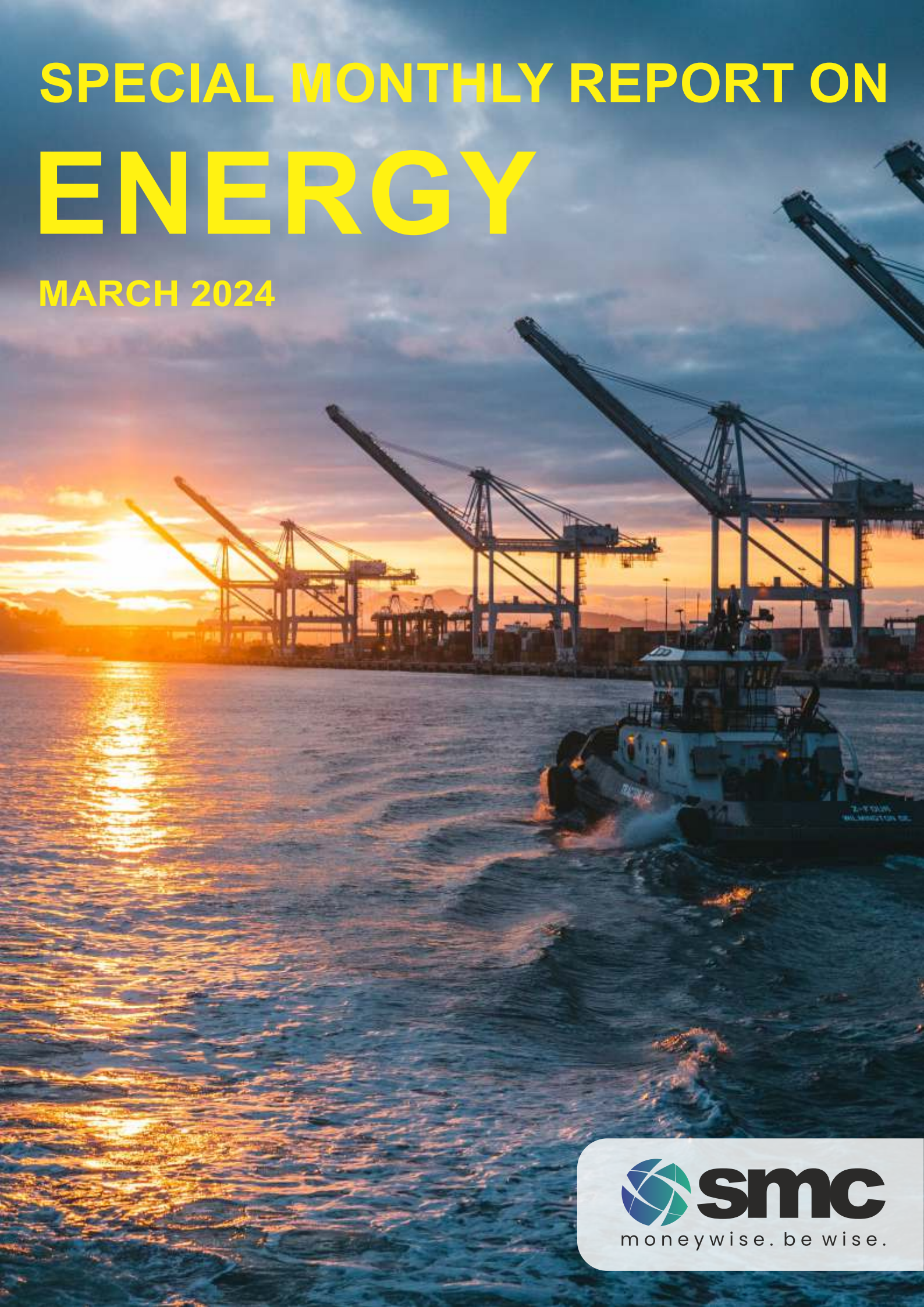


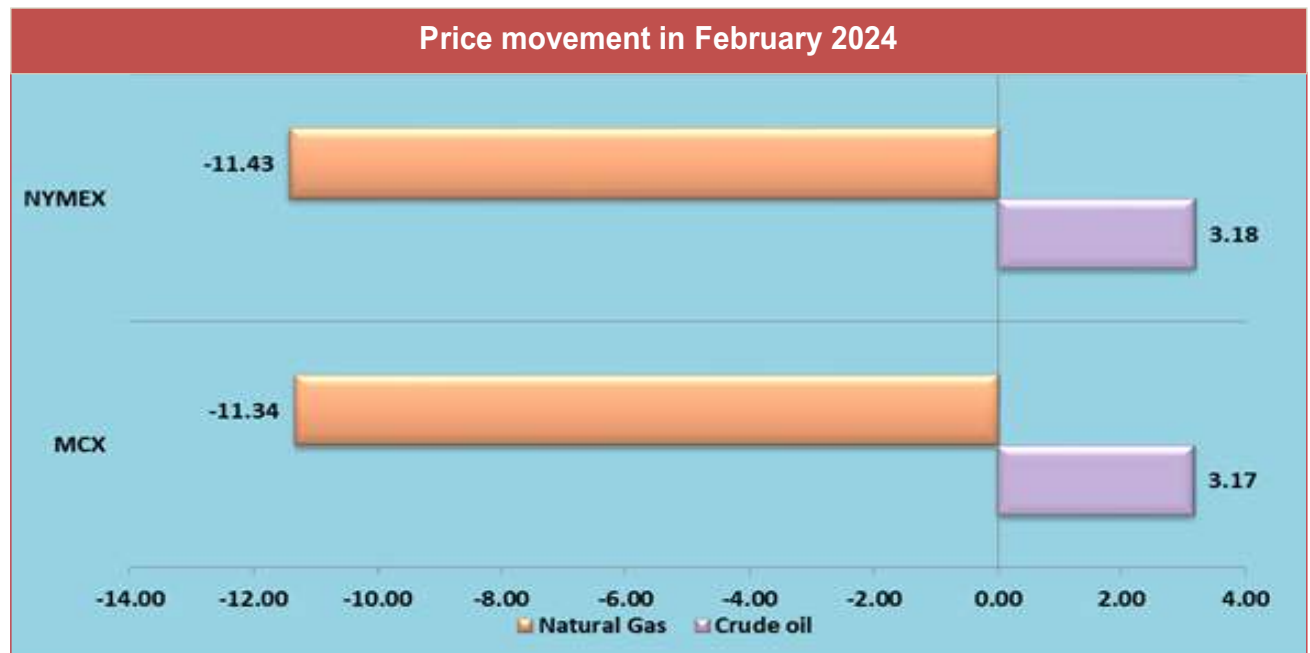
# SPECIAL MONTHLY REPORT ON ENERGY

MARCH 2024

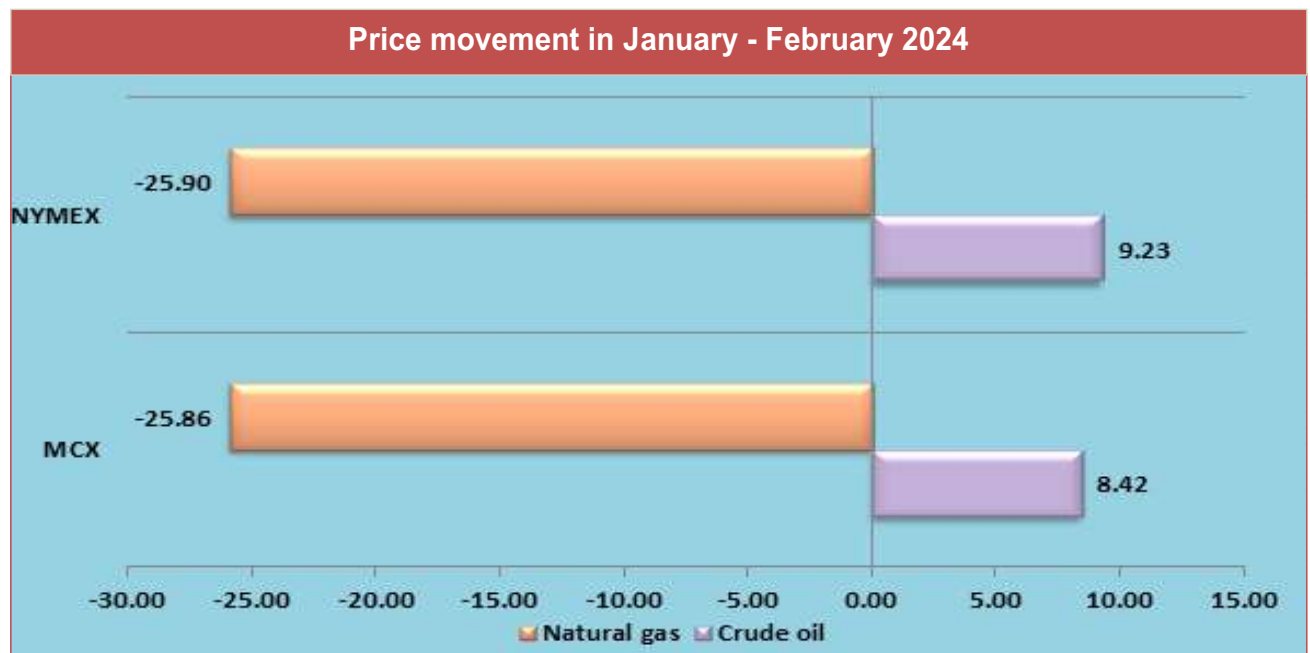


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Source: SMC Research &amp; Reuters



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In the month of February, Crude oil prices notched a second-monthly gain as hopes for tighter supply and fresh hopes for a summer U.S. interest rate cut while a cocktail of geopolitical tensions also kept global crude supply risks elevated. Expectations for OPEC and its allies or OPEC+, to extend their cuts into the second-quarter also helped boost sentiment and hope for tighter markets this year. The rising expectations for output cuts come as U.S. output fell slightly from record highs. U.S. crude oil production fell to 13.315 million barrels per day in December, down from November's record of 13.314 million barrels per day, data from the Energy Information Administration showed. A Reuters survey showed the Organization of the Petroleum Exporting Countries (OPEC) pumped 26.42 million barrels per day (bpd) this month, up 90,000 bpd from January, the survey found. Still, fears of a Chinese demand slowdown grew after a major state-owned producer warned that oil demand in the world's largest crude importer was expected to remain stagnant this year. The Middle East conflict, meanwhile, showed no signs of abating, with both Israel and Hamas playing down prospects for a truce in their war in Gaza. Fuel consumption in India, the world's third-biggest oil importer and consumer, rose 5.7% year-on-year in February, aided by strong factory activity.

## Outlook

- The current state of the oil market reflects a complex interplay of geopolitical factors, production decisions by key players, and macroeconomic policies. As these elements continue to evolve, fluctuations in oil futures are expected to persist.
- China, the world's biggest oil importer, set an economic growth target for 2024 of around 5%. While the target is similar to last year's goal and in line with analysts' expectations, the lack of big-ticket stimulus plans to prop up the country's struggling economy disappointed investors.

- China's imports of crude oil rose in the first two months of the year compared with the same period in 2023, but they were weaker than the preceding months, data showed on Thursday, continuing a trend of softening purchases by the world's biggest buyer.
- OPEC+ members led by Saudi Arabia and Russia agreed on Sunday to extend voluntary oil output cuts of 2.2 million barrels per day into the second quarter, giving extra support to the market amid concerns over global growth and rising output outside the group.
- Saudi Arabia, the de facto leader of the Organization of the Petroleum Exporting Countries (OPEC), said it would extend its voluntary cut of 1 million barrels per day (bpd) through the end of June, leaving its output at around 9 million bpd.
- However, crude production in OPEC+ countries increased by 212,000 barrels per day (bpd) in February over January output, according to Rystad Energy data and research.
- In the Middle East, Hamas chief Ismail Haniyeh blamed Israel for stalling ceasefire talks and rejecting Hamas' demand to end the war in Gaza, but said the group was still seeking a negotiated solution. Tension is also escalating in Russia and its neighbours, raising fear about a potential escalation in conflict outside of Ukraine.
- The global oil market is relatively well supplied with demand growth slowing and supply increasing from the Americas, the head of the International Energy Agency's (IEA) oil markets and industry division told Reuters.
- Global oil demand will grow by 1.9 million barrels per day (bpd) this year, according to a prediction by energy research company Wood Mackenzie, a forecast close to the Organisation of the Petroleum Exporting Countries' (OPEC) estimate for 2024.

### Weekly Price Movement of Crude Oil in MCX



Source: Reuters

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Source: Reuters

**In March 2024, oil prices are anticipated to trade within a broader range with increased volatility, with a potential trading range between 6000 and 6700.**

## Natural gas

In February, natural gas prices registered consecutively fourth month decline and nosedived more than 11% on both NYMEX and MCX, influenced by reduced demand forecasts due to warmer-than-expected weather, leading to a significant reduction in heating fuel demand. Rising gas production, as wells resume operations after the mid-January Arctic freeze, contributed to the downward pressure on prices. According to LSEG, gas output in the U.S. increased to an average of 105.5 billion cubic feet per day (bcfd) in February, up from 102.1 bcfd in January, but still below the record high of 106.3 bcfd in December.

## Outlook

- The natural gas market may continue to witness volatility as it remained influenced by weather conditions. With the weather forecast predicting continued above-average temperatures, the demand for heating fuel is expected to remain subdued, potentially causing further declines in natural gas prices.
- Current data indicates that output in the Lower 48 states has declined to approximately 100.2 billion cubic feet per day (bcfd), a notable decrease from February's average of 104.1 bcfd.
- Major producers like Chesapeake Energy and EQT have announced plans to cut gas drilling this year.
- Europe's increasing demand and limited short-term new supply capacities could keep a lid on prices temporarily and add to market volatility.
- The natural gas market is also contending with challenges in the LNG export sector. The on-going outage at the Freeport LNG facility in Texas has notably reduced the volume of gas flowing to LNG export plants. This has led to a decline in external demand for U.S. natural gas, exacerbating the oversupply situation domestically.

Weekly Price Movement of Natural Gas in MCX



Source: Reuters

Weekly Price Movement of Natural Gas in NYMEX



Source: Reuters

In March 2024, natural gas prices are expected to trade in both sides, with support around 128 and resistance near 180.

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