
WTI Crude oil is expected to maintain its strength while
trading above a crucial support level of \$97.3-\$93.8

WTI CRUDE OIL IS EXPECTED TO MAINTAIN ITS STRENGTH WHILE TRADING ABOVE A CRUCIAL SUPPORT LEVEL OF \$97.3-\$93.8

- WTI Crude oil which fell in last two trading session from \$107.80 to \$97.78 is stabilizing around \$100 per barrel on Monday. Prices are being pushed down by a lack of demand caused by poor economic data and an increase in Covid-19 cases in China. However, the prices are supported by the unresolved crisis between Russia and Ukraine.
- Rising cases of covid-19 in China, as well as a new lockdown in Shanghai, are expected to limit fuel oil demand. According to Rystan Energy, the Shanghai travel restrictions will reduce China's oil demand by up to 200,000 bpd for the period of the restrictions.
- On the economic front, the US March ISM manufacturing index unexpectedly slid -1.5 to 57.1, a one-and-a-half-year low, against expectations of a rise to 59.0. The S&P Global manufacturing index for the Eurozone in March was revised down by 0.5 points to 56.5, a 14-month low, from 57.0 before. The China Mar Caixin manufacturing PMI declined -1.7 points to 48.1, compared to 49.9 expected. Oil prices are likely to remain under pressure due to a reduction in manufacturing activity in the United States, the Eurozone, and China.
- For the next six months, the Biden administration has ordered the release of 1 million barrels per day (bpd) of crude from the SPR, up to 180 million bbl, which is expected to keep growing oil prices in check.
- OPEC+ confirmed a +432,000 bpd increase in crude output for the month of May which is also negative for oil prices.
- Meanwhile, OPEC crude production increased by 90,000 barrels per day in March, reaching a 23-month high of 28.6 million barrels per day.
- As of March 25, crude oil inventories in the United States were -13.3 percent below the seasonal 5-year average, gasoline inventories were +0.4 percent above the 5-year average, and distillate inventories were -16.3 percent below the 5-year average, according to the latest weekly EIA data.
- Meanwhile, US crude oil output grew +0.9 percent w/w to 11.7 million bpd in the week ending March 25, down -1.4 million bpd (-10.7 percent) from the record-high of 13.1 million bpd set in February 2020.
- Baker Hughes reported on Friday that active U.S. oil rigs increased by two in the week ending April 1, to 533, a two-year high. Since August 2020, the number of active oil rigs in the United States has grown dramatically from a 16.5-year low of 172 rigs. A substantial increase in active oil rigs suggests that future oil production in the United States will rise.
- According to the CFTC Commitments of Traders report for the week ending 29 March 2022, the net long position in crude oil futures fell by 21238 contracts to 318731. Speculative longs were down 16463 contracts, while shorts were up by 4775 contracts.

Outlook

- WTI Crude oil prices are expected to trend higher as long as they remain over critical support of \$97.3-\$93.8, while immediate resistance is projected around \$109.8-\$118.

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