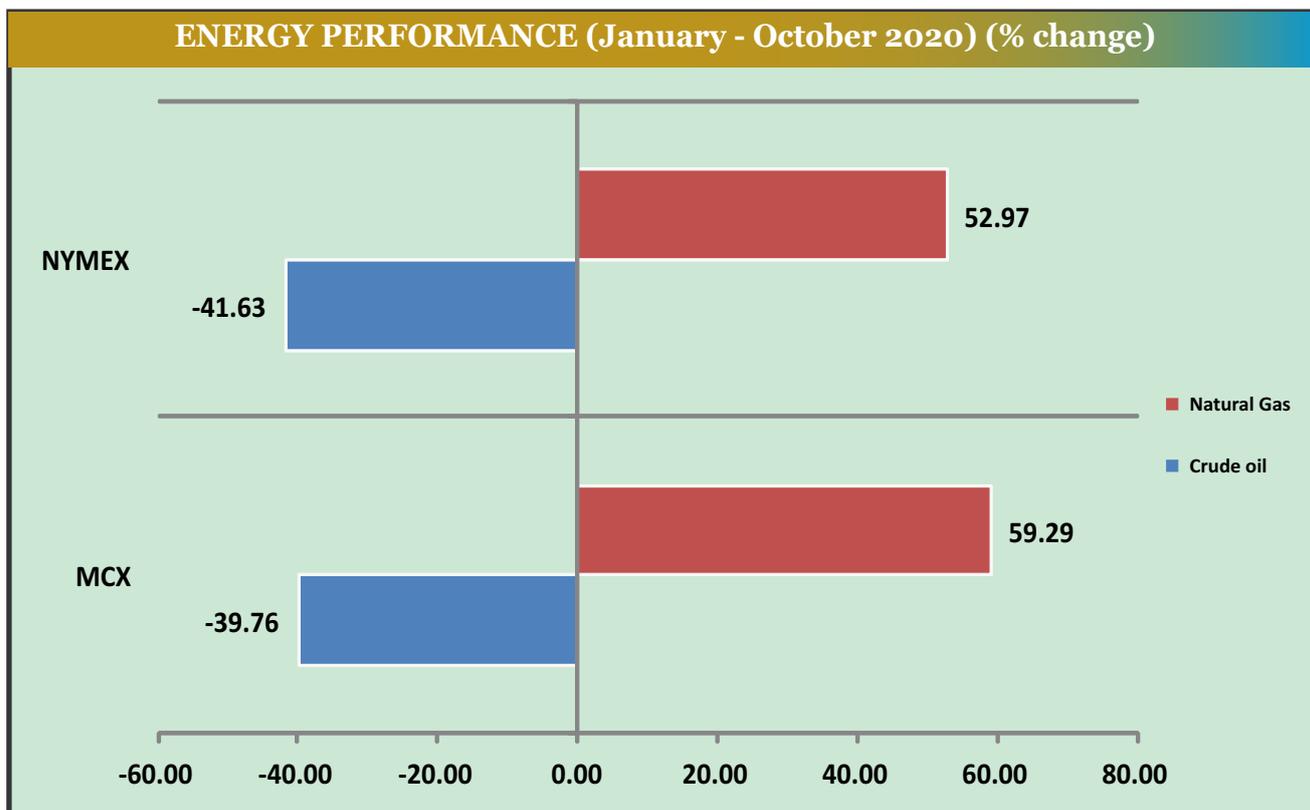
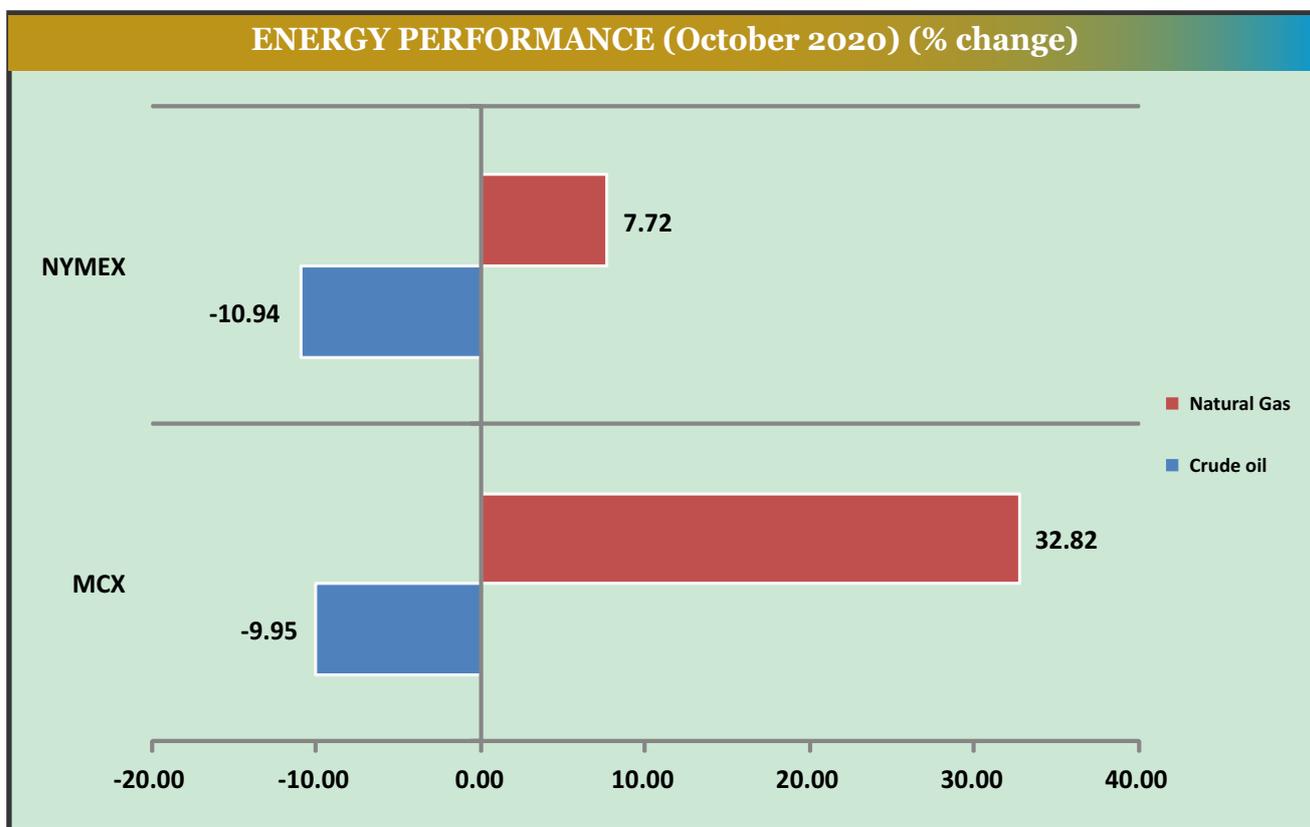


# SPECIAL MONTHLY REPORT ON ENERGY

(November 2020)



Moneywise. Be wise.



In the month of October, crude oil prices suffered their second consecutive monthly decline since April. Prices for the U.S. benchmark saw monthly fall almost 10% on growing concerns that the rise in COVID-19 cases in Europe and the United States could hurt fuel consumption. Natural gas jumped almost 33% and reached to the highest level since January 2019, supported by supply disruption in the Gulf of Mexico, higher US LNG exports and increased heating demand amid cold weather in some parts of the US.

With a European slowdown jeopardising global consumption and the return of Libyan production, the onus must now fall on OPEC+ to reconsider their 2 million barrel per day production increases in January. Oil prices are unlikely to sustain any rally in this environment short of a statement from OPEC+. The OPEC+, are expected to raise their output by 2 million bpd in January as part of their production agreement. However, top producers Saudi Arabia and Russia are in favour of maintaining the group's output reduction of about 7.7 million bpd currently into next year as renewed lockdowns in Europe are threatening to cool demand again.

## **Outlook**

Crude Oil may trade in the range as oil prices are gaining after Joe Biden clinched the U.S. presidency and buoyed risk appetites, offsetting worries about the impact on demand from a worsening coronavirus pandemic. Weakness in dollar index may also support the oil prices as the dollar hit a 10-week low as investors heralded Biden's election as U.S. president by buying trade-exposed currencies on expectations that a calmer White House could boost world commerce and that monetary policy will remain easy. However, both Brent and WTI benchmarks could see headwinds in November as the latest news from the pandemic front is unlikely to give much hope to those waiting for a price recovery. Considering the perilous situation because of the resurgence in Covid-19 cases, Saudi Arabia, Iraq, Russia, and Algeria had backed an extension of the current rate of production cuts, standing at 7.7 million bpd. Beside this, U.S. oil production is set to climb as producers are tapping into a backlog of drilled wells left uncompleted to boost output. On other side, U.S. President-elect Biden and his team are working on tackling the worsening health crisis.

## **Key News**

### **Rising second wave of pandemic limiting the oil demand**

Renewed lockdown measures in Europe aimed at containing a rise in COVID-19 cases appear set to push the outlook for global oil demand toward the downside, an official with the International Energy Agency (IEA) said. The world's failure to deal effectively with the pandemic has seen countries across Europe — from the U.K. and France to Greece — impose a fresh round of restrictions on their populations, including measures such as closing bars, restaurants and non-essential shops and limiting travel. There are concerns, too, that virus cases could spike again in the U.S. after a frenzy of election rallies and post-poll protests, prompting more stay-at-home orders and sapping oil demand there. The United States became the first nation worldwide since the pandemic began to surpass 10 million COVID-19 infections.

### **Decreasing oil import in China**

China's crude oil imports slipped 12.2% in October from the prior month as refiners hit the brakes after months of a buying frenzy that had raised crude inventory to a near-full level, and as independent refineries run out of import quotas. China, the world's No.1 crude oil importer, bought 42.56 million tonnes (10 million barrels per day) of the resource last month, data from the General Administration of Customs showed. This is lower from 11.8 million bpd in September and 10.72 million bpd in October of last year. Over January-October, China took in a total of 458.56 million tonnes of crude oil, the data showed,

### Weekly Price movement of crude oil in MCX



Source: Reuters

Looking ahead in November, Crude oil prices continue to trade in range where we can expect dip towards 2600 which considered as buying opportunity, resistance is seen near 3050.

### Weekly Price movement of crude oil in NYMEX



Source: Reuters

equivalent to 11 million bpd, up 10.6% from the same period last year. It's no secret the intake over May to September, China's five strongest-ever months of crude imports, was the result of a massive volume of oil bought by refiners during a brief price war in April between top exporters Saudi Arabia and Russia. This was "extra" crude that was bought during the price war but has been forced to wait to discharge. If this crude is subtracted from October's total imports, it means only 9.43 million bpd was what could be described as newly-ordered crude.

### **Production rising by OPEC +**

The OPEC's output restraint deal produced 34.22mn b/d in October, only 10,000 b/d higher than in September. Overall Opec output — including Iran, Libya and Venezuela, which do not have quotas — was up by 230,000 b/d as a rebound in Libyan supplies and increased output from Iraq was offset by falls in production from most other members. Iraq missed its output target after achieving 100pc compliance or more in August-September. Baghdad had pledged to produce below its quota in September-December to compensate for missing its targets earlier in the year. Rising Libyan production will add to the pressure on the alliance to shelve plans to ease their production restraint early next year, particularly as a number of major European economies go back into lockdown amid rising Covid-19 infections.

The Opec+ coalition is scheduled to ease its output cuts by almost 2mn b/d in January as it enters the final stage of the present agreement. But three members of OPEC and Russia are in favor of an extension of the current oil production cuts after January.

### **Oil market after newly elected U.S. president**

Democrat Joe Biden has won the November U.S. presidential election and some of the changes could occur in U.S. energy policy under his administration. Key members of the Organization of the Petroleum Exporting Countries (OPEC) are wary of Biden relaxing measures on either Iran or Venezuela in years to come, which could mean an increase in production that would make it harder to balance supply with demand.

In Venezuela, Biden appears likely to continue to favor sanctions to pressure the regime of President Nicolas Maduro, but could increase diplomatic efforts to end the impasse by negotiating a new election or power-sharing with the opposition.

Outgoing President Donald Trump's unilateral sanctions on the two countries have taken around 3 million barrels per day of crude oil off international markets, a little more than 3% of world supply.

Biden's campaign has not yet detailed how it would approach these issues, but any influence he would wield as president would likely be in service of the same goal - a moderate oil price. Any U.S. president needs affordable fuel for consumers. And for Biden, the price would need to be high enough to make clean energy alternatives to fossil fuels competitive in support of his ambitious climate plan.

While Trump had sought to maximize domestic oil and gas production, Biden has promised to ban issuance of new drilling permits on federal lands and waters in order to fight global climate change.

## Natural Gas

Natural gas prices are expected to remain firm and thus buy at dip should be a good strategy for this commodity. Support is seen near 190 whereas resistance is near 235. The highly volatile U.S. natural gas benchmark prices are set to trend higher this month amid lower domestic production, higher demand in the winter, and recovering global gas prices in Europe and Asia.

## Major News

- Natural gas imports in China, including piped and liquefied natural gas (LNG), were 7.53 million tonnes in October, up 15.5% from a year earlier.
- State-backed energy giants had predicted China's gas demand to grow about 10% this winter.
- The number of rigs drilling natural gas in the US fell by one to 71 for the week ending November 6, said Baker Hughes in a weekly report.
- EIA expects that rising domestic demand for natural gas and demand for LNG exports heading into winter, combined with reduced production, will cause Henry Hub spot prices to rise to a monthly average of \$3.38/MMBtu in January 2021. EIA expects that monthly average spot prices will remain higher than \$3.00/MMBtu throughout 2021, averaging \$3.13/MMBtu for the year, up from a forecast average of \$2.07/MMBtu in 2020.
- EIA estimates that total Working gas in storage was 3,919 Bcf as of October 30, according to EIA estimates. Stocks were 200 Bcf higher than last year at this time and 201 Bcf above the five-year average of 3,718 Bcf. At 3,919 Bcf, total working gas is within the five-year historical range.
- EIA expects that total U.S. consumption of natural gas will average 83.7 billion cubic feet per day (Bcf/d) in 2020, down 1.8% from 2019. EIA expects total U.S. natural gas consumption will average 78.7 Bcf/d in 2021, a 5.9% decline from 2020.
- EIA forecasts U.S. dry natural gas production will average 90.6 Bcf/d in 2020, down from an average of 93.1 Bcf/d in 2019.
- EIA's forecast of dry natural gas production in the United States averages 86.8 Bcf/d in 2021.

### Weekly Price movement of Natural gas in MCX



Source: Reuters

Prices are expected to remain firm and thus buy at dip should be a good strategy for this commodity. Support is seen near 190 whereas resistance is near 235.

### Weekly Price movement of Natural gas in NYMEX



Source: Reuters

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