

Daily Crude Oil Price Outlook and Strategy

Decision enabling market analysis & price outlook

For Apr 07, 2015

Market recap and Summary outlook for next 3 days

Crude oil futures gained sharply on Monday's session on the back of positive sentiment in the market regarding Asian demand outlook after Saudi Arabia increased prices for the second straight month for customers in this region. Further, expectations of decline in US production over the medium term due to the shrinking oil rig count also supported the gains in crude oil prices.

Going ahead, crude oil prices are expected trade in a mixed range in coming few sessions as the concerns of increasing supply from OPEC and record high stocks at US front are likely to be offset by the expectations of decline in crude oil production rate due to declining rigs and ongoing conflict in Yemen and weakness in dollar index. Further, markets will be looking forward to preliminary API data, due to release later today, to gauge the supply and demand scenario in US ahead of the weekly inventory report by EIA.

Key drivers likely to impact in the coming sessions are:

- US crude oil inventories at record high levels
- Ramp up in OPEC production
- Saudi Arabia raises prices for Asia – Improved demand outlook
- Weakness in US labor market growth – impact on dollar index

Price Outlook Summary					
Last Closing as on Apr 06, 2015	CME WTI Crude Oil May'15: USD 52.14 (+6.11%) ICE BRENT Crude Oil May'15: USD 58.12 (+5.77%) CME Heating oil May'15: USD 1.764 (+4.86%) CME Gasoline May'15: USD 1.843 (+4.61%)				
Price outlook summary	WTI	Concisely, WTI Crude Oil prices are expected to consolidate in the range of USD 52.50-50.00 before resuming positive bias again in the coming 3-5 sessions.			
	Brent	Concisely, WTI Crude Oil prices are expected to trade mixed in the range of USD 55.00-60.00 in the coming 3-5 sessions.			
Price Range for next 5 days	Range			Bias	
WTI	50.00 – 53.00			Mixed	
Brent	55.00 – 60.00			Mixed	
Heating oil	1.6000 – 1.8000			Mixed	
Gasoline	1.7000 – 1.9000			Mixed	
Trading Strategy Review	WTI – Traders are advised to hold the long position in line with below mentioned strategy:				
	Brent –Traders are advised to wait for fresh position.				
	Heating oil – Traders are advised to wait for fresh position.				
	Gasoline – Traders are advised to wait for fresh position.				
Trading Strategy	Filled on	Position	Entry	Objective	Stop Profit
WTI (May'15)	2 nd Apr'15	Long	48.70	52.50	Below 51.50
Brent (May'15)	--	Wait	--	--	--

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Heating oil (Apr'15)	--	Wait	--	--	--
Gasoline (Apr'15)	--	Wait	--	--	--
Turnaround point	CME WTI Crude Oil: Prices moving above USD 52.60 shall call for extended move towards USD 58.00 before entering into consolidation.				
	ICE Brent Crude Oil: Prices sustaining below USD 52 would negate upside potential.				

Fundamental Analytics

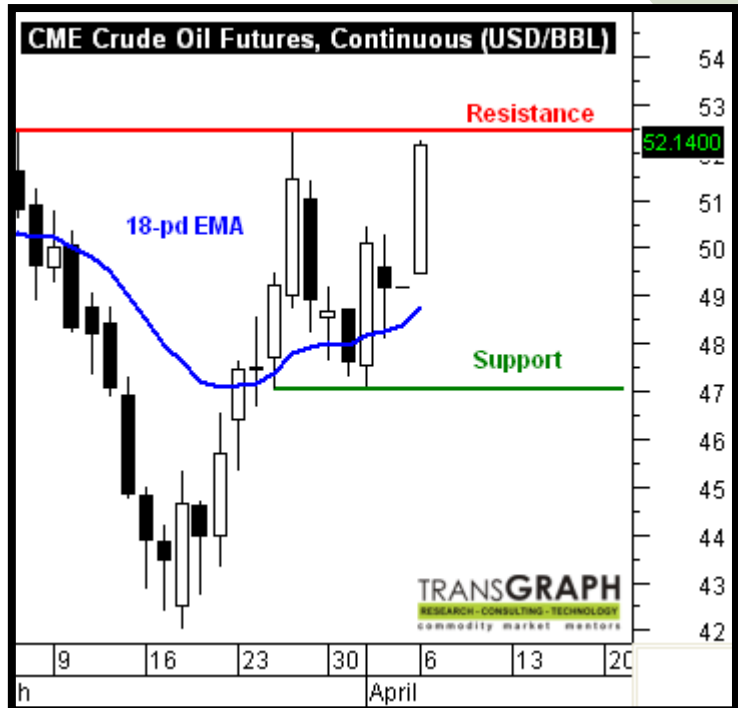
- ✓ US crude oil inventories are expected to extend their record rise in the week ending April 2nd with a gain of 3 million barrels. Currently, US crude stocks are at 471.4 million barrels increasing from 466.7 million barrels, from a week earlier, a record high since 1982.
- ✓ Further, crude oil stockpiles at Cushing refinery hub also increased again by 2.63 million barrels to 58.9 million barrels during last week, about 31.7 million barrels higher corresponding to same time last year. Continuous increase in stock levels is likely to give wind to the fears of Cushing refinery hub reaching its full capacity in near future adding to worries about supply glut.
- ✓ Whereas, gasoline inventories continued to decline for the third consecutive week with stocks declining by 3.76 million barrels during last week indicating the signs of early demand ahead of the peak driving season in United States .
- ✓ At the demand front, in the week ending 27th March, total product demand in US increased by 4.15% to 19.5 MBpd from 18.7 MBpd from a week earlier. Four week average demand is at a stable 2.7% higher compared to last year, however it has come down in the past few weeks indicating the sluggishness in US markets.
- ✓ Going ahead, markets will be looking forward to preliminary API inventory data scheduled to release later today to speculate on prices. Amidst sharp gains in the past session a sharp rise in inventories could trigger profit booking in the market.
- ✓ OPEC ramped up production in March, with Saudi Arabia leading the way, despite the lower prices in order to focus on market share as well as improving global demand. Output of oil producing nations group is estimated to have increased to 30.63 MBpd from 30.02 MBpd in February.
- ✓ Additionally, Libyan government is expected to reopen Ras Lanuf and Es Sider ports with capacities of 400 KBpd and 220 KBpd respectively boosting the country's exports amidst continuing conflict in the region which saw the production decline to 343 KBpd during February from 920 KBpd in last October.
- ✓ Saudi Arabia raised prices for crude sales to Asia for a second month, signaling better demand in the region. For April, Saudi Aramco set the discount for its Arab light crude at 60 cents discount while for May it reduced the discount further to 30 cents.
- ✓ Operating oil rigs in US have declined further to 802 for the week ending Apr 2nd from 813 a week earlier, as per Baker Hughes oil rigs data. Total oil rigs have declined by more than 45.8% since start of the year 2015, providing hope for lowering of supply in over the medium term. Weekly crude oil field production in US declined for the first time seven weeks to 9.38 MBpd from 9.42 MBpd, suggesting declining oil rigs finally starting to impact production rate.
- ✓ On the economic front, nonfarm payrolls data released last Friday revealed that 126,000 jobs were added in March, the lowest number since December, 2013. Further, January and February were also revised lower painting a bearish picture of overall economic health for the medium term.
- ✓ Additionally, strength in US dollar index waned due to the disappointing labor market data, hampering the expectations of interest rate hike. Declines in dollar compared to basket of currencies are likely to ease pressure on crude oil prices in the near term and support gains.

Technical Analysis

- ✓ CME WTI Light Sweet Crude Oil May'15 futures prices traded with positive momentum and closed at 52.14 up by USD 3.00 in the last session.

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- ✓ Prices have moved well above short term average and are approaching swing based resistance around 52.50.
- ✓ Some consolidation is expected towards 50.00 in the coming sessions.
- ✓ On the downside support is expected around 47.00.
- ✓ Market moving above 52.60 shall open scope for extended move towards 58.00 in the coming few weeks.
- ✓ On the Daily technical set up RSI (14) is holding above equilibrium and upside bias in the price is intact.
- ✓ Note that the long term structure of the market is weak and prices are moving higher within overall corrective structure.



Concisely, WTI Crude Oil prices are expected to consolidate in the range of USD 52.50-50.00 before resuming positive bias again in the coming 3-5 sessions.

Commodity and market	Contract	Apr 06, 2015	Apr 02, 2015	Change	%Change
CME WTI Crude oil, USD per barrel	May'15	52.14	49.14	3.00	6.11
ICE Brent Crude oil, USD per barrel	May'15	58.12	54.95	3.17	5.77
CME Heating oil, USD per gallon	May'15	1.764	1.683	0.082	4.86
CME Gasoline, USD per gallon	May'15	1.843	1.761	0.081	4.61
NY Harbor ULSD, US cents/gallon	Spot	175.91	168.64	7.27	4.31
Gulf Coast ULSD, USD/gallon	Spot	1.689	1.620	0.069	4.28
Group 3 ULSD, USD/gallon	Spot	1.767	1.688	0.079	4.69
PBOB, US cents/gallon	Spot	184.34	177.26	7.08	3.99
CBOB, US cents/gallon	Spot	167.84	154.76	13.08	8.45
WTI-Brent spread (Apr'15) , USD per barrel	--	-5.98	-5.81	-0.17	2.93

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Registered Office 6C-A, Melange Tower, Sy No. 80-84, Ratnadeep Supermarket Lane, Patrika Nagar, Hitech City, Madhapur, Hyderabad, Telangana – 500081 INDIA

Phone: **+91-40-46619999** | E-mail: services@transgraph.com | Internet: www.transgraph.com