

# CRUDE OIL REPORT

November 18, 2024



Crude oil prices in global platforms languished near yearly low amid concerns of rising supplies and weakening demand prospects from top crude oil consumer nations, US and China.

## Global Economy

- The global equity gauges were mostly over negative terrain last week.
- US consumer prices increased in October by 2.6% annually, up from 2.4% in September.
- China unveiled a CNY10 trillion or USD1.40 trillion debt package on to ease local government financing strains and stabilize flagging economic growth.
- China's consumer inflation rose at 0.3% in October, the slowest pace in four months, while producer price deflation deepened.
- China's trade surplus increased in October 2024. Exports surged 12.7% yoy while imports fell 2.3%.

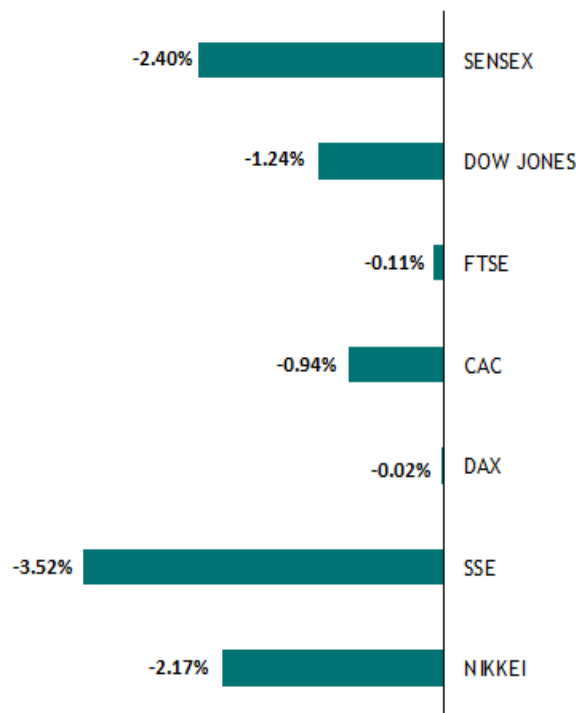
## Currencies

- The dollar strengthened against a basket of six currency rivals last week and settled last week at 106.68 marks.
- Euro, Chinese Yuan and Japanese Yen plunged against USD last week.
- Indian Rupee eased to 84.42 points against USD last week.

## Energy

- NYMEX Crude traded near USD67 per barrel, while ICE Brent traded above USD 71 per barrel. Both benchmarks marked an annualized decline over 11% and 13% respectively.
- IEA sees crude oil surplus to reach over 1 million barrels per day in 2025.
- OPEC cuts oil demand outlook fifth consecutive time, for 2024 and 2025.
- China's refined fuel exports fell to an 18-month low in October as weak export margins continued to weigh on shipments.

## Indices



## Currency

| Currencies              | Close   | WoW % Chg |
|-------------------------|---------|-----------|
| Dollar Index Spot       | 106.687 | 1.61%     |
| Euro/US Dollar          | 1.0541  | -1.65%    |
| US Dollar/ Japanese Yen | 154.34  | -1.11%    |
| US Dollar/ Indian Rupee | 84.424  | -0.03%    |
| US Dollar/ Chinese Yuan | 7.2309  | -0.72%    |

\*Currency rates mentioned above are Friday closing rates

## Data/Events

| Day       | Data/Events           |
|-----------|-----------------------|
| Wednesday | China Loan Prime rate |

## Crude oil hover near yearly lows amid fears of slowing demand

Crude oil prices languished in the vicinity of yearly low, with the NYMEX's light sweet variant seen trading near USD 67.41 per barrel, amid concerns of weakening demand from major consumers such as the US and China. As the US driving season comes to a close, crude oil storage levels have increased, indicating a decline in fuel demand from the world's top consumer nation. Meanwhile, China's economic challenges and increasing adoption of electric vehicles have led to weaker-than-expected crude oil demand growth this year. As the world's second-largest crude oil consumer, China's shift away from oil is dampening global oil demand growth prospects.

### OPEC cut oil demand outlook

The Organization of the Petroleum Exporting Countries (OPEC) has revised its crude oil demand forecasts downward for the fifth consecutive time, covering this year and next. The organization now predicts a 2024 global oil demand growth of 1.82 million barrels per day, a decrease of 107,000 barrels per day from its previous projection. For 2025, OPEC estimates a global oil demand growth of 1.54 million barrels per day, down from its earlier forecast of 1.64 million barrels per day. Despite the revisions, OPEC views the 2025 growth as a "very healthy increase" compared to pre-pandemic levels.

### China's economic challenges and sluggish oil demand

China, the world's largest crude oil importer, is experiencing a slowdown in crude oil demand growth due to its transition towards lower carbon fuels and a sluggish economy. The country's annual demand growth has significantly decreased, from 500,000-600,000 barrels per day in the five years leading up to the COVID-19 pandemic, to currently 200,000 barrels per day. This decline is primarily attributed to the increasing adoption of electric vehicles and the growing use of liquefied natural gas (LNG) powered trucks, which are replacing diesel-powered trucks. As a result, China's crude oil demand growth is expected to remain subdued, impacting global oil markets.

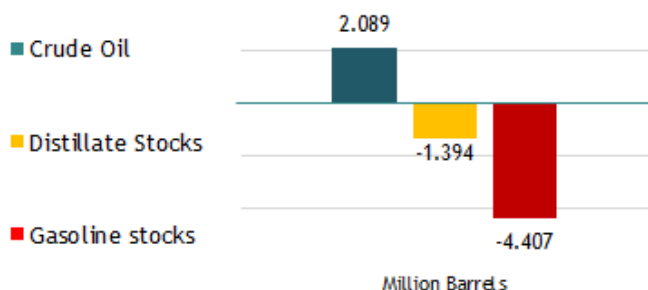
### IEA sees global crude oil supply surplus of 1mbpd next year

According to the International Energy Agency (IEA), the global crude oil supply saw a significant boost in October, increasing by 290,000 bpd to reach 102.9 million bpd. This growth was largely driven by Libya's production recovery, which more than offset the decline in deliveries from Kazakhstan and Iraq. On an annual basis, the increase was a more modest 380 bpd. The IEA forecasts that global oil supply will surpass demand in 2025, even if OPEC+ maintains its production cuts. This surplus is expected to reach over 1 million barrels per day, equivalent to 1% of global output, due to increasing production from non-OPEC+ countries, particularly the United States, Canada, Guyana, and Argentina. The IEA predicts that non-OPEC+ nations will boost supply by 1.5 million bpd, outpacing demand growth of 990,000 bpd. This projected surplus may complicate OPEC+'s plans to increase production, which has been postponed several times due to falling prices.

### U.S. Crude oil Inventory levels

U.S. crude stocks decreased by 2.089 million barrels in the week ending November 8, the EIA data showed. Distillate stocks fell by 1.394 million barrels while gasoline stocks were down by 4.407 million barrels. U.S. crude oil imports averaged 6.5 million barrels per day during this week, increased by 269,000 barrels per day from the preceding week. Refineries operated at 91.4 percent of their operable capacity during this week.

### Weekly Inventory Change - U.S. EIA

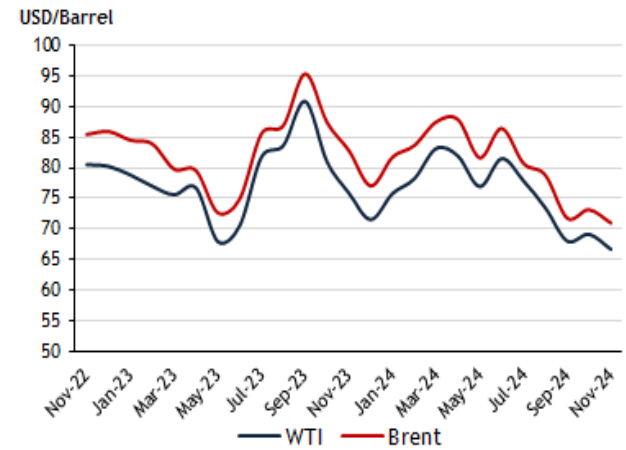


## Global Market Prices

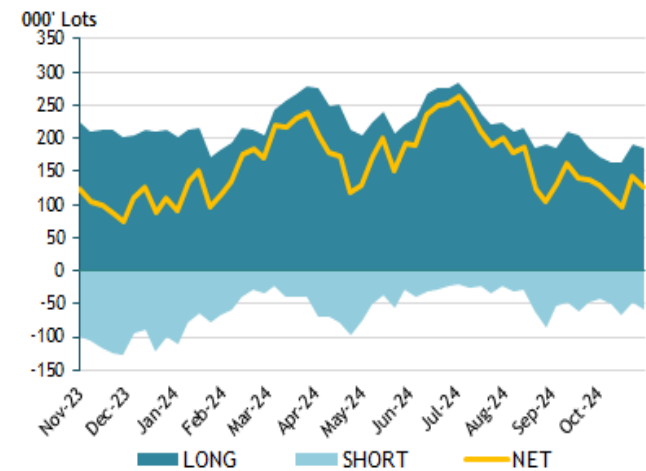
| Crude | Close Price   | MoM % Chg | YoY % Chg |
|-------|---------------|-----------|-----------|
| NYMEX | 67.41 (\$/bl) | -2.61%    | -11.26%   |
| ICE   | 71.54 (\$/bl) | -2.08%    | -13.63%   |
| MCX   | 5696 (Rs/bl)  | -2.72%    | -11.10%   |

\*Near month futures contracts in NYMEX, ICE and MCX  
\*Prices mentioned above are Monday 16:15 IST rates

## Performance of Major Benchmarks (USD/BI)



## Money Managed F&O Positions in NYMEX



## Brent - WTI Spread





## Outlook

Crude oil demand expected to remain subdued in the upcoming monthly period due to falling imports by China, and less refinery demand from U.S. amid increased supply. Global crude oil supplies expected to see surplus in 2025 even if OPEC+ cuts remain in place. Meanwhile, China, the world's largest crude oil importer, is experiencing a slowdown in crude oil demand growth due to its transition towards lower carbon fuels and a sluggish economy.

Supply fears from geopolitical worries in Middle East and Eastern Europe tend to influence the prices, offering support to oil prices if fears of supply disruption emerged.

## Technical View

**NYMEX Crude:** A mild negative trend may be witnessed this month. Prices may extend south bound moves if the support at of \$65/bbl is breached. Or else, prices may narrow down the moves. Rebound above of \$68/bbl can offer some upsides.

**MCX Crude:** Bearish Divergence MACD oscillators suggest prevalence of weakness. However, prices may appear firmer with sturdy move above Rs.5970 region.

| Trading Outlook  |               |               |
|------------------|---------------|---------------|
| Periodicity      | NYMEX Dec     | MCX Dec       |
| Monthly View     | MILD NEGATIVE | MILD NEGATIVE |
| Short Term View  | RANGE BOUND   | RANGE BOUND   |
| Technical Levels |               |               |
| Trading Range    | \$73.30-63.50 | Rs.6490-5290  |
| Resistance 3     | 70.30         | 6850          |
| Resistance 2     | 73.30         | 6490          |
| Resistance 1     | 75.40         | 6130          |
| Pivot            | 68            | 5970          |
| Support 1        | 65            | 5530          |
| Support 2        | 63.50         | 5290          |
| Support 3        | 60            | 5000          |

\*Short term - upto three months



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