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OIL PRICES WILL BE SUPPORTED BY OPEC'S TIGHT SUPPLY

- ▲ Crude Oil WTI After a two-day drop to \$77.83 yesterday, are now hovering at \$78.93. Oil prices are trading at a significant discount to their recent high of \$85.4 set in October 2021 and a significant premium to their recent low of \$62.43 set earlier this month. Oil prices will be underpinned by OPEC's tight supply.
- ▲ Crude oil prices will be influenced by the US Federal Reserve chairman's comments on a possible interest rate hike and the weekly inventory report due out on Wednesday. Meanwhile, OPEC's output plans are supporting prices.
- ▲ As per Reuters report, OPEC supply additions running below their allowed increase under the OPEC+ pact, as some countries, including Nigeria, are not producing their agreed volumes. It is likely to keep oil prices firm despite drop in oil demand due to travel restrictions globally. OPEC+ last Tuesday agreed to boost its crude production output by 400,000 bpd in February, as expected.
- ▲ However, An increase in Libyan oil production is bearish for prices after Libya's oil production rose to 1.0 million bpd after a pipeline linking the eastern Samah and Duhra oil fields to Libya's biggest oil port Es Sider was fixed. The closure had curbed production by 200,000 bpd.
- ▲ Meanwhile, the rapid spread of the omicron variant has bolstered concern that countries may impose travel restrictions to slow the spread of the virus, which would hurt fuel demand and is bearish for crude prices. New pandemic restrictions are being imposed in parts of Europe. According to Johns Hopkins University (JHU), the global total case count mounted to 310 million while the death toll from the virus reached 5.49 million Tuesday morning. The US has recorded 61.49million cases so far and 8.39 lakh people have died from the virus in the country, the university data shows. India's Covid tally rose to 35.86 million Monday as a steep rise of 180,438 new daily cases were registered, as per the federal health ministry's latest data. India is the third largest consumer of Oil after US and China.
- ▲ Last Wednesday's weekly EIA report showed that U.S. crude oil inventories as of Dec 31 were 12.8% below the seasonal 5-year average, gasoline inventories were 1.1% below the 5-year average, and distillate inventories were 21.6% below the 5-year average. A drop in US oil inventories indicates tight supplies and supportive for oil prices.
- ▲ Meanwhile, US crude oil output remained constant week over week at a 19-1/2 month high of 11.8 million bpd, down 1.3 million bpd (9.9%) from the record high of 13.1 million bpd set in February 2020.
- ▲ Last Friday, Baker Hughes reported that active U.S. oil rigs increased by one rig to 481 rigs, a 1-3/4 year high. Active oil rigs in the United States have surged dramatically from a 15-year low of 172 rigs in August 2022. An increase in oil rigs signals an increase in future crude oil supplies in the United States.

- ▲ According to the CFTC Commitments of Traders report for the week ended January 4th, net long of crude oil futures sank 5604 contracts to 332825. Speculative longs dropped by 7352 contracts while shorts also dropped by 1748 contracts.

Outlook

- ▲ Crude Oil prices are likely to trade firm while above key support level of 20 days EMA of 76.13 and 50 days EMA of 75.22 meanwhile it is likely to face stiff resistance near \$80.20-82.2

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