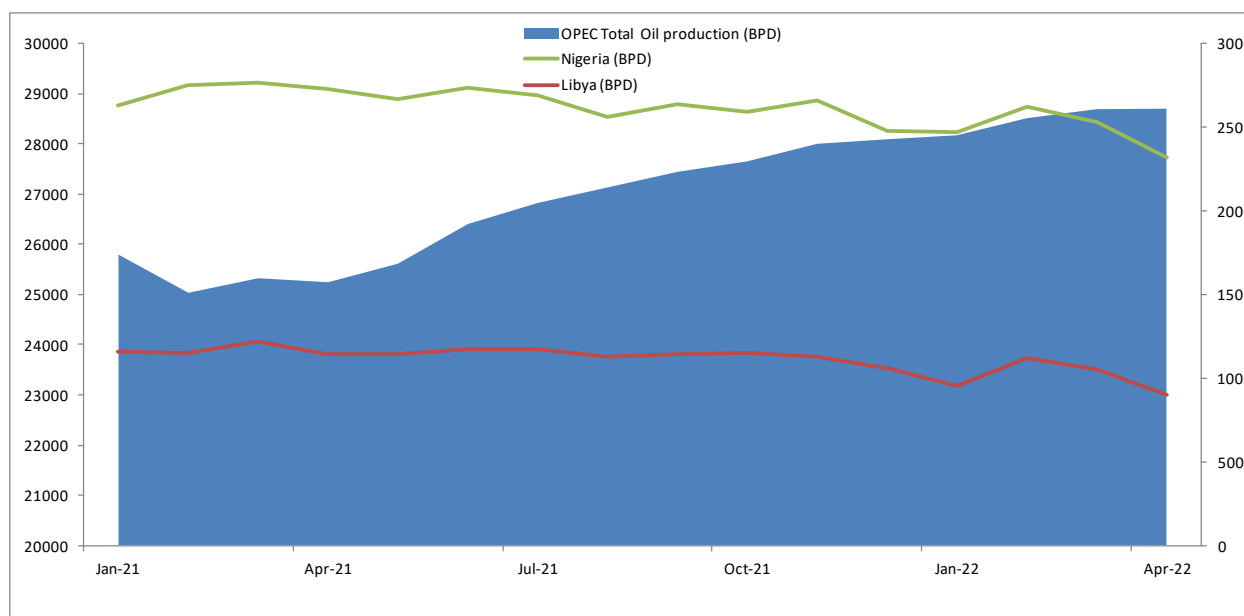

WTI Crude to face stiff resistance around 116.8

WTI CRUDE TO FACE STIFF RESISTANCE AROUND 116.8

- WTI Crude oil is now trading near 111, moderately lower from yesterday's high of 115.56 however prices are trading much higher from last month's low of \$92.93 registered on 11th April. Crude oil prices are anticipated to confront stiff resistance as the US government works to foster dialogue with Venezuela, which might lead to the lifting of sanctions and the resumption of Venezuelan crude exports. Rising inflation as a result of higher energy prices is requiring the US to maintain contact with major oil suppliers.
- According to the CFTC Commitments of Traders report for the week ended 10th May, net long of crude oil futures dropped by 10898 contracts to 310803. Speculative longs dropped by 4522 contracts while shorts increased by 6376 contracts.
- The suggestion that the US wants to propose tariffs on Russian oil to European countries at the G-7 conference is expected to keep crude prices under pressure. This move would keep Russian oil on the market while decreasing revenue.
- Energy demand is supported by positive global economic indicators, which is bullish for crude oil prices. On Tuesday, the US retail sales ex-autos gained +0.6% m/m, compared to predictions of +0.4% m/m. In addition, manufacturing production in the United States increased by +0.8 percent m/m in April, beating predictions of +0.4 percent m/m. Furthermore, Eurozone Q1 GDP increased by +0.3 percent quarter on quarter and +5.1 percent year on year, compared to +0.2 percent quarter on quarter and +5.0 percent year on year projections.
- An improvement in China's Covid situation that may allow it to end lockdowns is supportive for economic growth and energy demand. The sharp surge in Covid infections in China has forced the government to impose pandemic restrictions and lockdowns, which have stifled economic growth and reduced energy demand. However, according to the most recent update, China is allowing some leeway because no community infection has been discovered in last few days.
- Lower crude supplies from Libya are bullish for prices. Libya April crude oil exports fell -16% m/m to 819,000 bpd, the smallest amount in 1-1/2 years, as damaged storage tanks from rebel attacks and political protests at key Libyan ports have curbed the country's crude exports. OPEC crude oil production in April rose by +10,000 bpd to a 2-year high of 28.7 million bpd. OPEC was expected to increase output by +274,000 bpd in April, but supply constraints in Libya and Nigeria prevented OPEC from reaching that level.



Month	OPEC Total Oil production (BPD)	Libya (BPD)	Nigeria (BPD)
Jan-21	25790	1160	1470
Feb-21	25030	1150	1600
Mar-21	25320	1220	1550
Apr-21	25240	1140	1590
May-21	25610	1140	1530
Jun-21	26400	1170	1570
Jul-21	26820	1170	1520
Aug-21	27130	1130	1430
Sep-21	27440	1140	1500
Oct-21	27650	1150	1440
Nov-21	28000	1130	1530
Dec-21	28090	1060	1420
Jan-22	28170	950	1520
Feb-22	28510	1120	1500
Mar-22	28690	1050	1480
Apr-22	28700	900	1420

- ▲ Last week, crude supply in the US declined by 2.4 million barrels, according to API. Crude is expected to get a fresh direction from today's weekly inventory report, with stockpiles expected to rise by 2.0 million barrels. According to the weekly EIA report released last Wednesday, crude oil stocks in the United States were -13.1 percent lower on May 6 than the seasonal 5-year average. In the week ending May 6, US crude oil output declined -0.8 percent w/w to 11.8 million bpd, down -1.3 million bpd (-9.9%) from the record high of 13.1 million bpd set in February 2020.
- ▲ Baker Hughes reported last Friday that active U.S. oil rigs in the week ended May 13 rose by +6 rigs to a new 2-year high of 563.

Outlook

- ▲ Crude oil prices are likely remain under pressure while below key resistance level of 116.8, meanwhile immediate support level is seen around 107.7-105

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