



FOR PRIVATE CIRCULATION ONLY

28 July 2017

## MARKET ANALYSIS

NYMEX crude trades near \$49 per barrel after 0.6% gain yesterday. Crude has turned choppy along with other commodities on stability in US dollar and correction in equity markets. Also weighing on crude price is continuing oversupply concerns amid higher US and OPEC production. However, supporting price is optimism about US economy and decline in US crude production and stocks. Crude has rallied sharply and the gains seem unlikely to sustain for long. However, for the day crude may trade with a positive bias. Focus today will be on US economic data which will affect demand outlook as well as trend in US dollar. US weekly rig activity report will reflect production interest.

Asian equity markets trade lower today while DJIA futures point to a negative opening. Lack of fresh triggers and position squaring ahead of month end has resulted in some correction in equity markets. The diverse monetary policy stance of major central banks has also caused uncertainty and volatility in currency market. US equity market is still near record high levels and optimism persists despite mixed economic data. US durable goods orders rose 6.5% in June as against forecast of 3.7%. Jobless claims rose by 10000 to 244,000 for the week ended July 22 as against forecast of 240K. Chicago Fed Nat activity index stood at 0.13 as against forecast of 0.37. Kansas Fed index stood at 10 as against forecast of 12.

The US dollar index hit a 13-month low of 93.152 yesterday but has recovered to trade near 93.9 levels. The US dollar has benefitted from sharp losses in Swiss Franc amid central bank's support for loose monetary policy. This countered uncertainty about Fed's monetary policy post recent FOMC meeting.

Global crude market remains oversupplied with rising US production and dwindling OPEC's compliance with production cut. US EIA weekly report this week noted a sharp decline in US crude oil stocks and a marginal drop in crude production. OPEC's production has risen in last two months and is expected to register an increase in July as well however price have gained heart from Saudi's commitment to reduce exports. Kuwait and UAE have also joined Saudi to express willingness to reduce output.

## CRUDE OIL

### Futures Market Movement

#### MCX Crude Oil (Rs/bbl) as on 27-Jul

Contract	High	Low	Close	Change	% Change
Aug-17	3166	3106	3161	29	0.9
Sep-17	3186	3125	3181	28	0.9
Oct-17	3201	3150	3200	23	0.7

#### NYMEX WTI Crude Oil (USD/barrel) as on 27-Jul

Sep-17	49.24	48.25	49.04	0.29	0.6
Oct-17	49.36	48.35	49.17	0.32	0.7
Nov-17	49.49	48.48	49.32	0.33	0.7

#### ICE Brent Crude Oil (USD/barrel)

Sep-17	51.64	50.50	51.49	0.52	1.0
Oct-17	51.67	50.58	51.52	0.42	0.8

#### NYMEX Heating Oil (USD cents/gallon)

Aug-17	161.02	158.85	160.32	0.79	0.5
Sep-17	161.44	159.19	160.71	0.76	0.5

#### NYMEX Gasoline (USD cents /gallon)

Aug-17	164.88	161.00	164.46	2.73	1.7
Sep-17	162.38	158.63	161.97	2.53	1.6

Spread (USD/barrel)	Close	Prev.	% Change
ICE Brent- NYMEX WTI	2.32	2.12	0.20
NYMEX 3-2-1 Crack Spread	19.45	18.87	0.58

## MARKET OUTLOOK

MCX Crude may note some decline tracking cues from international exchange but buying could be considered at lower levels. NYMEX crude trades near \$49 per barrel after sharp gains in last few sessions. Weakness in equity market has put some pressure on crude oil price. However, supporting price is upbeat US economic data, decline in US crude oil stocks and crude production. The US dollar index has recovered from recent lows but remains pressurized by Fed uncertainty. Crude has rallied sharply in last few days and some correction is possible hence we suggest waiting for lower levels to go long. Focus today will be on US economic data which will affect demand outlook as well as trend in US dollar. Also in focus will be US weekly rig activity report which will reflect production interest.

Last Close	Support	Resistance	Trend
3161	3110	3185	Positive



**TECHNICAL OUTLOOK**





## MARKET ANALYSIS

NYMEX natural gas trades near \$2.95/mmBtu after a 1.5% gain yesterday. Price is now consolidating near \$2.9/mmBtu after sharp movement in last few days. Supporting price is another smaller than average rise in gas stocks and firmness in crude oil price. However, weighing on price is forecast of cooler weather in US which will keep a check on cooling demand. Mixed factors may keep gas price rangebound but sell on rise is suggested.

US EIA weekly report noted a 17 Bcf rise in US natural gas stocks as against market expectations of 24 Bcf rise. Net injections into storage compared with the five-year (2012–16) average net injection of 47 Bcf and last year's net injections of 20 Bcf during the same week. The smaller-than-average net injections this week likely resulted from the warmer-than-normal temperatures that increased cooling demand for natural gas. Working gas stocks total 2,990 Bcf, which is 111 Bcf more than the five-year average and 302 Bcf less than last year at this time.

So far in the 2017 refill season, net injections into working gas storage are lower than the five-year average. Net injections into working gas are at 939 Bcf since March 31, 2017 compared with the five-year average of 1,093 Bcf over the same period. Smaller-than-average net injections to date during the 2017 injection season are the result of high electric sector demand, which was coupled with warmer-than-normal temperatures on average; relatively high levels of natural gas exports; and storage levels that were already above average at the start of the refill season.

Natural gas prices have varied significantly in last few weeks owing to frequent changes to weather outlook. We could expect similar trend to continue in the near term. US markets are well supplied and robust demand is needed to reduce supply overhang. Warm weather during summer usually increases air-conditioning demand and thereby demand for fuels to generate power. Price rose last week as weather forecasts hinted towards warm weather in US. Weather forecasts turned mixed again resulting in correction in price.

As per latest forecast, US MDA Weather expects temperatures across East Coast through central states to be mostly below normal through July 31 before rising closer to seasonal norms during first five days of August. Midwest, East Coast may see above normal readings Aug. 6-10.

## NATURAL GAS

### MCX Natural Gas (Rs/mmBtu)

Contract	High	Low	Close	Change	% Change
Aug-17	192.50	186.70	191.40	3.70	2.0
Sep-17	195.10	189.70	194.10	3.50	1.8
Oct-17	200.20	195.00	199.10	2.30	1.2

### NYMEX Natural Gas (USD/mmBtu)

Aug-17	2.998	2.904	2.969	0.045	1.5
Sep-17	2.990	2.898	2.967	0.053	1.8
Oct-17	3.025	2.938	3.003	0.051	1.7

Spread/Ratio	Close	Prev.	% Change
WTI-Natgas Ratio	16.52	16.67	-0.16
MCX WTI-Natgas Ratio	16.52	16.69	-0.17

## MARKET HIGHLIGHTS

NYMEX gas trades near \$2.9/mmBtu after a 1.5% gain yesterday

EIA noted a 17 Bcf rise in US natural gas stocks as against forecast of 24 Bcf rise

Weighing on gas price is forecast of cooler weather in some parts of US

## MARKET OUTLOOK

MCX Natural gas may note mixed trade in line with international market but sell on rise is suggested. NYMEX natural gas trades near \$2.95/mmBtu amid mixed cues. Supporting price is EIA weekly report which noted a smaller than expected 17 Bcf rise in US natural gas stocks. Also supporting price is gains in crude oil price. However, weighing on price is forecast of cooler weather in US which will keep a check on demand. Mixed factors may keep price choppy but selling could be considered at higher levels.

Last Close	Support	Resistance	Trend
191.4	187.5	194	Negative



### Price Movement on NYMEX last week

Commodity	Close	Change	%	High	Low
Crude Oil (\$/bbl)	45.77	-0.98	-2.1	47.74	45.54
Natural Gas (\$/mmBtu)	2.97	-0.01	-0.3	3.114	2.938
Gasoline (cents/gal)	156.33	0.28	0.2	163.41	154.99
Heating Oil (cents/gal)	151.52	0.02	0.0	157.80	149.23

### U.S. CFTC Commitments of Traders (COT) Futures Only Report (18 July 2017)

Non-commercial Position (contracts)	Long	Short	Net position	Change	Change (%)
Crude Oil	652,015	255,556	396459	38434	10.7
Natural Gas	341,838	377,017	-35,179	-1301	3.8
Gasoline	110,603	61,123	49,480	-127	-0.3
Heating Oil	71,615	62,518	9097	2147	30.9

### U.S. EIA Weekly Petroleum Inventory Report (21 July 2017)

(1000 barrels)	Stocks	Change	%	Expectation	Demand	Change%	Imports	Change%
Crude Oil	483415	-7208	-1.47	-3100	21289	0.52	8044	0.60
Gasoline	230196	-1015	-0.44	-1800	9821	2.39	723	22.34
Distillate Fuel Oil	149564	-1852	-1.22	-500	4376	0.97	130	3.17

### U.S. Weekly Natural Gas Storage Report

Billion Cubic Feet (BCF)	Week	Stocks	Change	Change over last year	Change over 5-year average
Natural Gas	14 Jul	2976	28	-9.1%	5.0%
Natural Gas	21 Jul	2990	17	-9.2%	3.9%

### US Economic Calendar (24<sup>th</sup> July -28<sup>th</sup> July 2017) (Source: Briefing.com)

Date	IST	Release	For	Actual	Consensus	Prior
Jul-24	1930	Existing Home Sales	Jun	5.52M	5.58M	5.62M
Jul-25	1800	S&P Case-Shiller Home Price Index	May	5.7%	5.70%	5.70%
Jul-25	1930	Consumer Confidence	Jul	121.1	116.8	118.9
Jul-26	1930	New Home Sales	Jun	610K	610K	605K
Jul-26	2330	FOMC Rate Decision	Jul	1-1.25%	1-1.25%	1-1.25%
Jul-27	1800	Durable Orders	Jun	6.5%	2.90%	-0.10%
Jul-27	1800	Initial Claims	Jul-22	244K	240K	234K
Jul-28	1800	GDP-Adv.	Q2		2.80%	1.40%
Jul-28	1930	Michigan Sentiment - Final	Jul		93.1	93.1



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