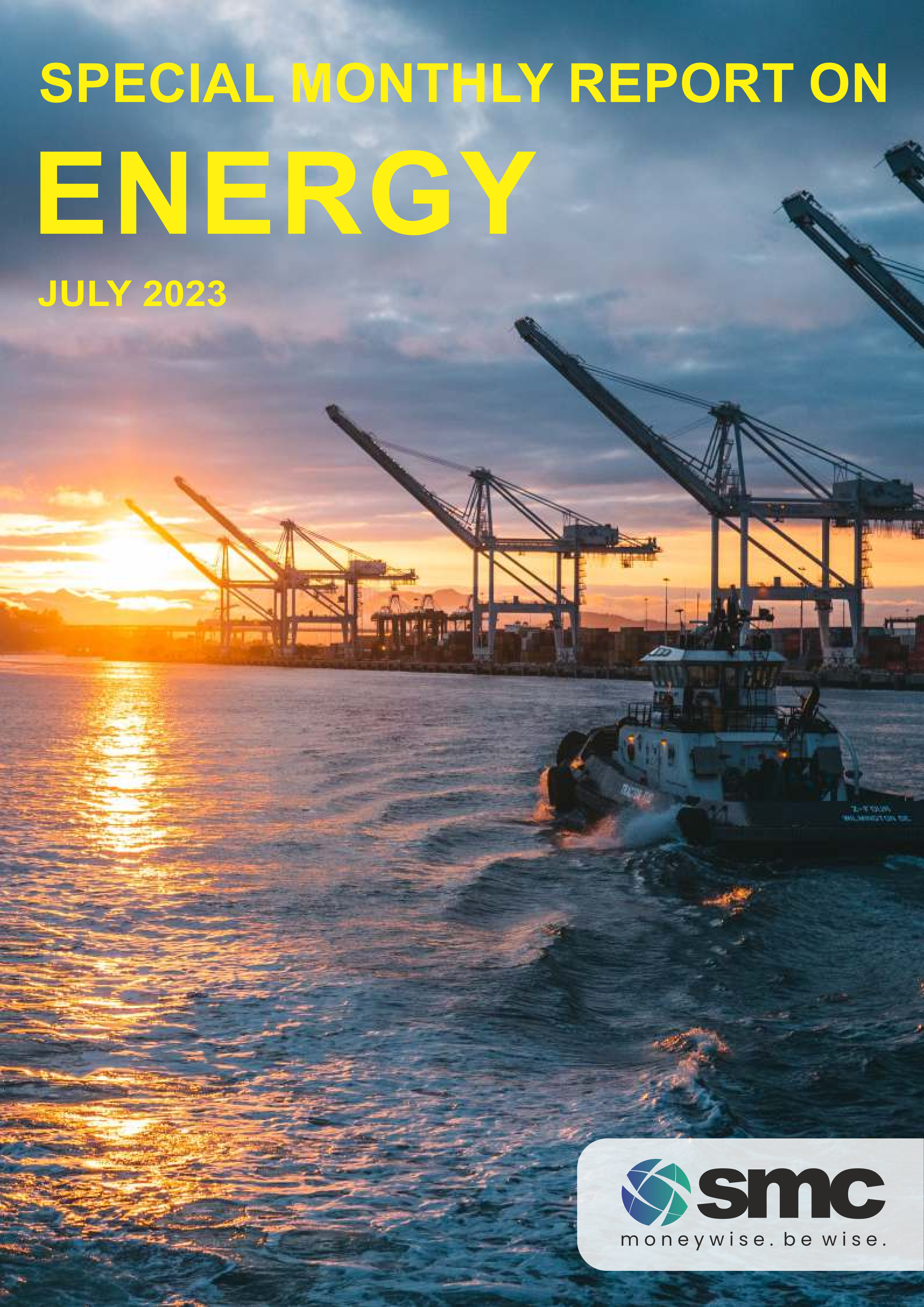
SPECIAL MONTHLY REPORT ON

ENERGY

JULY 2023



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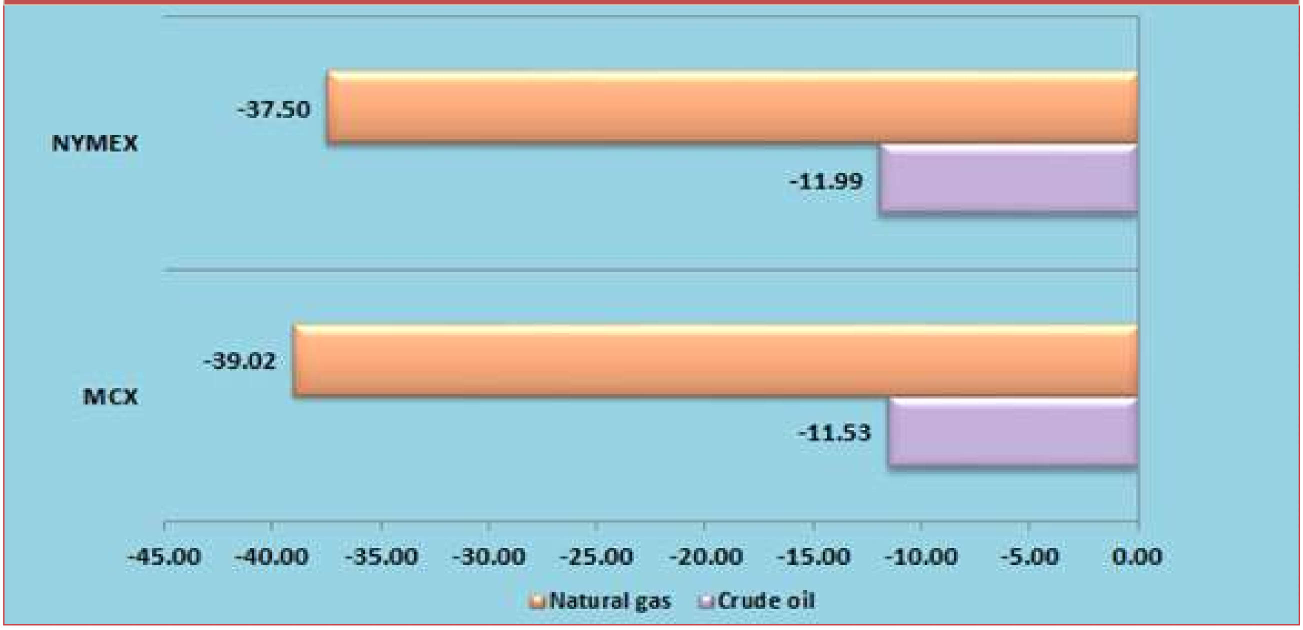
ENERGY

Price movement in June 2023

Source: SMC Research & Reuters

Price movement in January-June 2023



Source: SMC Research & Reuters

In June, Crude oil prices saw a monthly increase of more than 3.5%. However oil prices posted their fourth straight quarterly loss as investors worried that sluggish global economic activity could crimp fuel demand. Prices have been under pressure from rising interest rates in key economies and a slower than expected recovery in Chinese manufacturing and consumption. Adding to the pressure, annual profits at industrial firms in China, the world's second-biggest oil consumer, extended a double-digit decline in the first five months of the year. However, the market was also supported by upward revisions in demand for crude oil and refined products in the United States. Demand for crude and petroleum products fell slightly to 20.446 million bpd in April but remained seasonally strong, EIA data showed. Prices also drew support from Saudi Arabia's plans to cut output by a further 1 million barrels per day in July in addition to a broader OPEC+ deal to limit supply into 2024.

Outlook

- The recent volatility in oil prices may continue on fears of global recession, high inflation and as well as on-going geopolitical developments.
- Fears of a further economic slowdown denting fuel demand had grown as U.S. inflation continued to outpace the central bank's 2% target and stoked expectations it would raise interest rates again.
- The news in Europe is even worse, with the Eurozone entering a recession in the first quarter of the year and growth only marginally

improving in the subsequent months. Eurozone manufacturing activity contracted faster than initially expected in June, with persistent policy tightening by the European Central Bank squeezing finances.

- Market are focusing their attention to the likelihood of further interest rate hikes in many of the world's largest economies in the months ahead, potentially depressing economic activity and thus the demand for crude.
- China will start releasing an estimated 10 million barrels of oil imported from Iran and Venezuela and waiting at ports for weeks amid increased cargo scrutiny, Reuters reported.
- Some analysts expect supplies to tighten and push prices higher in the second half after top exporter Saudi Arabia pledged an extra 1 million barrels per day output cut in July, while the U.S. is gradually replenishing its Strategic Petroleum Reserve.
- Saudi Arabia, the world's top oil exporter, raised the prices of its flagship crude Arab Light to Asian buyers in July to a six-month high, following its pledge to make a deep cut to its production next month.
- Russia, seeking to nudge up global oil prices in concert with Saudi Arabia, will reduce its oil exports by 500,000 bpd in August, Deputy Prime Minister Alexander Novak said, further tightening global supplies.
- Saudi Arabia said it would extend its voluntary oil output cut of one million barrels per day (bpd) for another month to include August, sending oil prices higher.

Weekly Price Movement of Crude Oil in MCX

Source: Reuters

Weekly Price Movement of Crude Oil in MCX

Source: Reuters

In July 2023, Crude oil prices may trade with high volatility within the range of 5300-6100 where buying near support and sell near resistance would be strategy.

Natural gas

In June, natural gas prices jumped almost 23% higher on NYMEX and almost 21% on MCX and posted their best monthly return in a year. The market remained stable at a four-month high as a heat wave in the southern United States boosted demand for cooling. Texas and other southern regions experienced scorching temperatures above 100 degrees Fahrenheit, with forecasts predicting the hot weather to persist for the next 10 days. However, high inventories of natural gas, reaching 2.73 trillion cubic feet according to the Energy Information Administration, have limited price gains

Outlook

- The natural gas market witnessed volatility as it remained influenced by weather conditions. Traders and investors closely monitored the supply and demand outlook, with weather forecasts, inflation data, and storage levels playing significant roles in shaping market sentiment.
- Natural Gas storage capacity in Europe has reached 77%, according to the latest data from S&P Global, which compares to 58% in 2022 for the same time of year and 48% in 2021.
- China is on a natural gas shopping spree, and officials are happy for importers to keep striking deals even after a global energy crisis has eased. China boosts gas production at home, while overland shipments from Russia could rise if new pipelines are constructed.
- Meteorologists forecasted hotter-than-normal weather across the Lower 48 states until at least mid-July, which could drive increased gas demand, including exports. Nevertheless, demand is projected to ease slightly in the following weeks as temperatures moderate.
- Additionally, the reduced supply of natural gas from Russia to Europe has resulted in a need for replenishment, further supporting the market's outlook. As the fall season approaches, the European Union is likely to turn to the United States to purchase liquefied natural gas, thereby bolstering market fundamentals.

Weekly Price Movement of Natural Gas in MCX

Source: Reuters

Weekly Price Movement of Natural Gas in NYMEX

Source: Reuters

In July 2023, prices may witness sideways to bullish movement where it may take support near 210 and resistance near 250.

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