



FOR PRIVATE CIRCULATION ONLY

10 April 2018

MARKET ANALYSIS

NYMEX crude trades higher above \$63 per barrel after a sharp 2.2% gain yesterday. Crude plunged 2.3% on Friday shed most of the losses yesterday. Crude may continue to witness mixed trade amid mixed factors and as market players assess impact of US-China trade issues. We however maintain sell on rise view as higher US supply and weaker risk sentiment on US-China trade tensions may keep pressure on price. Focus will continue to be on development relating to US-China trade policies, geopolitical development relating to Syria and Iran and monthly outlook by major agencies.

Asian equity markets trade higher today while DJIA futures point to a positive opening for US equity market. Risk sentiment improved amid expectations that US-China may resolve their trade disputes through negotiations. President Donald Trump expressed optimism the US will be able to reach a deal with China. Chinese President Xi Jinping at the opening ceremony of the Boao Forum for Asia annual conference said cold War and zero-sum mentalities were "out of place," and that he backed free trade and dialogue to resolve disputes. While both US and China have indicated willingness to negotiate, uncertainty will persist in the near term keeping risk sentiment low.

Crude rose also on supply concerns relating to Syria. Syria and Russia accused Israel for a missile strike on an air base in central Syria. Meanwhile, US has promised a "forceful" response to the alleged chemical attack in Syria. Tensions are already high about Iranian supply amid expectations that US may pull out of the nuclear deal.

However, weighing on crude is record high US crude production and rise in rig count. US crude oil rig count rose by 11 to 808 rigs, highest since March 2015. Crude rose last week as Saudi Arabia unexpectedly raised the price of its key Arab Light crude in Asia. Reports yesterday noted that China's Sinopec, Asia's largest refiner, plans to cut Saudi crude imports in May by 40%, instead buying from alternative sources, after Saudi Aramco set higher-than-expected official prices. Crude has also benefitted from OPEC's production cuts but this is offset by rise in Russian production.

CRUDE OIL

Futures Market Movement

MCX Crude Oil (Rs/bbl) as on 9-Apr

Contract	High	Low	Close	Change	% Change
Apr-18	4128	4034	4116	87	2.2
May-18	4132	4050	4126	79	2.0
Jun-18	4133	4063	4125	70	1.7

NYMEX WTI Crude Oil (USD/barrel) as on 9-Apr

May-18	63.61	61.93	63.42	1.36	2.2
Jun-18	63.62	62.01	63.43	1.33	2.1
Jul-18	63.44	61.88	63.26	1.3	2.1

ICE Brent Crude Oil (USD/barrel)

Jun-18	68.80	67.00	68.65	1.54	2.3
Jul-18	68.33	66.56	68.18	1.50	2.2

NYMEX Heating Oil (USD cents/gallon)

May-18	200.34	195.37	199.66	3.88	2.0
Jun-18	199.75	195.17	199.04	3.60	1.8

NYMEX Gasoline (USD cents /gallon)

May-18	199.08	195.00	198.42	2.95	1.5
Jun-18	199.36	195.44	198.71	2.86	1.5

Spread (USD/barrel)	Close	Prev.	% Change
ICE Brent- NYMEX WTI	5.22	5.01	0.21
NYMEX 3-2-1 Crack Spread	20.09	20.08	0.01

MARKET OUTLOOK

MCX Crude may note some gains tracking cues from international exchange however upside is limited. NYMEX crude trades higher above \$63.8/mmBtu supported by some stability in equity market amid expectations that US and China may resolve their trade issues through negotiations. However, uncertainty will prevail as both have proposed to impose import tariffs against each other and negotiations are yet to take shape. Crude has also benefitted from supply worries relating to Syria post an air strike on a Syrian air base over the weekend which was blamed on Israel. Meanwhile US plans to respond to a poison gas attack by President Bashar al-Assad's forces on a rebel-held town. OPEC's production cuts and weakness in US dollar has also underpinned crude oil price. However, weighing on price is higher US crude oil production. US crude oil production stands at record high level of 10.46 million barrels per day while crude oil rig count rose to 808 rigs last week, the highest level since March 2015. Also weighing on price are reports that China's Sinopec, Asia's largest refiner, plans to cut Saudi crude imports in May by 40% instead buying from alternative sources, after Saudi Aramco set higher-than-expected prices. Crude may witness choppy trade as market players assess US-China trade conflict and its impact on global economy and crude demand however we maintain sell on rise view as higher US supply will continue to weigh. Focus today will be on US EIA's monthly outlook.

Last Close	Support	Resistance	Trend
4116	4090	4170	Sideways



TECHNICAL OUTLOOK

MCX Crude Oil Apr 18					NYMEX WTI Crude Oil				
S2	S1	Pivot	R1	R2	S2	S1	Pivot	R1	R2
3999	4057	4093	4151	4187	61.37	62.38	63.10	64.11	64.83

Strategy: Trading range 4074-4180; Sideways





MARKET ANALYSIS

NYMEX natural gas trades near \$2.7/mmBtu after a 0.3% decline yesterday. Natural gas has been trading in a broad range for last few days amid mixed cues and this trend could continue in the near term. Supporting price is current cold weather has kept heating demand high. However, weighing on price is higher US production. Mixed factors and slack spring season may keep gas in a range but bias may be on the downside. Focus will be on US weather outlook and trend in crude and other energy futures.

Weather related demand usually weakens during spring which is a shoulder period between high demand winter and summer season. We have seen spurts of cold weather in some parts of US but they are not seen sustaining over coming days and could keep a check on demand.

According to the US weather forecaster NOAA, colder-than-normal temperatures are expected across eastern US from April 15-19 with cooler air in the northwest. According to Radiant Solutions, midday update to government's Global Forecast System model shows temperatures below normal in central U.S. April 14-18, while mostly avg on East Coast.

Working gas stocks stand at 1,354 Bcf, which is 347 Bcf lower than the five-year average and 697 Bcf lower than last year at this time. US gas stocks have ended the 2017-18 heating season at the second-lowest level since 2010.

As per early estimates, US weekly inventory report is expected to note a 13 Bcf decline in gas stocks. The 5-year average for the week is an increase of 9 Bcf.

Weighing on gas is higher output and rise in rig count. The number of rigs drilling for natural gas was unchanged at 194 rigs, the highest level since Nov.2015, indicating higher production interest.

NATURAL GAS

MCX Natural Gas (Rs/mmBtu)					
Contract	High	Low	Close	Change	% Change
Apr-18	175.40	172.00	174.40	-1.50	-0.9
May-18	179.00	175.90	178.10	-1.60	-0.9
Jun-18	182.90	180.70	182.50	-2.00	-1.1
NYMEX Natural Gas (USD/mmBtu)					
May-18	2.704	2.640	2.693	-0.008	-0.3
Jun-18	2.741	2.684	2.731	-0.016	-0.6
Jul-18	2.797	2.742	2.780	-0.024	-0.9
Spread/Ratio			Close	Prev.	% Change
WTI-Natgas Ratio			23.55	22.98	0.57
MCX WTI-Natgas Ratio			23.60	22.91	0.70

MARKET HIGHLIGHTS

NYMEX natural gas trades near \$2.7/mmBtu after a 0.3% decline yesterday

Mixed factors may keep gas in a range

MARKET OUTLOOK

MCX Natural gas may note some gains tracking cues from international exchange however sell on rise is suggested. NYMEX natural gas bounced back to trade above \$2.7/mmBtu. Supporting price is cold weather in US Northeast which has kept heating demand high however weather is expected to normalize in coming days. Natural gas also benefitted from sharp gains in crude oil price and expectations of another decline in gas stocks. However, weighing on price is higher US production and higher rig count. Natural gas may witness rangebound movement amid mixed cues but we maintain sell on rise view in expectations of slack demand in coming days.

Last Close	Support	Resistance	Trend
174.4	172.5	178	Sideways



Price Movement on NYMEX last week

Commodity	Close	Change	%	High	Low
Crude Oil (\$/bbl)	64.94	-0.94	-1.4	66.55	63.72
Natural Gas (\$/mmBtu)	2.733	0.1	3.8	2.764	2.610
Gasoline (cents/gal)	201.79	-1.57	-0.8	204.63	199.40
Heating Oil (cents/gal)	202.84	1	0.5	204.60	199.69

U.S. CFTC Commitments of Traders (COT) Futures Only Report (03 Apr 2018)

Non-commercial Position (contracts)	Long	Short	Net position	Change	Change (%)
Crude Oil	829,287	129,742	699,545	-16,225	-2.3
Natural Gas	328,895	426,400	-97,505	-3,344	3.6
Gasoline	156,026	77,551	78,475	-1,427	-1.8
Heating Oil	108,004	93,603	14,401	-586	-3.9

U.S. EIA Weekly Petroleum Inventory Report (30 Mar 2018)

(1000 barrels)	Stocks	Change	%	Expectation	Demand	Change%	Imports	Change%
Crude Oil	425,332	-4,617	-1.07	1,400	21,217	1.43	7,898	-3.07
Gasoline	238,477	-11,116	-0.47	-1,600	9,203	-0.05	761	11.09
Distillate Fuel Oil	129,491	537	0.42	-1,400	3,887	-11.15	99	-34.00

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	23 Mar	1,383	-63	-32.7%	-20.0%
Natural Gas	30 Mar	1,354	-29	-34%	-20.4%

US Economic Calendar (09nd April 2018 – 13th April 2018) (Source: Briefing.com)

Date	IST	Release	For	Actual	Consensus	Prior
Apr-10	1800	PPI	Mar		0.20%	0.20%
Apr-11	1800	CPI	Mar		0.10%	0.20%
Apr-11	2330	FOMC Minutes	Mar-21		NA	NA
Apr-12	1800	Initial Claims	07-Apr		230K	242K
Apr-13	1930	JOLTS - Job Openings	Feb		NA	6.312M
Apr-13	1930	Mich Sentiment	Apr		100.6	101.4



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