

# TECHNO FUNDA REPORT ON CRUDE OIL

Prices may move lower

July 06, 2015



Moneywise. Be wise.

## MCX CRUDE OIL (AUG) DAILY CHART



Source: Reuters

### Recommendation

Investors can take fundamental sell position in Crude oil (Aug) at current prices for the target of 3200 with stop loss of 3670.

### Note:

- These long term fundamental calls are for duration of three to four weeks time frame and do not confuse these with intraday calls.
- It is assumed that investor takes position in two lots and square off position in one lot on partial profit booking and trail stop loss to buying/selling price for second lot.

## NYMEX CRUDE OIL DAILY CHART (AUG)



Source: Reuters

## **Bullish factors**

### **Recovery in Greenback**

Dollar index can witness some recovery at current levels as its prices can show recovery towards 98 levels in near term .Any recovery in greenback in bearish for Crude oil.

### **Increased US production**

U.S. crude oil production is projected to increase from an average of 8.7 million b/d in 2014 to 9.4 million b/d in 2015 and then decline to 9.3 million b/d in 2016. The forecast is 0.2 million b/d and 0.1 million b/d higher for 2015 and 2016, respectively. The increase in the crude oil production forecast reflects upward revisions to estimated production in the first quarter of 2015.

EIA estimates that non-OPEC production grew by 2.3 million b/d in 2014, mainly as a result of output growth in the United States. EIA expects non-OPEC production to grow by 1.3 million b/d in 2015 and by 0.2 million b/d in 2016. Forecast non-OPEC production growth was revised upward from last month's outlook by an average of 0.5 million b/d in 2015, to account for historical revisions to first quarter U.S. production and increases to forecast Canadian production.

### **Increased OPEC production**

OPEC's output expanded last month to the highest level since August 2012 as Iraq pumps at a record pace. Greece debt concerns and falling China stock markets to keep prices under pressure Oil prices fell sharply on Monday after Greece rejected bailout terms and as China rolled out emergency measures to prevent a full-blown stock market crash, adding to worries about poor demand growth. The result of the Greek referendum put in doubt its membership in the single currency, pulling down the euro on today against the dollar. Uncertainty over Greece is bearish for oil. It adds an extra negative factor on top of the turmoil in Chinese financial markets.

### **Increase in US drilling rigs**

US drilling increased for the first time after 29 weeks of declines, the strongest sign yet those higher crude prices are coaxing producers back to the well pad. Baker Hughes recently reported that the number of active oil drilling rigs saw a weekly climb of 12 to 640 as of July 2. That marked the first weekly increase for oil rigs in 30 weeks. Drillers in the U.S., the world's biggest oil consumer, have idled more than half the nation's rigs since December, said Baker Hughes.

### **Russia increased crude oil production**

Production in Russia and the Organization of the Petroleum Exporting Countries (OPEC) is also at or near records.

### **Expectation of Nuclear deal between Iran and Global powers**

Putting further pressure on oil markets is a possible nuclear deal between global powers and Iran, which could add more oil to oversupplied markets if sanctions are eased. There is expectation that deal is likely before July 9. Western officials also reiterated the deadline won't be extended again, and significant progress has been made recently.

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