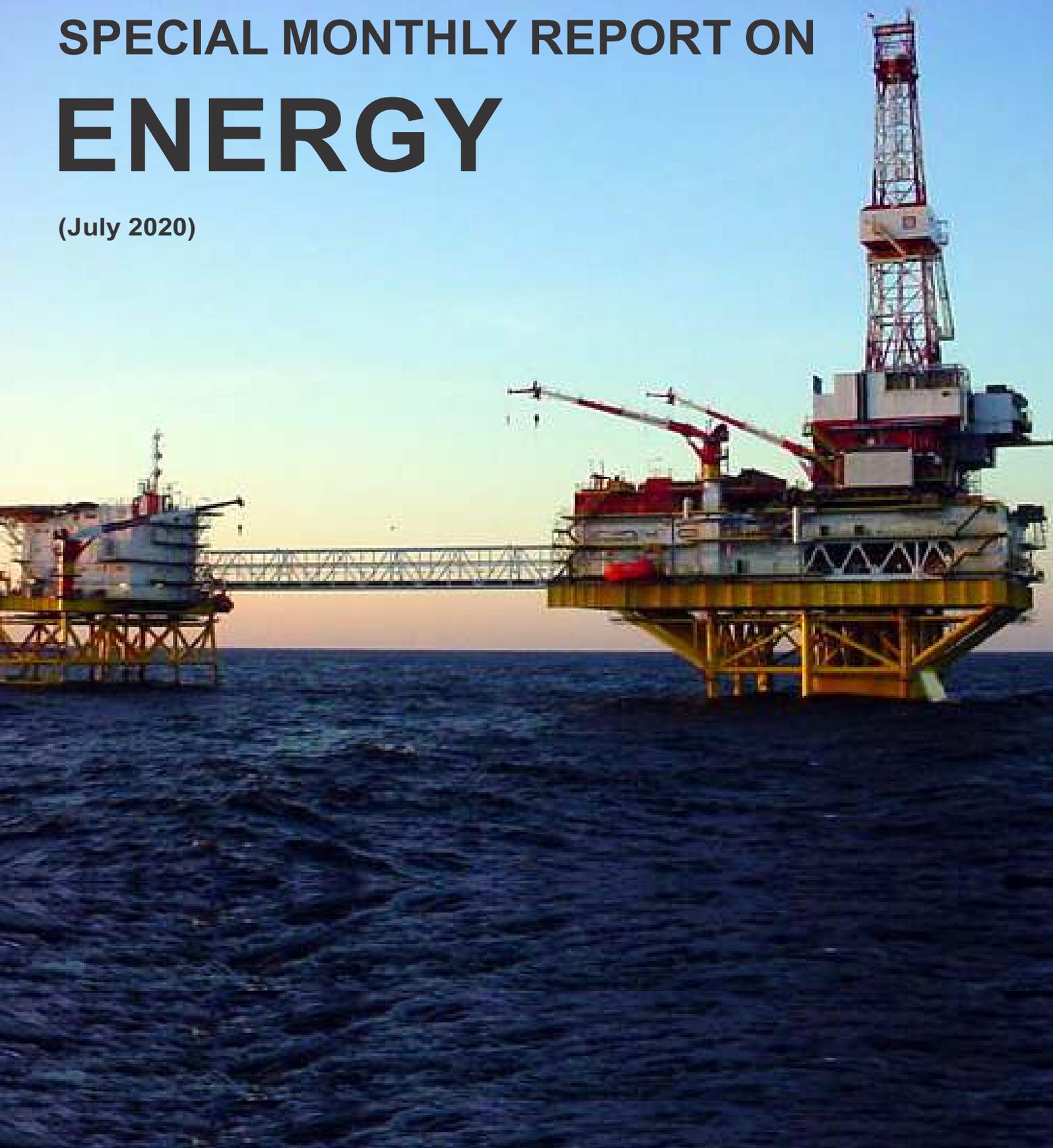


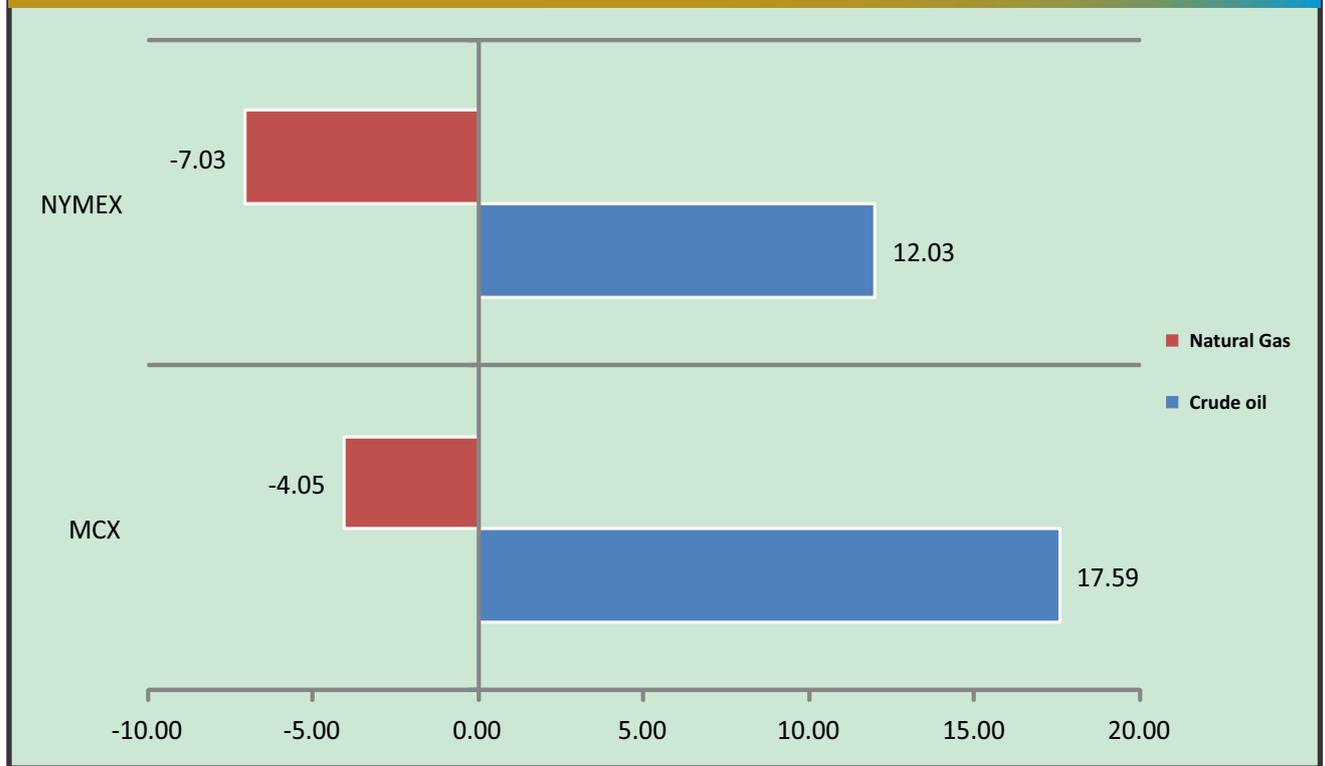
SPECIAL MONTHLY REPORT ON ENERGY

(July 2020)

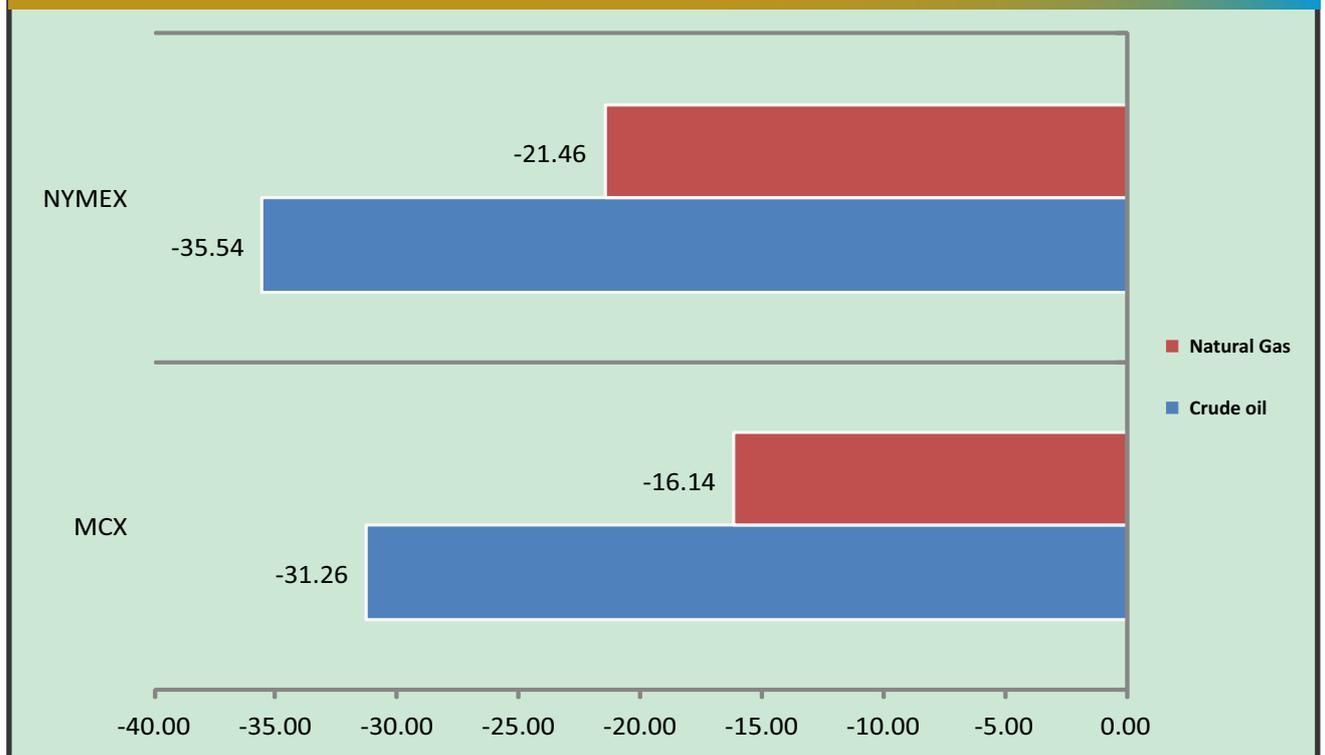


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ENERGY PERFORMANCE (June 2020) (% change)



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



In the month of Jun, crude oil prices posted a gain of more than 16%, up about 95% in the quarter. Despite a significant rebound for oil prices in the second quarter, U.S. oil prices still ended the first half of the year with losses of close to 36%. The second quarter will not soon be forgotten by energy traders given that WTI crude oil futures plunged into negative territory for the first time in history, and decidedly so, in the month of April. A steady climb in the number of infections has raised the threat of delaying or reversing efforts to reopen economies that have been facing lockdowns to curb the coronavirus pandemic. On top of that, investors were monitoring Libya to see if the oil exporter would resume oil production which has been almost entirely blockaded since January amid the country's civil war. On the supply side of the equation, substantial scars also persist. Meanwhile, China's official manufacturing purchasing managers for June rose to 50.9 from 50.6 in May, while the services PMI rose to 54.4 from 53.6, suggesting the second-largest economy and biggest importer of oil is continuing to show signs of recovery from the virus that was first identified in Wuhan.

Outlook

Looking ahead in July Crude oil prices continue to trade with bullish. The satellite data showing a strong pick-up in traffic in China, Europe and across the United States pointed to an improvement in fuel demand. Congestion in Shanghai in the past few weeks was higher than in the same period last year, while in Moscow traffic was back to last year's levels. Prices may get support on expectation of Organization of the Petroleum Exporting Countries (OPEC) and allies would taper oil output cuts from August. However, there are fears a spike in COVID-19 infections in southern U.S. states could stall the demand recovery. The global economic outlook has also worsened or at best stayed about the same in the past month, and the recession underway is expected to be deeper than earlier predicted.

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. China bought so much foreign oil at dirt-cheap prices this spring that a massive traffic jam of tankers has formed at sea waiting to offload crude as the country's purchases begin to arrive. China's so-called floating storage — defined as barrels of oil on vessels waiting for seven days or longer — has nearly quadrupled since the end of May, according to ClipperData. Not only is that the most on record going back to early 2015, but it's also up seven-fold from the monthly average during the first quarter of 2020.

Production cut by OPEC + may extended till August

OPEC and other producers including Russia, collectively known as OPEC+, have agreed to lower output by a record 9.7 million barrels per day (bpd) for a third month in July. It is expected that the Organization of the Petroleum Exporting Countries (OPEC) and allies would taper oil output cuts from August. Abu Dhabi National Oil Co plans to boost oil exports in August, the first signal that OPEC and its allies, together known as OPEC+, are preparing to ease record oil output cuts next month, three sources familiar with the development told Reuters.

Saudi Arabia's state oil producer Aramco has increased official selling prices (OSPs) for its crude to Asia by \$1 a barrel in August, and raised the OSPs for almost all grades to Europe and the United States. But some analysts said the move could weigh on already poor margins for refiners.

Weekly Price movement of crude oil in MCX



Source: Reuters

Looking ahead in July Crude oil prices continue to trade with bullish bias and any dip towards 2600 considered as buying opportunity for upside we may see 3300.

Weekly Price movement of crude oil in NYMEX



Source: Reuters

United States oil production falling

The U.S. Energy Information Administration (EIA) said that U.S. crude oil production is expected to fall by 600,000 barrels per day (bpd) in 2020, a smaller decline than the 670,000 bpd it forecast previously.

EIA administrator said that Global oil demand will continue to recover faster than previously estimated, noting that global liquid fuels consumption in the second quarter was down an average 16.3 million bpd from a year earlier.

Coronavirus pain drives Big Oil's companies for record debt

The world's top oil and gas companies locked in cheap borrowing rates to raise a record amount of debt in the second quarter of 2020 and boost cash reserves as a buffer against a collapse in revenues because of COVID-19.

The world's top seven energy firms - BP, Shell, Exxon Mobil, Chevron, Equinor, Total and Eni - raised \$60 billion in debt in the quarter, nearly half of the \$132 billion in oil and gas sector borrowing over the period, Refinitiv data showed.

Estimates of EIA

- The forecast of rising crude oil prices reflects EIA's expectation of declines in global oil inventories during the second half of 2020 and through 2021. EIA estimates global liquid fuels inventories rose at a rate of 6.7 million barrels per day (b/d) in the first half of 2020 and expects they will decline at a rate of 3.3 million b/d in the second half of 2020 and then decline by a further 1.1 million b/d in 2021.
- EIA forecasts that U.S. crude oil production will average 11.6 million b/d in 2020 and 11.0 million b/d in 2021. These levels are 0.6 million b/d and 1.2 million b/d, respectively, lower than the 2019 average of 12.2 million b/d.
- EIA forecasts U.S. liquid fuels consumption will average 18.3 million b/d in 2020, down 2.1 million b/d from 2019. EIA forecasts U.S. liquid fuels consumption will average 19.9 million b/d in 2021.

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

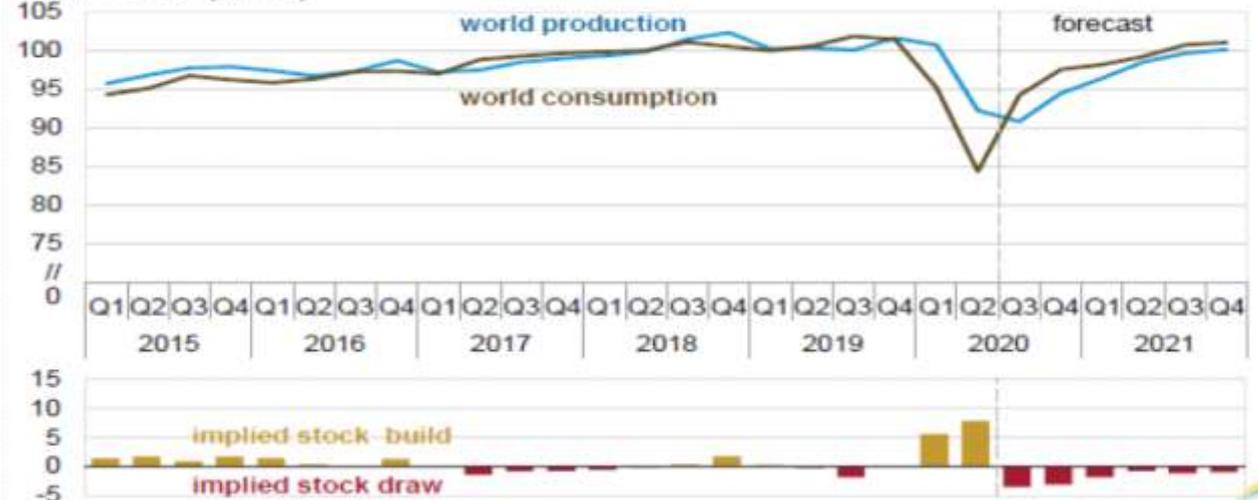


Note: Confidence interval derived from options market information for the five trading days ending Jul 1, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.

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

July 2020

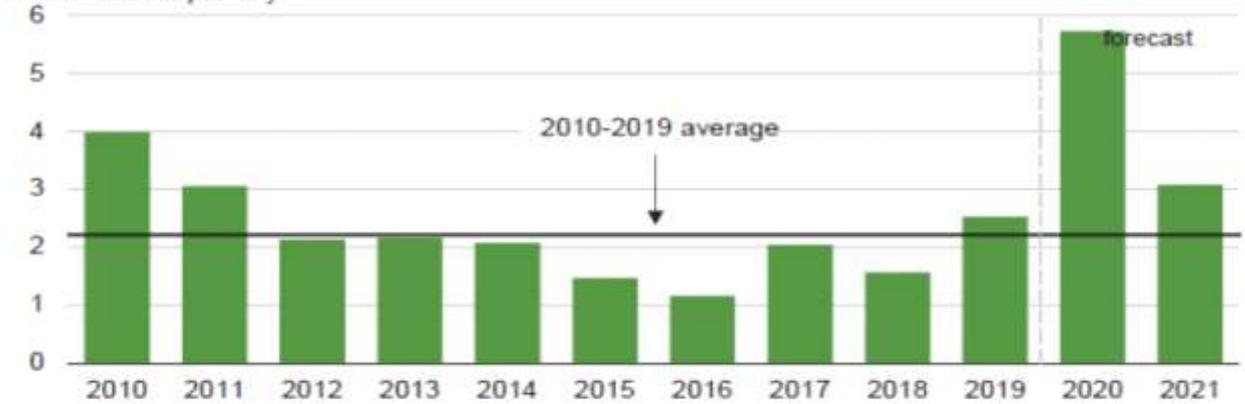
World liquid fuels production and consumption balance



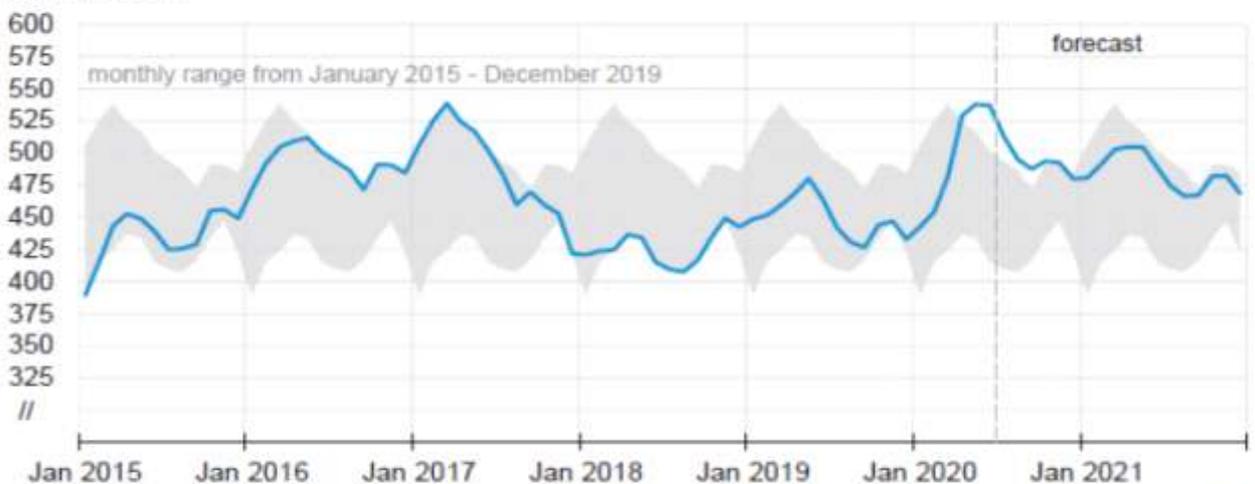
Source: Short-Term Energy Outlook, July 2020



Organization of the Petroleum Exporting Countries (OPEC) surplus crude oil production capacity



U.S. commercial crude oil inventories



Source: Short-Term Energy Outlook, July 2020



Natural Gas

Natural gas continues to trade bullish bias in range 125-160. Break and sustain on any side of range will define the next trend for counter.

- U.S. natural gas production and demand will drop in 2020 and 2021 from record highs last year as government steps 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 (STEO) on Tuesday.
- The EIA projected dry gas production will drop to 89.24 billion cubic feet per day (bcfd) in 2020 and 84.23 bcfd in 2021 from the all-time high of 92.21 bcfd in 2019.
- It also projected gas consumption would fall to 82.35 bcfd in 2020 and 78.62 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.
- The EIA's gas supply projection for 2020 in July was lower than its June forecast of 89.65 bcfd, while its latest demand outlook for 2020 was higher than its June forecast of 81.87 bcfd.
- The agency forecast U.S. liquefied natural gas exports would reach 5.35 bcfd in 2020 and 7.28 bcfd in 2021, up from a record 4.98 bcfd in 2019. That is lower than its June forecasts of 5.70 bcfd in 2020 and 7.31 bcfd in 2021.

Weekly Price movement of Natural gas in MCX

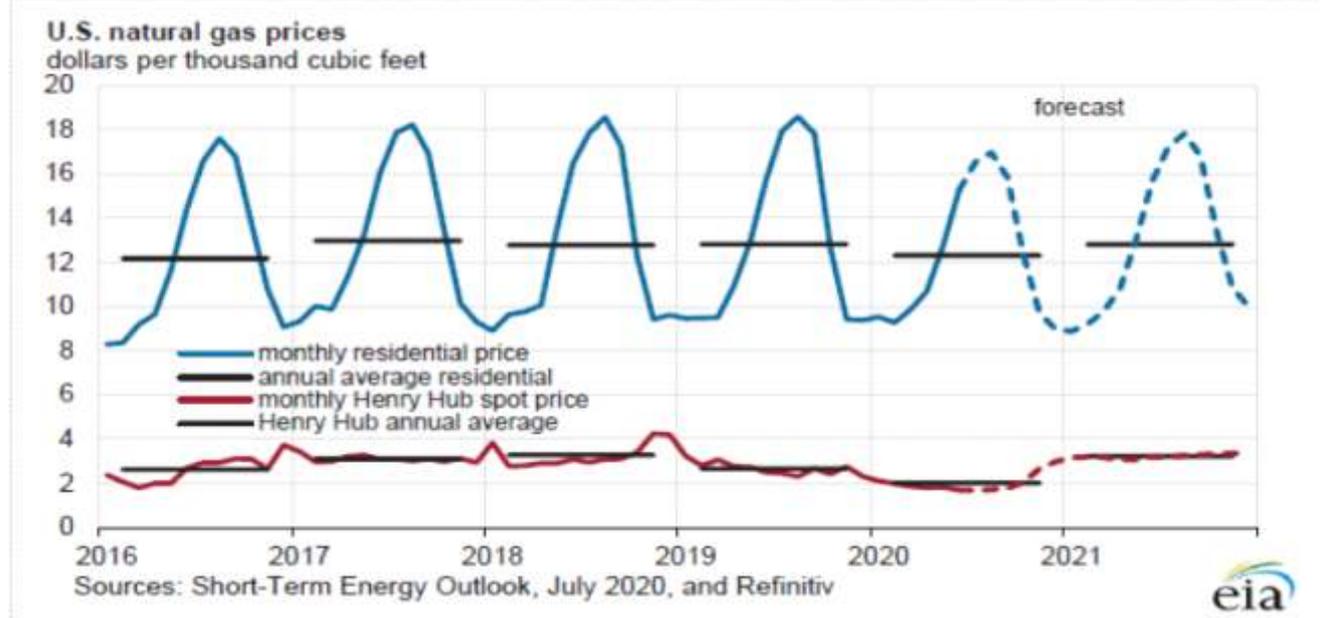


Source: Reuters

Weekly Price movement of Natural gas in NYMEX

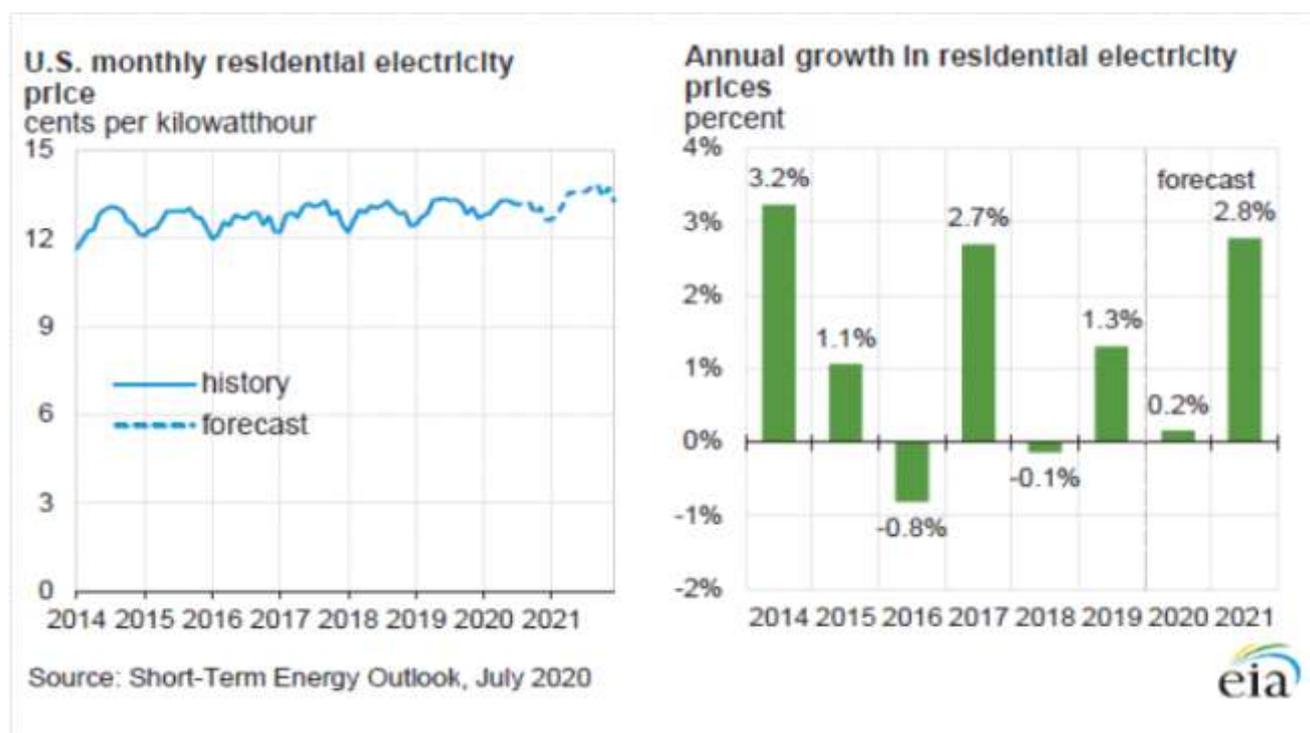


Source: Reuters



The Henry Hub natural gas spot price averaged \$1.63 per million British thermal units (MMBtu) in June, the lowest inflation-adjusted price going back to at least 1989, as a result of low demand. EIA expects falling production will put upward pressure on natural gas prices through the end of 2021. EIA forecasts that Henry Hub spot prices will average \$1.93/MMBtu in 2020 and \$3.10/MMBtu in 2021.

EIA forecasts working natural gas in storage will reach 4,039 billion cubic feet (Bcf) at the end of October, which would be the most U.S. natural gas in storage as of the end-of-October on record. This forecast level surpasses the previous end-of-October record of 4,013 Bcf reached in October 2016.



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