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Concerns over oil supply are expected to keep prices high

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**CONCERNS OVER OIL SUPPLY ARE EXPECTED TO KEEP PRICES HIGH**

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- WTI oil prices rose on Thursday, with Brent crude reaching its highest level in almost two months, owing to robust fuel demand, low stocks, and limited oil output. WTI Crude oil prices are holding near \$73.31 per barrel after a sharply rally from recent low of \$69.67 per barrel on September 21st
- Hurricane Ida had knocked off 294,414 bpd (16.2 percent) of US crude production in the Gulf of Mexico as of Thursday afternoon. Additionally, the landfall of Tropical Storm Nicholas last week also delayed the resumption of US Gulf crude production. Slow recovery in US oil production is supportive for crude oil prices.
- After the United States lifted restrictions on aviation travel to the United Kingdom and the European Union on Monday, demand for jet fuel is expected to rise. According to Energy Aspects Ltd, the relaxation of US travel restrictions might result in a 200,000 bpd boost in jet fuel demand.
- The weekly EIA crude inventories decreased more than predicted to a two-and-a-half-year low on Wednesday. Crude inventories declined 3.5 million barrels to 414 million barrels in the week ending September 17, compared to a 2.4 million-barrel drop expected. According to the weekly EIA data US crude oil stockpiles were -8.2 percent lower than the seasonal 5-year average on September 17, gasoline inventories were -2.4 percent lower, and distillate inventories were -13.8 percent lower.
- However, Thursday's global economic data was negative for crude oil demand. US weekly initial unemployment claims unexpectedly rose +16,000 to 351,000, showing a weaker labor market than expectations of a decline to 320,000. Also, the U.S. Sep Markit manufacturing PMI fell -0.6 to a 5-month low of 60.5, weaker than expectations of 61.0. In addition, the Eurozone Sep Markit manufacturing PMI fell -2.7 to a 7-month low of 58.7, weaker than expectations of 60.3.
- The net long of crude oil futures increased by 5 906 contracts to 355 064 contracts, according to the CFTC Commitments of Traders report for the week ended September 14. Long speculative positions gained +6061 contracts, while short speculative positions gained +155 contracts. Prices rally this week is likely to increase net long position for this week's data.
- Last Friday, Baker Hughes announced that active U.S. oil rigs increased by 10 rigs in the week ending September 17 to a 17-month high of 411 rigs.
- In the week ending September 17, US crude oil production increased by 5.0 percent w/w to 10.6 million barrels per day, down -2.5 million barrels per day (-19.1 percent) from the record high of 13.1 million barrels per day set in February 2020.

**Outlook**

- WTI oil prices are expected to remain solid above critical support levels of the 20-day EMA of \$70.63 per barrel and the 50-day EMA of \$69.91 per barrel due to a positive demand outlook and limited supply. Around \$74.69-\$75.88 per barrel, it is likely to find minor resistance.

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