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## CRUDE OIL PRICES ARE MOVING IN RANGE AHEAD OF OPEC MEETING AND INVENTORY REPORT

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- WTI Crude oil prices are approaching \$68.94 and are trading in a tight range of \$68-\$70 ahead of today's key OPEC+ meeting and weekly inventory report.
- Due to the Covid-19 crisis and a new blow to China's manufacturing activities, crude oil prices are anticipated to meet stiff resistance. Both the manufacturing and non-manufacturing indexes in China plummeted to one-and-a-half-year lows in August. Factory activity in China rose at a slower rate in August than the previous month, according to data released Tuesday. In August, the official manufacturing Purchasing Managers' Index fell to 50.1, down from 50.4 in July.
- Meanwhile, the official non-manufacturing PMI for August was 47.5, the lowest level since early 2020, when the pandemic was at its peak. In August, the Caixin manufacturing purchasing managers' index, an independent measure of factory activity, fell to 49.2, the lowest level since April 2020.
- According to Johns Hopkins University in Baltimore, global covid cases have surpassed 217 million. The death toll has risen to 4.51 million people worldwide. With 39 million cases and 638,715 deaths, the United States leads the world. As of Monday, the daily average of new cases over the previous seven days was 158,946, up 12 percent from two weeks ago.
- Furthermore, US economic data released on Tuesday was typically poorer than predicted, indicating a gloomy outlook for crude. The August MNI Chicago PMI in the United States plummeted -6.6 points to 66.8, missing expectations of 68.0. In addition, the Conference Board's August consumer confidence index slid -11.3 points to 113.8, a 6-month low, falling short of forecasts of 123.0.
- Crude oil prices are expected to get fresh direction from today's OPEC+ meeting and weekly crude oil inventory data. OPEC, Russia, and their allies are anticipated to stick to their goal of adding 400,000 barrels per day (bpd) per month until December. The administration of US President Joe Biden has encouraged OPEC and its partners to increase oil supply in order to combat rising gasoline prices, which it sees as a danger to the global economic recovery.
- Meanwhile, OPEC+ compliance has improved, bolstering oil prices. According to BNEF data, OPEC+ adhered to agreed-upon crude output cutbacks at a rate of 108 percent in July, the most this year.
- The American Petroleum Institute (API) released a report that revealed a larger-than-expected reduction in US oil inventories. According to the API, US crude stockpiles declined by 4 million barrels in the week ending August 27. However, the EIA's official weekly inventory report, due later today, will confirm inventory in the United States. EIA crude inventories are expected to decline by -2.5 million barrels. According to the weekly EIA data released last Wednesday, U.S. crude oil stockpiles were -5.6 percent lower than the seasonal 5-year average on August 20, gasoline inventories were -3.2 percent lower, and distillate inventories were -7.4 percent lower.

- Last Friday, Baker Hughes announced that active U.S. oil rigs increased by 5 rigs in the week ending August 27 to a 16-month high of 410 rigs. Active oil rigs in the United States have risen substantially from a 15-year low of 172 rigs last August, indicating increased crude oil output in the United States.
- The net long position in crude oil futures fell by 30,011 contracts to 374,312 contracts for the week ending August 24, according to the CFTC Commitments of Traders report. The number of speculative long positions fell by 10,078 contracts, while the number of speculative short positions increased by 19,933 contracts. Last week's recovery in crude oil prices should help net longs in the following week.

## Outlook

- WTI Crude oil prices are expected to face stiff resistance around \$70.36-\$71.28, with immediate support around \$66.82 and \$63.92. After the OPEC meeting and the weekly US crude oil inventory data, crude oil is likely to take a new direction.

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