Energy Daily

Monday, 06 January 2020

Weekly: Oil soars over escalating tensions in the Middle East

Market Overview

NYMEX WTI (Feb 20) closed at $63.05 per barrel on Friday 03/01/20 with a 3.05% gain against Thursday’s closing price. WTI crude oil futures accelerated north over a sharper-than-expected decline in US inventories and rising tensions in the Middle East. Geopolitical risks have taken the center stage as traders contemplate potential disruptions in global oil supply over deteriorating relations between the United States (US) and Iran. Over in the US, Baker Hughes crude oil rotary rig count decreased by 7 to 670 (3/1) while CFTC NYMEX Crude Oil Managed Money Net Long Positions increased for the 4th consecutive week to 318,879 contracts whilst Net Short Positions edged up to 39,039 contracts for the week ending 27/12. (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?

WTI crude oil futures has appreciated by more than 5.4% over growing tensions in the Middle East. The US missile attack on top Iranian general Qassem Soleimani (3/1) has intensified fears of a growing conflict and disruptive effects towards global oil supply in the Middle East. A sudden escalation in geopolitical risks have added an immediate premium for oil prices as traders deliberate retaliatory actions and broad political concerns in the Middle East. Oil prices look poised to trend higher as markets remain cautious over political developments and militaristic concerns for the immediate term.

Weekly Market Assessment

Heightened tensions and fiery rhetoric between the United States and Iran have led a sharp appreciation in oil prices. WTI crude oil futures look poised to trend higher as markets price for a risk premium over supply-side considerations in the immediate term. A successful breach at key resistance level of 64.87 will oil prices revisit 2019-highs of 66.60.

This Week’s Outlook: Mildly Bullish (WTI: 62.90 - 66.60)

Mid-Term Market Assessment

OPEC+ has affirmed their commitment for the rebalancing of oil markets with production restraints. Global economic conditions though illustrating for subdued growth momentum have shown for an upturn (4Q 19) over aggressive monetary policy easing. A renewal in global risk appetites will keep oil prices trending within the bullish channel for 1Q 2020.

1Q 2020: West Texas Intermediate (WTI) – 57.00 - 62.00

Written by:

Name: Benjamin Lu
Rep No: BLJ300490244
Email (P): benjaminluix@phillip.com.sg
Email (G): CommoditiesBD@phillip.com.sg
Tel (O): +65 6531 5472

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 extend gains for the 5th consecutive week as market bulls retain control of the positive trend scenario. Oil bulls will target the next main station of 64.87 and 2019-highs of 66.60 for an extension of the bullish wave in the current term. Oil prices though trending positive will remain susceptible towards corrective influences should market bulls illustrate for signs of exhaustion at key technical levels (2019-Highs).

This Week’s trading range for WTI (Feb 20) to be between:
Key Resistance Level (1) & (2): 64.87 & 66.60
Key Support Level (1) & (2): 62.90 & 60.88

Weekly Economic Indicators

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Date</th>
<th>Time (SG)</th>
</tr>
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<tbody>
<tr>
<td>API Inventory Report</td>
<td>08/01/2020</td>
<td>0430hrs</td>
</tr>
<tr>
<td>EIA Inventory Report</td>
<td>08/01/2020</td>
<td>2230hrs</td>
</tr>
<tr>
<td>Baker Hughes Oil Rig Count</td>
<td>11/01/2020</td>
<td>0200hrs</td>
</tr>
<tr>
<td>CFTC NYMEX MM Positions</td>
<td>11/01/2020</td>
<td>0400hrs</td>
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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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<tbody>
<tr>
<td>27/12/2019</td>
<td>-11.463m</td>
<td>-3.000m</td>
</tr>
<tr>
<td>20/12/2019</td>
<td>-5.474m</td>
<td>-3.100m</td>
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<td>13/12/2019</td>
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<tr>
<td>06/12/2019</td>
<td>+0.822m</td>
<td>-2.924m</td>
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</table>

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

Chart type: Bloomberg – Baker Hughes Crude Oil Rotary Rig Count – 3rd January 2020

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

Chart type: Bloomberg – CFTC NYMEX Crude Oil Managed Money Net Long Positions – 24th December 2019
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