



CRUDE OIL PRICE OUTLOOK JULY-2020:

MCX CRUDEOIL 20JUL2020									
Market View		Moving Averages		SMA	EMA	SMA SIGNAL	EMA SIGNAL	Price Performance	
Open	3040.00	5 Days	3015	3011	BUY	BUY	Period	Performance	
High	3046.00	10 Days	2995	2986	BUY	BUY	1 Week	2.84	
Low	3029.00	20 Days	2941	2903	BUY	BUY	1 Month	8.34	
Ltp*	3033.00	50 Days	2461	2659	BUY	BUY	3 Month	32.48	
Pr. Close	3063.00	100 Days	2464	2707	BUY	BUY	6 Month	-48.33	
Value Change	-30.00	200 Days	3251	3045	SELL	SELL	1 Year	-30.14	
% Change	-0.98								
52 Week High	3153	Technical Indicator				Pivot Points Classic			
52 Week Low	1655	Name	Value	Name	Value	Resistance	Support		
Volume	11847	RSI(14)	62.36	Williams%R	-32.69	3092	3013		
Value	3597	CCI(14)	89.66	UltimateOsc	67.85	3122	2964		
Open Interest	5123	ATR(14)	145.97	Stochastic		3171	2934		
Net Cng in OI	3278	MACD(12,26)	134.95	%K	71.78	Pivot Point		3043	
% Cng in OI	177.67	ADX(14)	22.20	%D	69.50				

- ❑ **Crude oil technical outlook is downgraded to neutral headed into the second half of the year with a broader bearish downtrend undermining last quarter's rally**
- ❑ **Oil prices have climbed about \$75.00 since the front-month futures contract imploded to a record -\$40.00 per barrel this past April**
- ❑ **WTI crude oil price action might face headwinds in 3Q-2020 as the coronavirus pandemic lingers and continues to catalyze market volatility**

Crude oil futures settled nearly flat on Tuesday as traders weighed the prospects for energy demand amid reports showing a surge in coronavirus infections in several parts across the world against current and near-term supply positions in the market. Although the major oil producers are in compliance with agreed production cuts and crude production in the U.S. is coming down, it is feared that another lockdown might result in huge crude inventories and push down prices once again.

The United States is "still knee-deep in the first wave" of the coronavirus outbreak, Anthony S. Fauci, the director of the National Institute of Allergy and Infectious Diseases, said as 16 U.S. states reported record increases in the new Covid-19 cases in the first five days of July. Florida is again closing its restaurants to indoor dining, gyms and other indoor venues just weeks after they reopened. U.S. Federal Reserve official Raphael Bostic told the Financial Times in an interview that there are signs that the American recovery is "levelling off".

Yesterday the API revealed in preliminary data that the US crude inventories rose by about 2.048mbls during the past week, higher than expectations of a drop by 3.7mbls. The gasoline inventories fell by 1.8mbls, and the distillate inventories fell by 847,000 barrels during the same period. While the EIA will release the official data on Wednesday, which have a significant impact on oil prices movement.



CRUDE HIGHLIGHTS

U.S. crude stockpiles rise, products draw down -API

U.S. crude oil stockpiles rose last week, while gasoline and distillate inventories fell, data from industry group the American Petroleum Institute showed on Tuesday. Crude inventories rose by 2.05 million barrels in the week to July 3 to 539 million barrels, compared with analysts' expectations for a draw of 3.1 million barrels.

Hedge funds increase bullish U.S. crude bets

Hedge funds and other money managers raised their net long U.S. crude futures and options positions in the latest week, the U.S. Commodity Futures Trading Commission (CFTC) said on Monday. The speculator group raised its combined futures and options position in New York and London by 251 contracts to 378,951 during the week ended June 30. The data was delayed from Friday due to the Independence Day holiday in the U.S.

Coronavirus pain drives Big Oil's dash for record debt

The world's top oil and gas companies locked in cheap borrowing rates to raise a record amount of debt in the second quarter of 2020 and boost cash reserves as a buffer against a collapse in revenues because of COVID-19. The dash for debt piles pressure on company balance sheets and the issue is particularly acute for BP and Royal Dutch Shell. Already burdened by high levels of borrowing, they also face the disruption of a major shift towards renewables and low-carbon.

U.S. crude output to decline less than previously forecast in 2020 -EIA

U.S. crude oil production is expected to fall by 600,000 barrels per day (bpd) in 2020 to 11.63 million bpd, the U.S. Energy Information Administration (EIA) said on Tuesday, a smaller decline than the 670,000 bpd it forecast previously. The agency now expects U.S. petroleum and other liquid fuel consumption to drop 2.1 million bpd to 18.34 million bpd in 2020, a smaller decline than its previous forecast for a drop of 2.4 million bpd.

UAE's ADNOC to boost August oil exports as OPEC+ cuts set to ease- sources

Abu Dhabi National Oil Company (ADNOC) plans to boost its oil exports in August, the first signal that OPEC and its allies are preparing to ease record oil output cuts next month, three sources familiar with the development told Reuters. The Organization of the Petroleum Exporting Countries and allies led by Russia, known as OPEC+, have been cutting oil output since May by a record 9.7 million barrels per day after the coronavirus crisis destroyed a third of global demand.



Iran's oil storage almost full as sanctions and pandemic weigh

Iran has slashed crude oil production to its lowest level in four decades as storage tanks and vessels are almost completely full due to a fall in exports and refinery run cuts caused by the coronavirus pandemic, industry data showed. Total onshore crude stocks surged to 54 million barrels in April from 15 million barrels in January, and swelled further to 63 million barrels in June, according to FGE Energy.

Angola agrees to comply fully with oil cuts after OPEC pressure, sources say

Angola has agreed with OPEC to comply fully with a global pact on supply curbs and will compensate for previous overproduction by cutting more from July to September, two OPEC sources said. The Organization of the Petroleum Exporting Countries and allies led by Russia, a group is known as OPEC+, agreed to cut oil output from May by a record 9.7 million barrels per day (bpd) after the coronavirus crisis destroyed a third of global demand.

Global Oil Supply

OPEC

The OPEC, along with Russia and 10 other non-OPEC countries (collectively referred to as OPEC+), have been curtailing oil production since early 2017 to offset the growth in U.S. oil production in order to keep supply balanced with oil demand. Combined, OPEC+ accounts for nearly half of the world's oil production. In March 2020, OPEC+ failed to reach an agreement to increase production cuts in response to reduced demand due to the COVID-19 pandemic. Russia was not on board with additional cuts, and Saudi Arabia (the de facto head of OPEC) was unwilling to shoulder the burden of additional cuts. With no agreement in place, Saudi Arabia responded by starting a price war with Russia. This was an unexpected and drastic turn of events for the oil market, which was already suffering from reduced demand due to COVID-19. As a result, oil prices fell precipitously.

A month later in April 2020, OPEC+ met again to address the rapidly deteriorating oil market. This time the group was able to agree to a historic production cut. The alliance agreed to reduce its oil production by 9.7 million barrels of oil per day in May, June and July, followed by 7.7mbls of oil per day cut from August through December 2020. This will be followed by 5.8 million barrels of oil per day cut for 16 months, from January 2021 to April 30, 2022. While the production cut agreement is historic in terms of its size and duration, it, unfortunately, is not enough to balance the oil market given the drastic loss in demand from the COVID-19 containment measures. On the positive side, the production cuts will help reduce the large build in oil inventories that is occurring around the world. On the negative side, stabilization in oil prices at sub-\$40 per barrel would still be a devastating blow to the North American oil sector because most companies are not profitable at those levels.

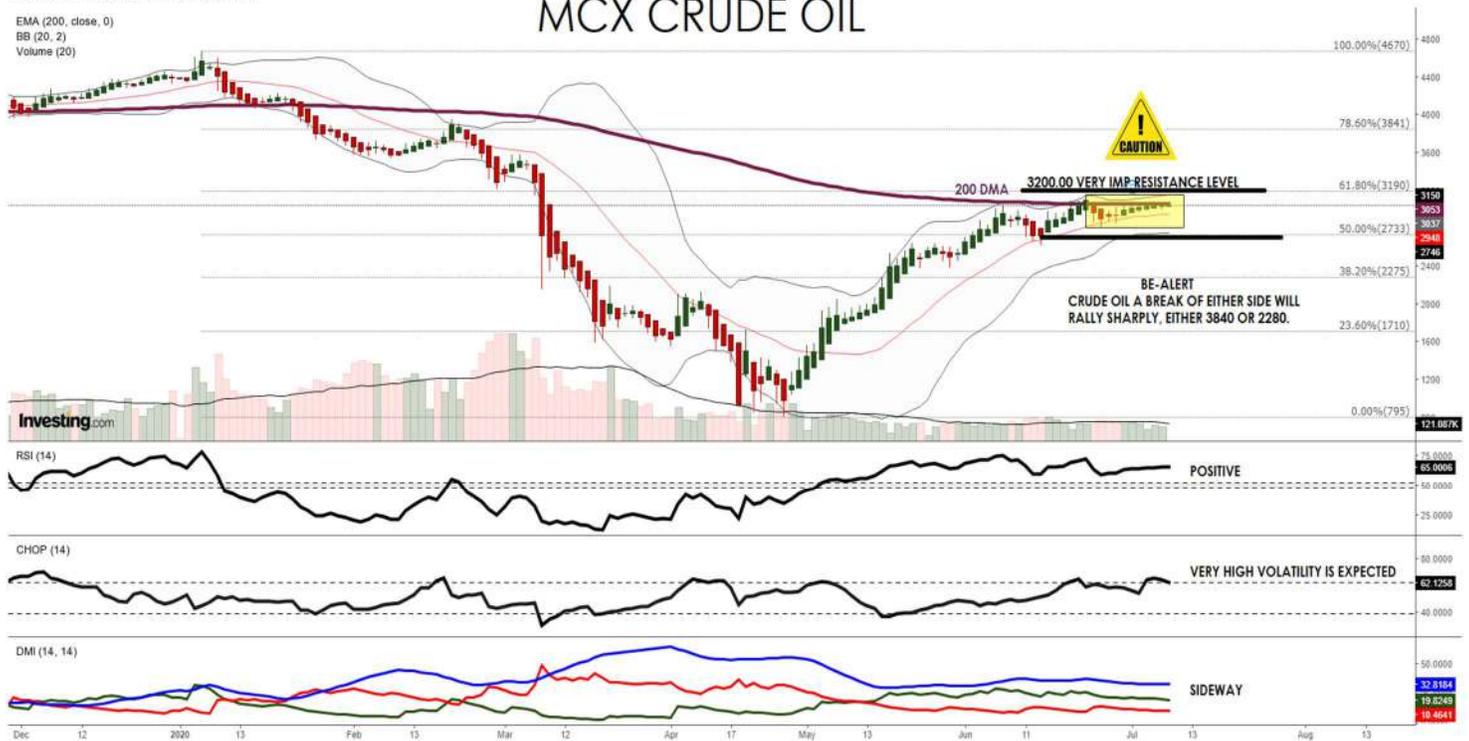


CHART

Crude Oil WTI Futures, India, MCX:MCGBc1, D

EMA (200, close, 0)
BB (20, 2)
Volume (20)

MCX CRUDE OIL



CRUDE OUTLOOK

Crude oil prices suffered a severe decline in early 2020, with the U.S. benchmark WTI falling from \$61 per barrel at the start of the year to at one point falling into negative territory, an unprecedented event for the oil market. Oil prices were hit by the drastic loss in demand from the COVID-19 pandemic combined with an increase in oil supply following the collapse of the OPEC+ alliance in March 2020. Although the OPEC+ alliance was able to reach agreement on a historic production cut in terms of size and duration, the near-term outlook for oil prices remains challenging. Oil inventories have built rapidly around the world and will likely remain bloated well into 2021, which will keep a lid on oil prices in the near-term.

Long-term, we expect oil prices in the U.S. to be between \$45 to \$65 per barrel, reflecting the volatile nature of the commodity, as large price swings are common. Assuming OPEC+ adheres to its production-cut agreement and oil demand begins to recover in the second half of 2020, we expect global oil inventories to return to more normal levels by the end of 2021. A key risk to our long-term outlook is the pace of oil demand growth, which is less certain given the global economy's transition towards a lower-carbon future. In the short term, we expect oil prices to remain well below this range, and we expect significant price volatility to continue.

Technically

Crude oil prices are trading in the tight sideways range dominates trades as appears on the chart, which hovers around 40.41 level, noting that there is a contradiction between the EMA50 positivity and stochastic negativity, which makes us continue with our neutrality until we get a clearer signal for the next trend. Note that surpassing the sideways range's resistance at 40.80 will push the price to achieve additional rises that target 43.05 areas initially while breaking 39.65 will put the price under negative pressure that its main targets begin at 37.60 and extend to 36.10. The expected trading range for today is between 39.00 support and 42.00 resistance.

Chart Reading

Crude Oil on MCX is trading at 3032 levels. 200-day Moving Average is at 3053 levels. The 3200 level acts as the major resistance level as it is close to the 0.618 Fibonacci retracement ratio. If prices manage to break this level prices can rise sharply to reach 3841 levels. If it fails to break 3200 levels it can fall to see the level of 2280. Technically RSI is at 65 levels which suggest it is in the positive zone. Choppiness Index suggests high upcoming volatility meanwhile ADX still suggests a sideways move.

ACTION: Crude prices look to trade between range 3200 & 2800 a break of either side will rally. A trader can take short below 2800 level for support at 2280 levels else wait to break 3200 levels. Trading in Crude options can find a good trade.



CRUDE OIL PRICE MOVEMENT SINCE 2011

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Growth
2011	4229	4444	4744	5047	4631	4241	4237	4081	3995	4516	5219	5296	1208.00
	3.45	5.08	6.75	6.39	-8.24	-8.42	-0.09	-3.68	-2.11	13.04	15.57	1.48	28.56
2012	4927	5227	5274	5514	4919	4695	4921	5358	4887	4666	4838	5015	-281.00
	-6.97	6.09	0.90	4.55	-10.79	-4.55	4.81	8.88	-8.79	-4.52	3.69	3.66	-5.31
2013	5202	5076	5400	5014	5273	5763	6409	7246	6440	5996	5839	6122	1107.00
	3.73	-2.42	6.38	-7.15	5.17	9.29	11.21	13.06	-11.12	-6.89	-2.62	4.85	22.07
2014	6169	6371	6119	6015	6106	6337	6006	5831	5673	4931	4210	3369	-2753.00
	0.77	3.27	-3.96	-1.70	1.51	3.78	-5.22	-2.91	-2.71	-13.08	-14.62	-19.98	-44.97
2015	2855	3064	3025	3790	3869	3776	3038	3230	2979	3068	2798	2493	-876.00
	-15.26	7.32	-1.27	25.29	2.08	-2.40	-19.54	6.32	-7.77	2.99	-8.80	-10.90	-26.00
2016	2286	2321	2572	3035	3333	3304	2782	3003	3212	3153	3377	3541	1048.00
	-8.30	1.53	10.81	18.00	9.82	-0.87	-15.80	7.94	6.96	-1.84	7.10	4.86	42.04
2017	3614	3566	3284	3174	3127	2968	3183	3038	3373	3528	3687	3850	309.00
	2.06	-1.33	-7.91	-3.35	-1.48	-5.08	7.24	-4.56	11.03	4.60	4.51	4.42	8.73
2018	4112	4093	4234	4583	4517	5086	4734	4959	5335	4892	3576	3170	-680.00
	6.81	-0.46	3.44	8.24	-1.44	12.60	-6.92	4.75	7.58	-8.30	-26.90	-11.35	-17.66
2019	3869	4090	4185	4467	3775	4095	4032	3958	3880	3853	3980	4386	1216.00
	22.05	5.71	2.32	6.74	-15.49	8.48	-1.54	-1.84	-1.97	-0.70	3.30	10.20	38.36
2020	3683	3263	1689	1315	2564	3015							-1371.00
	-16.03	-11.40	-48.24	-22.14	94.98	17.59							-31.26
Average	-1.55	2.00	-2.59	3.32	6.09	2.92	-2.21	2.24	-0.48	-1.36	-1.07	-0.86	Average

USDINR PRICE MOVEMENT SINCE 2012

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Growth
2012	49.75	49.37	51.22	53.03	56.42	56.11	55.84	55.79	53.05	54.08	54.61	55.15	1.66
	-7.00	-0.76	3.76	3.53	6.39	-0.55	-0.49	-0.09	-4.90	1.93	0.98	0.99	3.11
2013	53.39	54.74	54.67	53.95	56.79	59.75	61.06	66.73	63.21	61.81	62.91	62.16	7.01
	-3.19	2.51	-0.11	-1.33	5.27	5.20	2.19	9.29	-5.27	-2.22	1.78	-1.20	12.70
2014	63.08	62.22	60.17	60.56	59.32	60.57	60.85	60.95	62.10	61.64	62.39	63.47	1.32
	1.49	-1.37	-3.29	0.65	-2.05	2.12	0.47	0.16	1.89	-0.74	1.21	1.74	2.12
2015	62.24	62.22	62.83	63.81	64.20	64.01	64.49	66.84	65.90	65.61	66.98	66.39	2.92
	-1.95	-0.03	0.98	1.55	0.62	-0.30	0.75	3.64	-1.40	-0.44	2.08	-0.87	4.60
2016	68.10	68.77	66.51	66.67	67.60	67.77	67.29	67.27	66.88	67.08	68.56	68.10	1.71
	2.58	0.98	-3.29	0.24	1.40	0.26	-0.71	-0.03	-0.59	0.30	2.22	-0.67	2.58
2017	68.06	66.94	65.08	64.53	64.88	64.82	64.64	64.08	63.89	64.98	64.65	64.06	-4.04
	-0.06	-1.65	-2.78	-0.85	0.54	-0.09	-0.28	-0.87	-0.30	1.71	-0.51	-0.91	-5.94
2018	63.79	65.32	65.36	66.90	67.63	68.73	68.79	71.19	72.76	74.20	69.85	69.94	5.88
	-0.43	2.39	0.07	2.35	1.09	1.63	0.09	3.49	2.21	1.98	-5.86	0.13	9.18
2019	71.29	71.10	69.51	69.85	69.90	69.30	68.98	71.62	71.07	71.12	71.90	71.54	1.60
	1.93	-0.27	-2.24	0.49	0.07	-0.86	-0.46	3.83	-0.77	0.08	1.09	-0.50	2.29
2020	71.56	72.41	75.82	75.28	75.79	75.78							4.24
	0.03	1.18	4.72	-0.72	0.68	-0.01							5.93
Average	-0.38	0.16	-0.38	0.53	1.58	0.66	0.06	2.58	-0.28	0.25	1.14	0.06	Average



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