

Crude Oil Weekly

Brought to you by Phillip Capital Sdn Bhd (362533-U)

Market Commentary

Call of The Week:

Mildly Bearish

16 December, 2024

Highlights:

- Oil Prices Set for a Weekly Gain as U.S. Prepares More Sanctions
- China Reaches Refined Oil Demand Peak

Oil Market Summary

Crude oil prices were set for their first weekly gain since late November on news that the U.S. is considering additional sanctions against Russia and Iran. The potential of such a move is currently disrupting the supply balance lent upward momentum to prices.

On Friday, the NYMEX light sweet crude oil for February contract up by \$1.125 to settle at \$71.10 a barrel by close of trade and Brent crude down -\$0.72 or -1.002%, to \$71.12 a barrel. During the week, NYMEX crude oil was up \$3.90 or +5.803%.

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) decreased by 1.4 million barrels from the previous week. At 422.0 million barrels, U.S. crude oil inventories are about 6% below the five year average for this time of year.

According to Baker Hughes, the number of active rigs drilling for oil maintained at 589, remain unchanged.

Traders anticipate a Trump presidency to impose the sanction pressure on Iran, which would inevitably mean sanctions on the country's oil industry as the largest and most obvious target for such action.

Meanwhile, the International Energy Agency has once again predicted that the oil market will be in a surplus for year 2025, attributed to production growth in non-OPEC countries, including Guyana, Argentina, Brazil, Canada, and the United States. These, the IEA said this week, will add 1.5 million bpd to global supply, and the 2.2-million bpd that OPEC+ is withholding will quite certainly not be significant to swing the market into a deficit. Interestingly, the agency revised up its demand growth projection, from 990,000 bpd to 1.1 million bpd next year.

China, on the other hand, the world's heavyweight oil consumer, has officially hit its peak. According to CNPC's Economics & Technology Research Institute, the country's refined oil consumption maxed out in 2023 at 399 million metric tons (roughly 8 million barrels per day) and is set to decline by 1.3% in 2024. For an economy that's been a relentless driver of global oil demand for decades, this news is striking.

As for the reasons behind the shift, they could be chalked up in part to electric vehicles (EV), which are taking over the Chinese roads. By 2035, half of the country's car fleet is expected to be EVs, so some are predicting. Despite this decline in demand growth, China still accounts for a hefty quarter of global crude imports.

In the week ahead, NYMEX crude oil prices are likely to trade in a range between \$70 and \$75. Oil traders will focus on Treasury Secretary Janet Yellen as saying the oil market looked well supplied and with weak demand, which could be an opportune time for Washington to try to reduce Russia's oil revenues once again.

Other Market News

Stock futures were calm on Sunday evening, with Dow riding a seven-day losing streak into a week highlighted by a key central bank meeting.

Futures tied to the Dow Jones Industrial Average ticked up 31 points, or less than 0.1%. S&P 500 futures were also up less than 0.1%. Nasdaq 100 Futures dipped by less than 0.1%.

The stock market is coming off a sluggish week. The Dow lost 1.8% last week and has lost ground in each of the last seven sessions. The S&P 500 dipped 0.64%, and has retreated in four of the past five sessions. The Nasdaq Composite outperformed, grinding out a gain of 0.34% for the week.

After a broad rally following President-elect Donald Trump's November win, the stock market appears to have reverted to a narrow tech-led move in recent days.

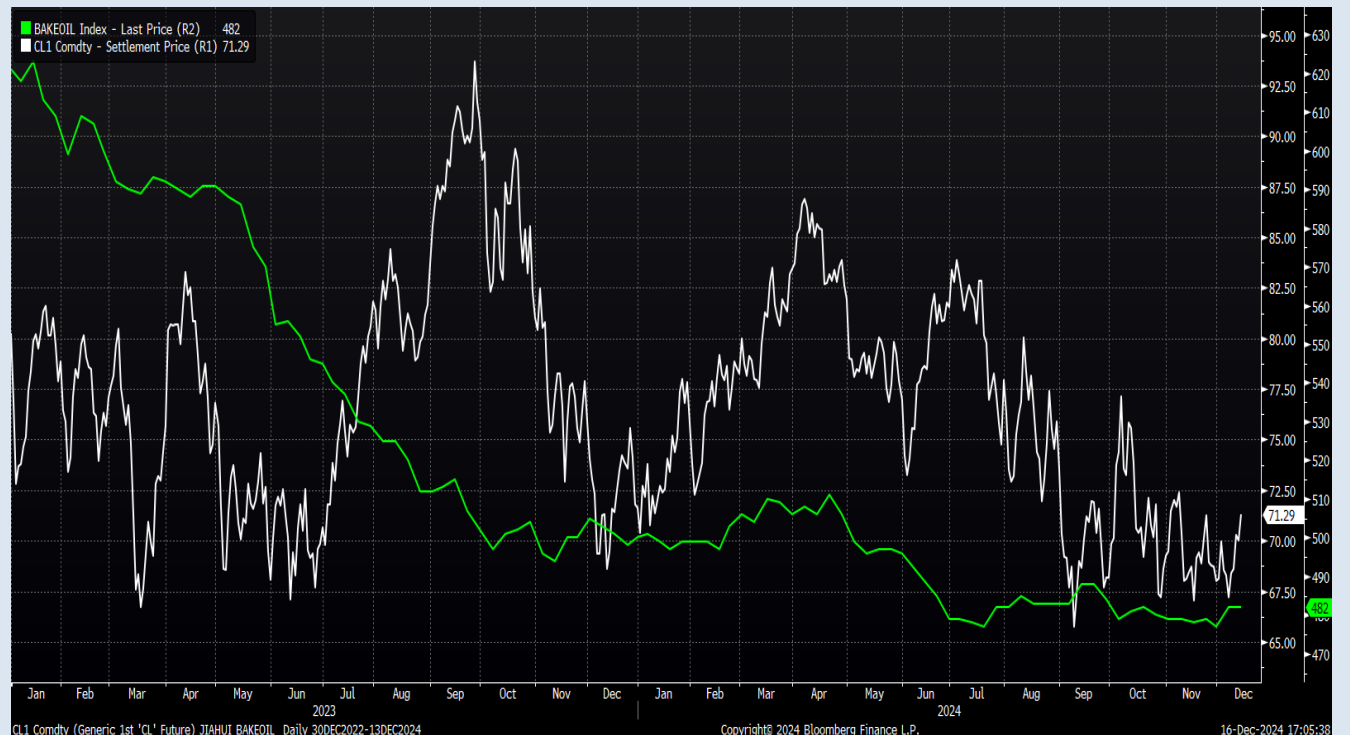
Weekly Market Price as at 13/12/2024

Commodity	Close	Chg	% Chg	High	Low	RSI(14)
NYMEX Crude Oil	67.20	-0.80	-1.176	70.51	66.98	42.83
IPE Brent Oil	71.12	-0.72	-1.002	74.28	70.85	43.27
TOCOM Crude Oil	64,630.00	-1150.00	-1.748	66790.00	64070.00	41.38
Mini Dow Jones	44,706.00	-349.00	-0.775	45176.00	44660.00	59.72
U.S. Dollar Index	106.06	0.32	0.301	106.73	105.42	53.36
COMEX Gold	2,659.60	-21.40	-0.798	2682.00	2635.60	47.03

Significant Events to Watch (Malaysian Time)

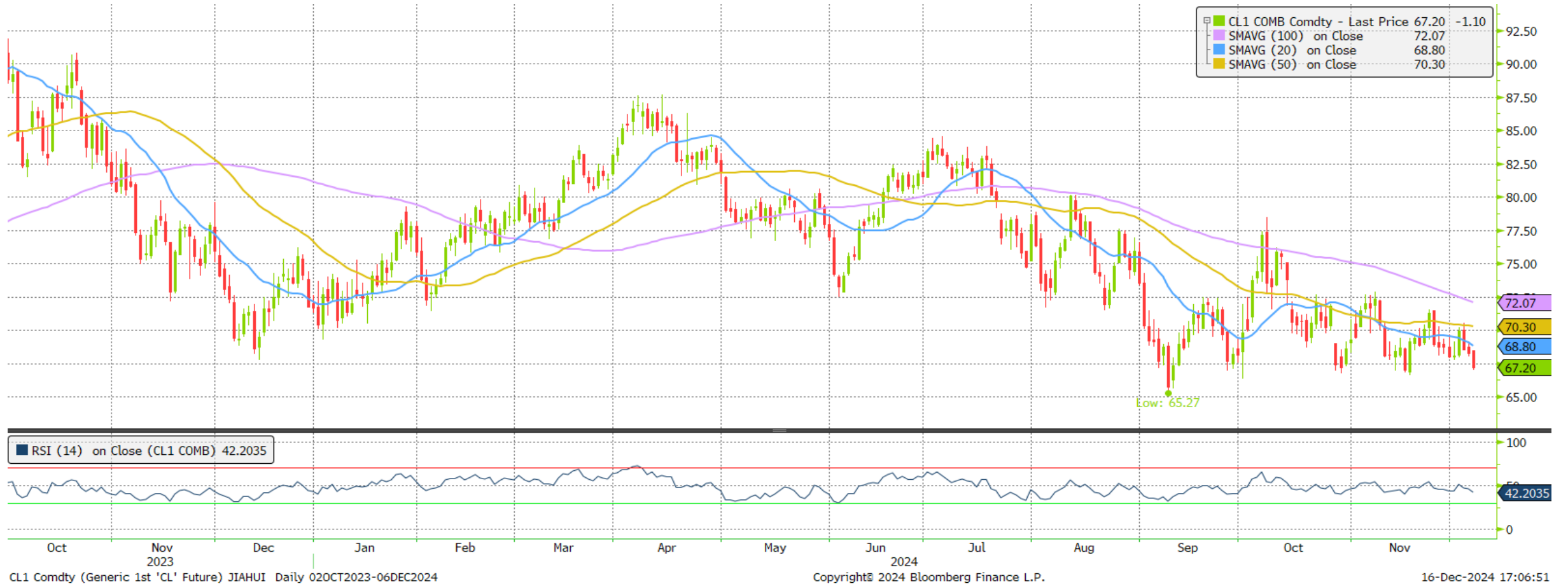
- 16/12/2024 (2245hrs) - S&P Global US Manufacturing PMI (Dec)
- 18/12/2024 (0530hrs) - API Weekly Crude Oil Stock
- 18/12/2024 (2330hrs) - Crude Oil Inventories
- 18/12/2024 (2330hrs) - Crude Oil Imports
- 18/12/2024 (2330hrs) - Cushing Crude Oil Inventories
- 19/12/2024 (0300hrs) - FOMC Statement
- 19/12/2024 (0300hrs) - FOMC Economic Projections
- 19/12/2024 (0330hrs) - FOMC Press Conference
- 19/12/2024 (2130hrs) - Initial Jobless Claims
- 21/12/2024 (0200hrs) - U.S. Baker Hughes Oil Rig Count

U.S. Oil Rig Count vs. U.S. NYMEX Crude Oil



Source: Bloomberg / Phillip Capital

Chart of the Day - Crude Oil Daily Chart



From the daily chart above, prices is likely to be continue forming lower low, however, investor should be mindful of next support level will be at \$65/barrel
Source: Reuters/Bloomberg/Phillip Capital



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