
Oil prices are expected to rise as supply becomes tighter and demand recovers

OIL PRICES ARE EXPECTED TO RISE AS SUPPLY BECOMES TIGHTER AND DEMAND RECOVERS

- WTI Crude oil prices have retraced from yesterday's high of \$76.67 and are now hanging around \$74.66. Crude oil prices have risen dramatically from a low of \$61.74 last month, owing to increased demand in the United States and Europe, as well as a tight supply situation in the Gulf of Mexico following a series of hurricanes.
- The net long of crude oil futures increased by 914 contracts to 355 978, according to the CFTC Commitments of Traders report for the week ending September 21. Speculative longs and shorts both lost ground, with speculative longs and shorts losing -6 263 and -7 177 contracts, respectively.
- Energy demand and oil prices were negatively affected by US economic data. The Conference Board's September consumer confidence index unexpectedly declined -4.5 points to 109.3, a seven-month low, despite predictions for an uptick to 115.0. In addition, the September Richmond Fed manufacturing survey unexpectedly dropped -12 points to a 16-month low of -3, despite predictions of a rise to 10. The July S&P CoreLogic composite-20 house price index, on the other hand, rose a record +19.95 percent year over year (data from 2001), slightly behind predictions of +20.00 percent year over year.
- Today's weekly EIA inventory data is expected to give crude oil prices a boost. Meanwhile, oil stockpiles in the United States climbed by around 4.1 million barrels for the week ending September 24, compared to a reduction of 2.3 million barrels expected. In comparison, the API reported a draw of 6.1 million barrels the prior week. Official weekly US crude supplies are estimated to have decreased by around 1.6 million barrels last week. The official government inventory report due today.
- Improving economic activity in the United States and the Eurozone is expected to increase gasoline consumption, which will be good for crude oil prices. If the pandemic situation in the United States improves, lockdowns and travel restrictions may be lifted. On Monday, the seven-day average of new Covid infections in the United States decreased to 118,382, a one-and-a-half-month low. According to Energy Aspects Ltd, the lifting of U.S. travel restrictions could increase demand for jet fuel by as much as 200,000 bpd.
- Last Friday, Baker Hughes announced that active U.S. oil rigs increased by 10 rigs in the week ending September 24, reaching a 17-month high of 421 rigs. An increase in the number of oil rigs is an early sign of increased oil production in the United States.

Outlook

- Crude oil prices are expected to remain stable as long as they remain above important support levels of \$71.78 per barrel and \$70.55 per barrel on the 20-day and 50-day exponential moving averages, respectively. In the meanwhile, \$76.56 and \$77.83 are considered as imminent resistance levels.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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