DAILY ANALYSIS REPORT

Wednesday, February 9, 2022

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US INVENTORY DATA ARE LIKELY TO BE SUPPORTIVE FOR OIL PRICES

- WTI crude oil prices are now trading at $89.23 which is marginally lower from yesterday's closing but still trading at multiyear high. Crude oil prices are supported by recent rise geopolitical issues, increasing oil demand.
- A reduction in geopolitical tensions between Russia and Ukraine is expected to keep growing oil prices in check. Russian President Putin assured French President Macron that there would be no "intensification" of Russian aggression in Ukraine.
- The likelihood of fresh oil supply in the market is anticipated to grow as a result of US-Iran discussions. Russia's senior nuclear negotiator has stated that efforts to resurrect the Iranian nuclear deal are "nearing completion." A new nuclear deal with Iran might open the way for sanctions to be lifted and Iranian crude shipments to return to the global market. Goldman Sachs, on the other hand, anticipates that Iran will be sanctioned until 2023.
- According to an EIA estimate, US oil output will climb much faster than the government had anticipated, as a raging price surge pushes companies to increase drilling. In 2023, oil supply will average 12.6 million barrels per day, up from the previous projection of 12.41 million.
- Also, the EIA cut its 2022 US gasoline demand forecast to 8.9 million bpd from a Jan forecast of 9.1 million bpd, citing tougher government fuel-efficiency standards.
- OPEC+ last Wednesday agreed to boost its crude production in March by +400,000 bpd. Crude prices moved higher on relief that OPEC+ did not boost crude output by more than 400,000 bpd. OPEC crude output in January increased by +50,000 barrels per day to 28.14 million barrels per day, a 1-3/4 year high. However, this gain in OPEC crude output was constrained as Libya's January crude production plummeted by -140,000 bpd owing to a militia siege of its oilfields.
- Reduced concern about the spread of the omicron variety is expected to lead to fewer travel restrictions, which is good for fuel demand and oil prices. On Monday, the seven-day average of new Covid infections in the United States fell to a one-and-a-half-month low of 265,700.
- The API reported that U.S. crude supplies fell -2.025 million bbl last week. Crude oil is likely to get fresh direction from weekly inventory report later today. The consensus is for Wednesday's weekly EIA crude inventories to climb +1.5 million bbl. Last Wednesday's weekly EIA report showed that U.S. crude oil inventories as of Jan 28 were -8.5% below the seasonal 5-year average, gasoline inventories were -1.1% below the 5-year average, and distillate inventories were -19.0% below the 5-year average.

- US oil rigs increased by 2 rigs in the week ending February 4 to a 1-3/4 year high of 497 rigs. The number of operational oil rigs in the United States has grown dramatically from a 15-year low of 172 rigs in August of 2022. These rising oil rig numbers point to increased crude oil production capability in the United States in the future.
- According to the CFTC Commitments of Traders report for the week ending February 1, the net long position in crude oil futures fell by 4511 contracts to 368904. Speculative longs fell by 4704 contracts, while shorts fell by 193 contracts.

Outlook

- WTI Crude oil prices are likely to stay firm while above key support level of $86.89-$85.25, however it is likely to face stiff resistance near $94.88-$97.4

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