
Demand concern to keep oil prices under pressure

DEMAND CONCERN TO KEEP OIL PRICES UNDER PRESSURE

- WTI Crude oil is now trading near \$96.88 which is sharply lower from recent top of \$123.68 registered last month. Oil prices are trading mostly lower from last five weeks due to poor demand anticipation and recession fear in US and other leading economies.
- Due to worries about demand in China and Japan following a recent surge in Covid infections, crude oil prices are under pressure. The increase of new cases has led to two more rounds of widespread testing across Shanghai's 16 districts. As the government continues to impose tight Covid-Zero restrictions, about 30 million people in China already have some type of movement restriction. Additionally, Tokyo recorded 11,511 new coronavirus cases on Tuesday, which is a four-month high and more than double the number from a week prior.
- According to its most recent monthly report, OPEC anticipates a growth in global oil consumption in 2023, albeit at a slower rate than in 2022. In 2023, the demand is anticipated to increase by 2.7 million barrels per day (bpd), or 2.7%. The expectation for growth for this year remained at 3.36 million bpd. According to OPEC, the global economy will rise by 3.5 percent this year and by 3.2 percent in 2023. They added that uncertainty was "very modest" on the upside.
- OPEC anticipates a slowdown from 2022 and a surge in non-OPEC supply of 1.7 million bpd, which will fall short of rising demand. In order to maintain market equilibrium, OPEC predicts that its members will need to supply 30.1 million bpd in 2023, an increase of 900,000 bpd from 2022.
- According to the CFTC Commitments of Traders report for the week ended 5 July, net long of crude oil futures dropped by 19169 contracts to 280523. Speculative longs dropped by 1103 contracts while shorts increased by 18066 contracts.
- Crude oil prices are likely to get fresh direction from weekly inventory report later today. Last report showed that U.S. crude oil inventories as of July 1 were -10.8% below the seasonal 5-year average, gasoline inventories were -9.1% below the 5-year average, and distillate inventories were -21.3% below the 5-year average. U.S. crude oil production in the week ended July 1 was unchanged at a 2-year high of 12.1 million bpd, -1.0 million bpd (-7.6%) below the Feb-2020 record-high of 13.1 million bpd.
- Baker Hughes reported last Friday that active U.S. oil rigs in the week ended July 8 rose by +2 rigs to a 2-1/4 year high of 597 rigs. U.S. active oil rigs have more than tripled from the 17-year low of 172 rigs seen in Aug 2020, signaling an increase in U.S. crude oil production capacity.

Outlook

- WTI Crude oil prices are likely to remain under pressure while below key resistance level of \$106.9-\$110.4 meanwhile immediate support level could be seen around \$90.6-\$87.4

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