

CRUDE OIL

MCX Crude Oil Futures has majorly traded bullish during the month of January and February month so far, owing to easing concerns about the US economy with rising U.S. stimulus hopes by the newly elected Democratic Joe Biden's government. Economic indicators of China, United States and India have shown recoveries in the past 2-3 months which has also supported the oil prices. However, on-going covid-19 situation in European Union had limited extreme bullishness in global crude prices. Furthermore, worries of reintroduction of sanctions by the United States on Iran is still adding worries on the global supply chains. By 6th February, MCX Crude May Futures closed at Rs.4149/bbl, higher by 16.61% compared to Rs.3558/bbl reported on 31st December.

For the month ahead, Global and MCX Crude oil prices are forecasted to continue with the bullish trend, as the OPEC Plus member and Alliance countries, have recently agreed to maintain the supply cuts of 7.2 million barrels per day in their meeting. This above supply cuts constitutes 7% of the total global supplies, however, they have agreed to increase production of 500,000 barrels from December as a part of plan to ease the cuts. Forecasts of higher imports to India with improved industrial, retail and infrastructure demand after then financial budget is expected to support MCX Crude prices in the coming weeks. India's import bill constitutes nearly 70% for crude oil and being the third largest importer in the world, raw crude, retail petrol and diesel prices will continue to remain in the higher zone. Elsewhere, as per latest weekly EIA report, US Crude Oil inventories which has reported at 475,750 thousand barrels till 29th January. It is lower by 9750 thousand barrels compared to 485,500 thousand barrels reported on 19th July. However, it is higher by 40,700 thousand barrels compared to 435,000 thousand barrels reported on 31st January 2020. Likewise, the US Gasoline Inventories has reported at 252,000 thousand barrels till 29th January, lower compared to 261,100 of the corresponding period last year.

Overall, we expect a bullish trend for the month ahead and recommend buying in MCX Crude Oil March Futures at CMP Rs.4200/bbl for a target price of Rs.4800/bbl and maintaining a stop loss below Rs.3900/bbl on a closing basis.

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