Oil edges lower over surprise build in US inventories

Market Overview
NYMEX WTI (Jan 20) closed at $58.76 per barrel on Wednesday 11/12/19 with a 0.81% loss against Tuesday’s closing price. WTI crude oil futures closed lower as markets contemplated an unexpected build in US crude oil stockpile levels. Oil prices remain supported however as traders fixate on tighter supply-side controls and a brighter economic outlook for 2020. US President Trump’s decision on tariff hikes for Chinese imports – December 15th will decide oil price trajectory for the coming term. Over in the United States, the Energy Information Administration (EIA) reported for a gentle build of 0.8 million barrels in crude oil inventories whilst gasoline stocks grew by 5.4 million barrels for the week ending Dec 6th. US weekly crude oil production levels edged lower to 12.8 million barrels per day (bpd).

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

Market Updates: How will Saudi Aramco’s IPO impact oil prices?
Riyadh has finalized a deal between OPEC members to deepen production cuts for tighter market fundamentals and thereby support a higher valuation for its prized jewel - Saudi Aramco. Oil prices as such have indicated positive signals as traders recalibrate expectations over planned reductions of up to 2.1 million bpd. Though subdued global economic momentum and demand-side concerns will likely limit exponential gains, oil prices look poised to trend higher as markets stay risk-on for the current term.

Daily Market Assessment
OPEC has projected for a small deficit in oil market fundamentals amid higher-than-expected output cuts by Saudi Arabia in 2020. Oil prices though trading within the bullish trend channel, will continue to illustrate range-bound conditions as traders await forward guidance on the outcome of US-China trade negotiations.

Today Outlook: Range-Bound (WTI: 57.70 - 60.00)

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

4Q 2019: West Texas Intermediate (WTI) – 55.00 - 60.00

Get today’s analysis on market fundamentals and pricing action here!

Get technical analysis, economic calendars and pricing charts on the second page of the report.
Technical Analysis for Crude Oil – WTI

WTI crude oil futures continue to illustrate for tight ranging conditions as markets remain irresolute on price trajectory. Oil bulls must breach key psychological level of 60.00 for an extension of the bullish wave in the near term. On the flip side, a continuation of the negative trend scenario will see price levels recede towards key trendline support of 57.70.

Today’s trading range for WTI (Jan 20) to be between:
Key Resistance Level (1) & (2): 60.00 & 61.72
Key Support Level (1) & (2): 57.70 & 55.00

Weekly Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th>Period</th>
<th>API Inventory Report</th>
<th>EIA Inventory Report</th>
<th>Baker Hughes Oil Rig Count</th>
<th>CFTC NYMEX MM Positions</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18/12/2019</td>
<td>0430hrs (SG)</td>
<td>18/12/2019</td>
<td>21/12/2019</td>
<td>21/12/2019</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>06/12/2019</td>
<td>+0.822m</td>
<td>-2.924m</td>
</tr>
<tr>
<td>29/11/2019</td>
<td>-4.856m</td>
<td>+1.600m</td>
</tr>
<tr>
<td>22/11/2019</td>
<td>+1.572m</td>
<td>-0.878m</td>
</tr>
<tr>
<td>15/11/2019</td>
<td>+1.379m</td>
<td>+1.200m</td>
</tr>
</tbody>
</table>

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

Chart type: Bloomberg – EIA Weekly Crude Oil Inventories – 6th December 2019

Diagram 1.2 – EIA Weekly Gasoline Inventories

Chart type: Bloomberg – EIA Weekly Gasoline Inventories – 6th December 2019
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