Oil struggles over looming demand-side concerns

Market Overview
NYMEX WTI (Nov 19) closed at $53.31 per barrel on Monday 21/10/19 with a 0.87% loss against Friday’s closing price. WTI crude oil futures continues to illustrate for strong negative bias as markets fixate over shaky economic fundamentals, weaker petroleum demand and strong builds in weekly US petroleum reports. Downward revisions by IMF on global growth limited upside gains for oil prices as traders deliberate potential weakness in global fuel demand. Crude oil futures though receiving support over market optimism on the US-China trade truce deal and Brexit will face considerable headwinds should US inventories deliver for a continuous build in the current term. (See technical chart and diagrams below)

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

Market Updates: how will escalating tensions in the Middle East impact oil prices?
Oil prices surged by more than 16% (Sep 19) after missile attacks on Saudi Aramco’s oil facilities knocked out 50% of Riyadh’s output levels. Crude oil futures have since pared back bullish gains as oil production levels in Saudi Arabia revert to normalcy over repairs to damaged infrastructure. Tensions in the Middle East continues to simmer however as an Iranian oil tanker exploded over attacks in the Red Sea (Oct 19). We opine that oil prices have yet to receive a geopolitical premium despite supply-side risks as traders fixate over demand-side concerns. Market fundamentals though bearish for oil prices, will face sharp volatility should tensions escalate in the Middle East (4Q).

Daily Market Assessment
A sixth consecutive week build in US crude oil stockpiles will impose considerable headwinds on oil prices as traders stay cautious over demand-side concerns. Should global economic releases continue to deliver for downbeat results, we expect for oil prices to stay depressed for the current term.

Today’s Outlook: Mildly Bearish (WTI: 52.40 - 54.00)

Mid-Term Market Assessment
Downward revisions on global oil demand projections have imposed severe headwinds on oil prices in H2 2019. Flagging economic growth, US trade protectionist policies along with robust US shale production have capped upside gains for crude oil futures. Oil prices though suffering from strong negative bias will illustrate for range-bound conditions as traders balance between OPEC-led supply cuts and looming demand-side worries (4Q).

4Q 2019: West Texas Intermediate (WTI) – 55.00 - 60.00 (Range-Bound)
Technical Analysis for Crude Oil – WTI

WTI crude oil futures fell for the 2\textsuperscript{nd} consecutive day as market bulls continue to struggle at key resistance level of 54.00. A continuation of the negative trend scenario on an intraday basis will see market bears target key support level of 52.40. Should market bulls fail to hold above key trend line support of 52.40, we expect for a bearish extension towards the next main station of 50.90.

Today’s trading range for WTI (Dec 19) to be between:
Key Resistance Level (1) & (2): 54.00 & 55.00 Key Support Level (1) & (2): 52.40 & 50.90

### Weekly Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Date</th>
<th>Time (SG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>API Inventory Report</td>
<td>23/10/2019</td>
<td>0430hrs</td>
</tr>
<tr>
<td>EIA Inventory Report</td>
<td>23/10/2019</td>
<td>2230hrs</td>
</tr>
<tr>
<td>Baker Hughes Oil Rig Count</td>
<td>26/10/2019</td>
<td>0130hrs</td>
</tr>
<tr>
<td>CFTC NYMEX MM Positions</td>
<td>26/10/2019</td>
<td>0400hrs</td>
</tr>
</tbody>
</table>

**Source**: PFPL/Bloomberg

### EIA Weekly Crude Oil Stocks (Change)

<table>
<thead>
<tr>
<th>Period</th>
<th>Actual</th>
<th>Forecast</th>
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</thead>
<tbody>
<tr>
<td>11/10/2019</td>
<td>+9.281m</td>
<td>+3.800m</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>
<td>-2.665m</td>
</tr>
<tr>
<td>20/09/2019</td>
<td>+2.412m</td>
<td>-2.100m</td>
</tr>
</tbody>
</table>

**Source**: PFPL/Bloomberg
Diagram 1.1 – Baker Hughes Crude Oil Rig Count

Chart type: Bloomberg – Baker Hughes Crude Oil Rotary Rig Count – 18th October 2019

Diagram 1.2 – CFTC NYMEX Crude Oil Managed Money Net Long Positions

Chart type: Bloomberg – CFTC NYMEX Crude Oil Managed Money Net Long Positions – 15th October 2019
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