

Crude Oil Special Report

Meeting Agenda

- Addressing plummeting oil prices. It's no secret: the cost of lower oil prices has weighed us down. Our economies have struggled, and spending had to be cut. Several of us have had to address and institute reforms that we never thought we would have to. It's needed that we reach a consensus on oil prices before the new year, 2017. As much as we would want to maintain our share, the lower oil prices have axed our foreign reserves.
- Iran's act of overflooding the market with their oil. In the last year, Iran has raised its production by 750,000 barrels, hurting our economies unlike no other. While production in US and North America has faltered, Iran maintains a contradictory position being the member of OPEC whilst hurting interests of their partners.
- Our economies cannot sustain such prices for long, and the bystanders enjoying the show must be cautioned, that oil does in fact remain the only viable source of energy, and will remain for a long time to come. However, if fail to address the slump of 2 years, we risk our governments, we risk destabilizing the world. Truth is, being benefactor of such unbound wealth that we sit on, we're both at the advantage of disadvantage of depending on oil too much for our exchequers.
- The meeting shall be held behind close doors in Vienna. All members are expected to address the concerns that may end up charting the paths our nations.

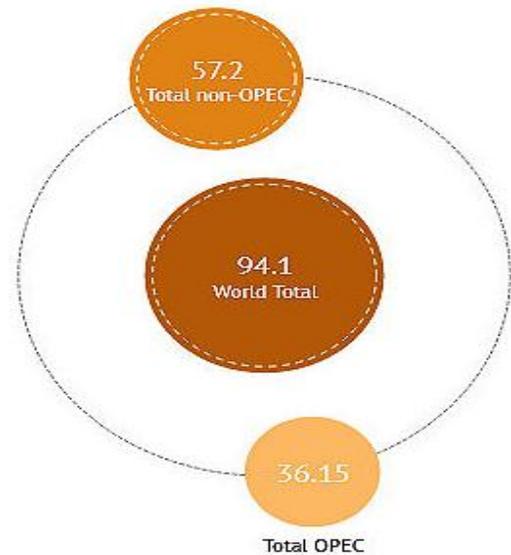


Oil Demand (mb/d)

- World Total 93.74
- OECD 46.24
- Developing Countries 31.00
- OECD Americas 24.67
- United States of America 19.99
- Other regions 16.50
- OECD Europe 13.94
- Other Asia 12.63
- China 11.48
- Middle East 7.79
- OECD Asia Pacific 7.64
- Lan America 6.49
- Former Soviet Union 4.37
- Africa 4.09
- India 4.29

Oil Supply (mb/d)

- Total non-OPEC 56.37
- OECD 24.22
- OECD Americas 20.08
- Other regions 17.97
- Former Soviet Union 13.73
- United States of America 13.68
- Developing Countries 11.99
- Russian Federaon 10.98
- Lan America 5.06
- Canada 4.20
- China 4.11
- OECD Europe 3.73
- Other Asia 3.60
- Brazil 3.00
- Mexico 2.50



Monthly OPEC Reports

- Wednesday, 18 January
- Monday, 13 February
- Tuesday, 14 March
- Wednesday, 12 April
- Thursday, 11 May
- Tuesday, 13 June
- Wednesday, 12 July
- Thursday, 10 August
- Tuesday, 12 September
- Wednesday, 11 October
- Monday, 13 November
- Wednesday, 13 December

Fundamentals

- The global oil market is rebalancing and the pace at which supply and demand are falling into line is picking up, even if inventories still fail to reflect the impact of OPEC supply cuts, the International Energy Agency said on Tuesday.
- In its monthly report, the IEA kept its global demand growth forecast for 2017 unchanged at 1.3 million barrels per day (bpd), because of slowdowns in previously robust consumer countries such as the United States, Germany and Turkey.
- But with strong production increases in the United States, Brazil and Kazakhstan, the IEA said non-OPEC output would grow by 600,000 bpd this year.
- OPEC meets on May 25 to discuss an extension of the deal it reached with some of its major rivals, such as Russia, to cut oil output by a joint 1.8 million bpd in the first half of the year and force a drawdown in global inventories.
- "Adopting the same scenario approach for the second half of 2017, the stock draws are likely to be even greater," the IEA said.
- Higher output from Nigeria and Saudi Arabia offset lower flows from Libya and Iran in April, while compliance with OPEC's agreed 1.2-million-bpd cut remained robust at around 96 percent, the IEA said.
- OPEC crude production was down 535,000 bpd compared to April 2016, the largest year-on-year decline in nearly three years.



OPEC Meeting

- In terms of demand, the IEA said Chinese consumption remained relatively strong, with a near-425,000-bpd gain in the first quarter of the year, compared with 2016.
- The Indian government's demonetization policy will likely lower that country's consumption this year. The IEA expects Indian demand growth to hover around 200,000 bpd.
- In the United States, the top source for global crude supply growth, consumption has weakened and the IEA forecast flat U.S. demand this year.
- Hedge funds had become increasingly bearish towards crude oil by the middle of last week, leaving them vulnerable to a short squeeze with OPEC's next meeting coming up on May 25.
- In fact, hedge fund positioning in crude is nearly identical to before the last OPEC meeting held on Nov. 29, 2017 which was followed by a fierce short-covering rally.
- By May 9, hedge funds and other money managers held a net long position in the three main Brent and WTI futures and options contracts amounting to just 475 million barrels.
- Fund managers had cut their net long position by a cumulative 308 million barrels since April 18, according to an analysis of position data published by regulators and exchanges.
- Crude prices started rising on May 10 and have continued increasing with more gains today following the announcement that Saudi Arabia and Russia have agreed on the need to extend the cuts for a further nine months ("Saudi Arabia, Russia push to extend oil output cuts to March 2018," Reuters, May 15).
- Plenty of hedge fund managers and banks want to get bullish again and see the recent drop in oil prices as a buying opportunity.



Technical View



MCX Crude oil Apr., as seen in the monthly chart has good resistance near 3920 and support 2750. As we seen it is trading in the range bound.

MCX Crude oil Mar. as seen in the month of Mar. chart opened at 3580 levels and month high of 3647 levels. During this period price corrected & made month low of 3076 levels finally closed at 3284 levels. As per the chart pattern, it will be further downward.

- **Trading Strategy:** Sell Crude oil May., near 3500 TG 3000/2900 SL 4000

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