



FOR PRIVATE CIRCULATION ONLY

11 September 2018

MARKET ANALYSIS

NYMEX crude trades in a narrow range above \$67 per barrel after a 0.3% decline yesterday. Crude is rangebound amid mixed cues and this trend could continue ahead of inventory report. Market players are on sidelines awaiting more clarity on storm activity.

While WTI ended moderately lower, Brent crude rose 0.7% last week and spread between the two widened from \$9.28 to \$9.96/bbl. WTI crude is pressurized by higher US output and rising stocks at Cushing, the delivery terminal for NYMEX crude futures.

Crude is rangebound as market players await clarity on Iran supply in face of US sanctions. US sanctions will start affect Iranian energy industry from November however we are already seeing a drop in Iranian exports. Exports were as high as 2.5 million barrels per day in April but have fallen to around 1.8 million bpd. Exports are expected to drop further to near 1.5-1.7 million bpd. On the flip side, there are reports that OPEC and allies will offset output declines from American sanctions on Iran. Russian Energy Minister Alexander Novak was reported to have signaled the group's production levels will be kept at higher levels in September.

Crude is also supported by optimism about US economy amid upbeat economic data. However, optimism about US economy has also underpinned US dollar.

Crude has also gained from expectations of another decline in US crude stocks. However, this is offset by rise in crude stocks at Cushing, the delivery terminal for NYMEX crude futures. US crude production is at record high levels but drop in rig count shows weaker production interest.

Crude rallied sharply last week after tropical storm Gordon formed in the Gulf of Mexico resulting in some production shut down. However, the weather patten weakened soon and price edged down. A spate of weather systems has formed in the Atlantic but there is uncertainty about its impact. Focus currently is on Hurricane Florence, a category 4 hurricane, which is expected to hit North Carolina later this week. No major oil refineries or

CRUDE OIL

Futures Market Movement

MCX Crude Oil (Rs/bbl) as on 10-Sep

Contract	High	Low	Close	Change	% Change
Sep-18	4970	4894	4916	33	0.7
Oct-18	4973	4905	4926	40	0.8
Nov-18	4972	4922	4961	87	1.8

NYMEX WTI Crude Oil (USD/barrel) as on 10-Sep

Oct-18	68.52	67.33	67.54	-0.21	-0.3
Nov-18	68.33	67.19	67.41	-0.14	-0.2
Dec-18	68.19	67.09	67.31	-0.08	-0.1

ICE Brent Crude Oil (USD/barrel)

Nov-18	77.92	76.90	77.37	0.54	0.7
Dec-18	77.55	76.53	76.92	0.45	0.6

NYMEX Heating Oil (USD cents/gallon)

Oct-18	224.25	221.09	221.78	-0.04	0.0
Nov-18	224.44	221.35	222.13	0.11	0.0

NYMEX Gasoline (USD cents /gallon)

Oct-18	199.98	195.64	195.92	-1.08	-0.5
Nov-18	197.92	194.12	194.43	-0.58	-0.3

Spread (USD/barrel)	Close	Prev.	% Change
ICE Brent- NYMEX WTI	9.96	9.28	0.68
NYMEX 3-2-1 Crack Spread	18.37	18.46	-0.10

MCX Crude Options Monitor

Aggregate	10-Sep-18	Previous	Change (%)
Call Volume (lots)	1559	1412	10.4
Put Volume (lots)	1440	1119	28.7
Call OI (lots)	1844	1801	2.4
Put OI (lots)	2529	2359	7.2
PCR Volume	0.92	0.79	16.6
PCR OI	1.37	1.31	4.7
Turnover (crores)	149.0	125.2	19.0

production are expected to be affected by the storm activity however we could see some volatility in gasoline price. East coast is a consuming region and we could see some shortages as people hoard and this could boost gasoline prices.

However, weighing on price is higher US, Russia and OPEC output and US-China trade tensions. The US intends to impose import tariffs on \$200 billion Chinese goods as a period of public opinion ended. Trump has also threatened to impose import tariffs on almost all Chinese goods. Contagion fear has also caused uncertainty about health of emerging market economies. Sell-off which started in Turkey and Argentina has hit other markets like India, South Africa and Indonesia.



MARKET OUTLOOK

MCX Crude may witness choppy trade along with international prices but bias may be on the downside. NYMEX crude trades in a narrow range above \$67 per barrel after a marginal decline yesterday. Crude remains supported by expectations of another decline in US crude oil stocks, optimism about US economy, rise in Chinese imports and supply concerns relating to Iran as US sanctions have already started affect exports. Hurricane Florence, a Category 4 hurricane, has formed in the Atlantic and is expected to make a landfall near North Carolina. While no major threat is seen to US refineries, there could be some shortage for gasoline as people provision for potential disruptions. However, weighing on crude price is widening gap between WTI and Brent price. WTI is under pressure due to higher US output and rising crude stocks at Cushing, the delivery terminal for NYMEX crude futures. Also weighing on crude are demand concerns amid deepening crisis in emerging market economies and no major progress in talks to resolve trade disputes. Higher US, OPEC and Russia production and speculators that major producers will compensate for supply losses from Iran is also weighing on price. Crude may witness choppy trade amid mixed factors but we suggest selling at higher levels as supply remains high while demand concerns are rising. Focus will be on EIA monthly outlook, storm activity in Atlantic and US economic data.

Last Close	Support	Resistance	Trend
4916	4850	4960	Sideways





MARKET ANALYSIS

NYMEX natural gas trades near \$2.8/mmBtu after a 1% gain yesterday. Natural gas is rangebound amid mixed cues and as market players await more clarity on storm activity in Atlantic. Mixed factors may keep gas price in a range but bias may be on the downside due to higher US output. Focus today will be on US weather and storm activity in Atlantic.

We have seen some volatility in last few days due to storm activity. Tropical storm Gordon led to some production shut down in the Gulf of Mexico but the weather pattern weakened after making a landfall and production restarted. A number of storms have forms in the Atlantic but there is uncertainty about impact. Focus currently is on Hurricane Florence, a category 4 hurricane, which is expected to make a landfall in North Carolina. Power outages and rainfall caused by storm activity is expected to result in cooler weather keeping a check on demand.

Mixed weather forecasts have added to demand uncertainty. According to Commodity Weather Group, above-normal temperatures from Northeast through Southwest Sept. 15-19 will give way to mostly seasonable readings following five days. US forecaster NOAA expects above-avg temperatures seen across eastern U.S. from Sept. 16-20.

US natural gas stocks are well below 5-year average levels however in last few days stocks buildup has been above expectations.

US EIA report last week noted a 63 Bcf rise in US natural gas stocks as against market expectations of 60 Bcf rise. Net injections into storage compared with the five-year (2013–17) average net injections of 65 Bcf and last year's net injections of 60 Bcf during the same week. Working gas stocks totaled 2,568 Bcf, which is 590 Bcf lower than the five-year average and 643 Bcf lower than last year at this time.

Natural gas rose yesterday on reports of fire incident at Energy Transfer gathering line in Beaver County. However, the outages were temporary.

However, supporting price is rising European gas price. Unplanned outages at Norwegian gas fields and strong withdrawals from storage have tightened supplies. Also supporting price is narrowing gap between coal and gas price.

NATURAL GAS

MCX Natural Gas (Rs/mmBtu)					
Contract	High	Low	Close	Change	% Change
Sep-18	204.60	200.10	204.20	3.50	1.7
Oct-18	205.80	202.10	205.50	2.80	1.4
Nov-18	212.20	209.60	211.90	2.50	1.2
NYMEX Natural Gas (USD/mmBtu)					
Oct-18	2.814	2.752	2.804	0.028	1.0
Nov-18	2.820	2.764	2.808	0.018	0.6
Dec-18	2.904	2.855	2.895	0.017	0.6
Spread/Ratio			Close	Prev.	% Change
WTI-Natgas Ratio			24.09	24.41	-0.32
MCX WTI-Natgas Ratio			24.07	24.33	-0.26

MARKET HIGHLIGHTS

NYMEX natural gas trades near \$2.81/mmBtu after 1% gain yesterday

Mixed weather forecasts weighing on gas price

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 \$2.8/mmBtu after yesterday's 1% gain. Natural gas has gained support from narrowing gap between coal and gas price which will increase demand for power sector. Also supporting price is continuing surge in European gas price amid supply tightness. Reports of fire incident at Energy Transfer gathering line in Beaver County also lent some support. However, weighing on price is higher US output and mixed weather forecast which indicate limited cooling demand. Storm activity in the Atlantic could cause rains and flooding further reducing cooling demand. Mixed factors may keep gas price choppy but we do not expect a sustained rise amid higher US output. Focus will continue to be on US weather, storm activity in Atlantic and trend in coal and energy prices.

Last Close	Support	Resistance	Trend
204.2	201	206	Sideways



Price Movement on NYMEX last week

Commodity	Close	Change	%	High	Low
Crude Oil (\$/bbl)	67.75	-2.05	-2.9	71.40	66.86
Natural Gas (\$/mmBtu)	2.776	-0.14	-4.8	2.904	2.759
Gasoline (cents/gal)	197	-17.37	-8.1	206.24	192.60
Heating Oil (cents/gal)	221.82	-2.31	-1.0	230.93	219.07

U.S. CFTC Commitments of Traders (COT) Futures Only Report (04 September 2018)

Non-commercial Position (contracts)	Long	Short	Net position	Change	Change (%)
Crude Oil	673,427	107,697	565,730	15,417	2.8
Natural Gas	285,734	351,646	-65,912	357	-0.5
Gasoline	148,231	45,687	102,544	-4,586	-4.3
Heating Oil	101,072	55,971	45,101	5,994	15.3

U.S. EIA Weekly Petroleum Inventory Report (31 August 2018)

(1000 barrels)	Stocks	Change	%	Expectation	Demand	Change%	Imports	Change%
Crude Oil	401,490	-4,302	-1.06	-2,400	21,663	-2.14	7,714	3.06
Gasoline	234,619	1,845	0.79	-1,400	9,734	-1.67	988	13.82
Distillate Fuel Oil	133,120	3,119	2.40	100	4,290	-3.31	286	4.38

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	24 Aug	2,505	70	-20.5%	-19.0%
Natural Gas	31 Aug	2,568	63	-20.0%	-18.7%

US Economic Calendar (10th September 2018 – 14th September 2018) (Source: Briefing.com)

Date	IST	Release	For	Actual	Consensus	Prior
Sep-11	1930	JOLTS - Job Openings	Jul		NA	6.662M
Sep-12	1800	PPI	Aug		0.20%	0.00%
Sep-12	2330	Beige Book	Aug		NA	
Sep-13	1800	CPI	Aug		0.20%	0.20%
Sep-13	1800	Initial Claims	08-Sep		210K	203K
Sep-14	1800	Retail Sales	Aug		0.40%	0.50%
Sep-14	1845	Industrial Production	Aug		0.40%	0.10%
Sep-14	1930	Univ. of Michigan Consumer Sentiment - prelim	Sep		97	96.2



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