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Russian supply threat to keep oil prices firm

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## RUSSIAN SUPPLY THREAT TO KEEP OIL PRICES FIRM

- ▲ Brent oil is now trading at \$108.32 or 3.19% from previous closing and sharply high after a drop to \$103.10 on Monday. Crude oil found support after the European Union announced a new round of sanctions against Russia. Under the ban, crude oil imports will be embargoed after six months and refined petroleum products such as gasoline after nine months.
- ▲ Positive US economic data is supportive for oil prices. US March factory orders rose +2.2% m/m, against expectations of +1.2% m/m. March JOLTS job openings unexpectedly rose +205,000 to a record 11.549 million, showing a stronger labor market than expectations of a decline to 11.200 million.
- ▲ OPEC is unlikely to increase oil output at its meeting on Thursday due to capacity issues. It is likely to stick to its existing strategy, approving another modest addition of 430,000 barrels per day. According to last month's data, the Organization of Petroleum Exporting Countries added only 10,000 barrels per day in April, compared to a planned 274,000 barrels per day, according to the survey. It pumped 28.7 million barrels per day on average.



Figure 1: Bloomberg Total OPEC Crude Oil Production Output Data ('000 barrels per day)

- ▲ Crude oil prices were also supported as Libyan crude exports fell by 16 percent m/m to 819,000 bpd in April, the lowest level in 1-1/2 years. Protests at key Libyan ports have hampered the country's crude exports.

- Concerns about global economic growth, on the other hand, are likely to keep oil prices from rising further. China's factory activity fell to its lowest level since February 2020, according to official data released on Saturday, the latest sign of economic pain as Beijing steadfastly pursues its zero-Covid response. Fitch Ratings reduced its 2022 China GDP forecast to 4.3 percent from 4.8 percent, citing Covid lockdowns. According to Citigroup research, China's oil demand is down 1 million bpd year to date, and demand is unlikely to recover anytime soon.

## Outlook

- Brent oil prices are likely to trade firm while above key support level of \$104.2-\$102.6 meanwhile it may face minor resistance around \$109.9-\$111.60

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