Oil hangs tight over market optimism on global supply

Market Overview
NYMEX WTI (Nov 19) closed at $53.00 per barrel on Wednesday 16/10/19 with a 0.05% gain against Tuesday’s closing price. WTI crude oil futures traded within a tight range as markets balance between supply-side cuts by OPEC+ and looming demand-side concerns. Signs of commitment on supply curtailment policies by OPEC+ though granting a price floor for oil prices, will do little to shift bearish market sentiments amid looming downside risks. Oil prices continue to illustrate for limited upside potential amid broad-based global economic weakness in the current term. Over in the United States, the American Petroleum Institute (API) reported for a strong build of 10.45 million barrels in crude oil inventories whilst gasoline stocks decreased by 0.9 million barrels for the week ending Oct 11th. (See technical chart and diagrams below)

Key Market Commentaries
Key performance indicators to monitor and observe for crude oil futures.

Market Updates: How will deeper production cuts from OPEC+ impact oil prices?
Secretary General Mohammad Barkindo has hinted for deeper output cuts at the next OPEC meeting (Dec 19) over demand-side weaknesses. Subdued global growth along with a protracted US-China trade spat (15 Months) has enacted sharp negative bias on crude oil futures as traders fret over shaky economic fundamentals. Interventionist policies on global supply will as such remain supportive towards oil prices as OPEC acts to rebalance market fundamentals. We remain nuanced towards bullish calls for a market rally on oil prices amid prevalent economic downside risks in 4Q 2019.

Daily Market Assessment
Markets will look towards US EIA weekly petroleum reports tonight for forward guidance on oil fundamentals. A continued increase in US production levels (12.6 million bpd: 4th Oct 19) along with flagging economic growth will afflict oil prices with negative bias in the current term. Should oil prices break below 52.40, we expect for a continuation towards 51.50 on an intraday basis.

Today’s Outlook: Mildly Bearish (WTI: 51.50 – 54.00)

Mid-Term Market Assessment
Repeated downward revisions on global oil demand projections has imposed severe headwinds on oil prices in H2 2019. Flagging economic growth, US trade protectionist policies along with robust shale production levels have capped upside gains despite geopolitical uncertainties in the Middle East. Oil prices though suffering from strong negative pressures will illustrate for range-bound conditions as market balances between OPEC-led supply cuts and looming demand-side worries.

Q4 2019: West Texas Intermediate (WTI) – 55.00 - 60.00 (Range-Bound)
Technical Analysis for Crude Oil – WTI

WTI crude oil prices continue to fluctuate within a tight range (52.40 – 53.80) as market forces remain undecided on price trajectory. A successful breach at key support level of 52.40 will promulgate strong negative bias as market bears make a renewed attempt on key trendline support of 51.50 in the near term.

Today’s trading range for WTI (Dec 19) to be between:
Key Resistance Level (1) & (2): 54.00 & 55.14
Key Support Level (1) & (2): 52.40 & 51.50

Weekly Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Date</th>
<th>Time</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>API Inventory Report</td>
<td>16/10/2019</td>
<td>0430hrs</td>
<td>PFPL/Bloomberg</td>
</tr>
<tr>
<td>EIA Inventory Report</td>
<td>16/10/2019</td>
<td>2230hrs</td>
<td>PFPL/Bloomberg</td>
</tr>
<tr>
<td>Baker Hughes Oil Rig Count</td>
<td>19/10/2019</td>
<td>0130hrs</td>
<td>PFPL/Bloomberg</td>
</tr>
<tr>
<td>CFTC NYMEX MM Positions</td>
<td>19/10/2019</td>
<td>0400hrs</td>
<td>PFPL/Bloomberg</td>
</tr>
</tbody>
</table>

EIA Weekly Crude Oil Stocks (Change)

<table>
<thead>
<tr>
<th>Period</th>
<th>Actual</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/10/2019</td>
<td>-</td>
<td>+3.100m</td>
</tr>
<tr>
<td>04/10/2019</td>
<td>+2.927m</td>
<td>+1.700m</td>
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<tr>
<td>27/09/2019</td>
<td>+3.104m</td>
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</tr>
<tr>
<td>20/09/2019</td>
<td>+2.412m</td>
<td>-2.100m</td>
</tr>
</tbody>
</table>

Source: PFPL/Bloomberg
Diagram 1.1 – EIA Weekly Crude Oil Inventories

Chart type: Bloomberg – EIA Weekly Crude Oil Inventories – 4th October 2019

Diagram 1.2 – EIA Weekly Gasoline Inventories

Chart type: Bloomberg – EIA Weekly Gasoline Inventories – 4th October 2019
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