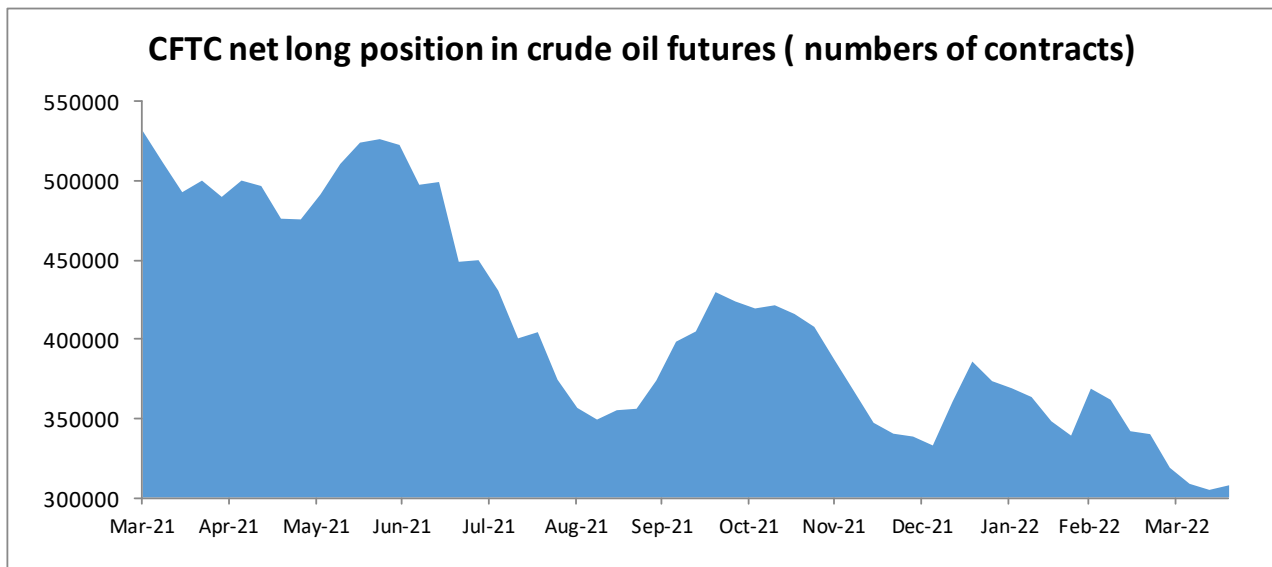

Crude oil is likely to remain under pressure

CRUDE OIL IS LIKELY TO REMAIN UNDER PRESSURE

- ▲ A rally in the dollar index to a 2-year high Friday weighed on energy prices. WTI Crude oil is now trading at \$96 per barrel which is sharply lower from recent high of \$115.54 per barrel registered on 7th March. Crude retreated on signs that China will maintain its strict Covid-Zero policy and keep pandemic lockdowns in place, which will reduce energy demand. As per Bloomberg report, Pandemic lockdowns in China will curb diesel and aviation fuel demand this month by -20% from a year earlier and cut crude consumption by 1.2 million bpd. That would be the biggest decline in Chinese crude demand since the lockdown of Wuhan when the pandemic began more than two years ago.
- ▲ Fed Chair Jerome Powell has likely endorsed a 50 basis point increase next month to contain inflation, while St. Louis Fed President James Bullard has warned that the central bank should not rule out even larger increases, such as 75 basis points. Potential monetary tightening aggression is likely to keep dollar-denominated commodity prices low.
- ▲ Russia's crude and condensate production from April 1-19 was 10.11 million bpd, down -8.2% from March levels. However US crude oil production in the week ended April 15 rose +0.8% w/w to 11.9 million bpd, which is -1.2 million bpd (-9.2%) below the Feb-2020 record-high of 13.1 million bpd. US crude oil production is increasing while Russia production is declining.
- ▲ The prospect of more European countries banning Russian crude is likely to keep oil prices higher for the foreseeable future. JPMorgan Chase warned last week that if the European Union bans Russian crude oil too quickly, it will displace more than 4 million bpd of crude supplies, pushing prices up to \$185 per barrel.
- ▲ Libya shut down production at its Sharara oil field, the country's biggest, due to demonstrations against Libya's prime minister. Protesters also forced two Libyan ports to stop loading, with crude output halted at Libya's El Feel oil field. Libya said Tuesday that its crude production has fallen to 800,000 bpd from 1.3 million bpd due to the closure of the oil fields. Crude oil prices are likely to remain firm due to supply disruptions.
- ▲ Russian President Putin and Saudi Crown Prince Mohammed bin Salman gave a "positive assessment" to their cooperation with the OPEC+ producers' group to stabilize the world oil market. The comment suggests they are happy with current prices and that OPEC+ will resist US and allies' calls to boost crude production.
- ▲ According to the CFTC Commitments of Traders report for the week ending 19 April 2022, the net long position in crude oil futures fell by 897 contracts to 307697. Speculative longs were down by 1510 contracts, while shorts were also down by 613 contracts.



- ▲ Baker Hughes reported Friday that active U.S. oil rigs in the week ended April 22 rose by +1 rig to 549, a 2-year high. U.S. active oil rigs have risen sharply from the 16-1/2 year low of 172 rigs since 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 \$101.18-\$104.67 meanwhile immediate support level could be seen around \$94.8-\$92.90

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