

Crude Oil Weekly

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

Market Commentary

Call of The Week:

Mildly Bearish

13 January, 2025

Highlights:

- Oil Bulls Are Back as Brent Breaks \$80
- Oil Prices Gain Momentum Amid Colder Weather and Geopolitical Tensions

Oil Market Summary

Oil prices have started the year rallying aggressively, with Brent breaking \$80 per barrel for the first time since October 7 last year. The rally has been driven by the Biden Administration's eleventh-hour sanctions on Russia, cold temperatures across the Atlantic Basin, widening backwardation in all crude futures, and continued concerns about inflation. For the first time in months, the oil market is feeling very bullish.

On Friday, the NYMEX light sweet crude oil for February contract up by \$3.84 to settle at \$70.82 a barrel by close of trade and Brent crude up \$3.29 or +4.647% to \$74.09 a barrel. During the week, NYMEX crude oil was up \$2.60 or 3.52% at \$76.575.

U.S. commercial crude oil inventories, excluding those in the Strategic Petroleum Reserve, dropped by 1.0 million barrels from the previous week to 414.6 million barrels, about 6 percent below the five-year average for this time of year.

According to Baker Hughes, the number of active rigs drilling for oil decreased to 584 from 589, decreased 5.

Oil prices continue to rise from recent lows, driven by increased demand for heating fuels due to colder-than-normal weather in the Northern Hemisphere. WTI Crude Oil trades around \$76.50 per barrel, maintaining positive momentum on short-term charts. Similarly, Brent Crude Oil has hit the key resistance of \$81 per barrel. The freezing conditions across Europe and the US are expected to persist, further boosting the demand for winter fuels.

The Energy Information Administration (EIA) expects global oil production to increase by 1.6 million barrels per day (bpd). Non-OPEC+ countries are projected to account for 90% of this growth. Additionally, the EIA predicts US crude oil net imports will decline by over 20%, bringing imports to their lowest levels since 1971. Continued growth in domestic production drives this decline. Geopolitical uncertainties also support the rally in the oil market. A fire at an oil depot in Russia's Volga region, reportedly caused by a Ukrainian drone attack, highlights rising geopolitical risks. This incident has increased the risk of disruption at a key facility near a Russian military air base. It underscores the vulnerability of oil infrastructure amid ongoing tensions.

In the week ahead, NYMEX crude oil prices are likely to trade in a range between \$75 and \$80. Oil traders will focus on this pivotal junction of long-term chart for crude oil. The market approaches critical resistance levels that could signal further price gains. Geopolitical risks, including new sanctions on Russia and tensions with Iran, add to the market's complexity and potential volatility. Traders and analysts will closely monitor key resistance levels and economic policy changes, as these factors will play a crucial role in shaping the future direction of oil prices. WTI crude oil and Brent oil have hit \$78 and \$81, respectively. A break above these levels is required for sustained bullish momentum in the oil market.

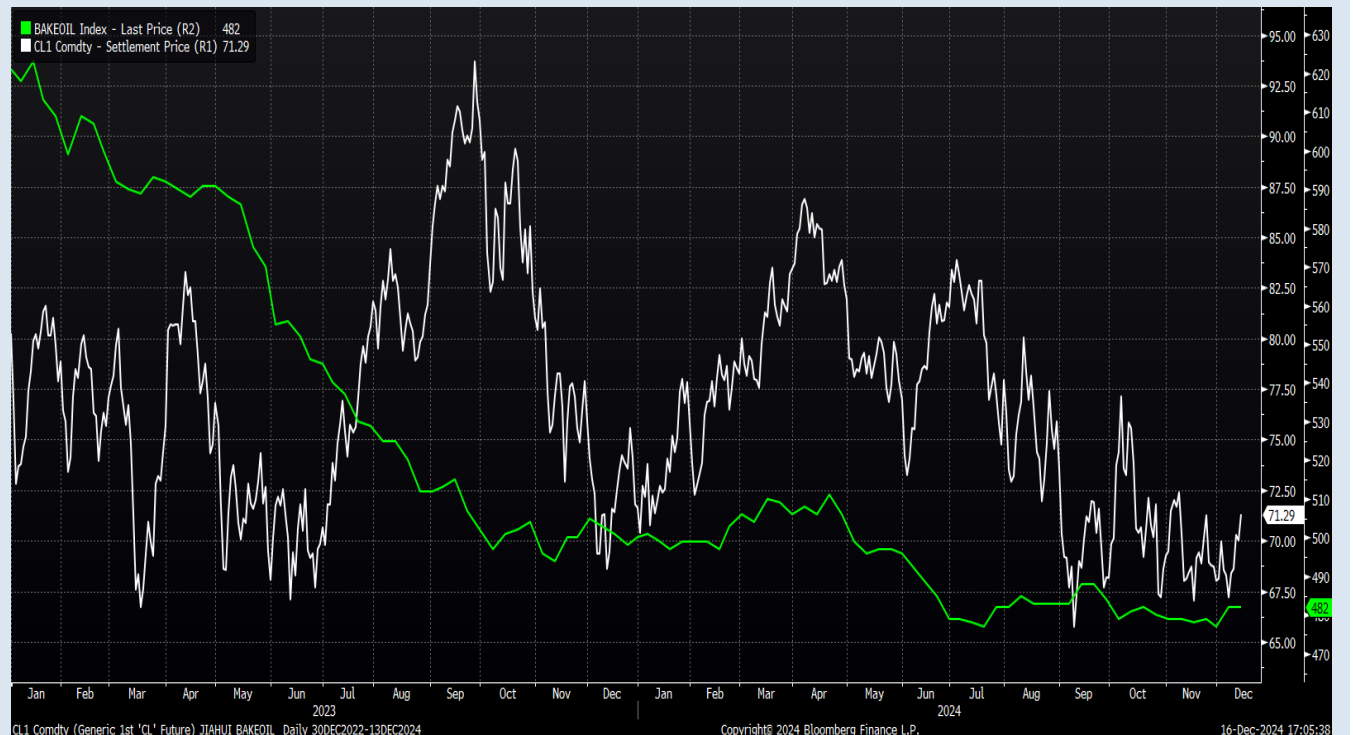
Weekly Market Price as at 13/12/2024

Commodity	Close	Chg	% Chg	High	Low	RSI(14)
NYMEX Crude Oil	70.82	3.84	5.733	70.29	66.85	57.95
IPE Brent Oil	74.09	3.29	4.647	73.52	70.65	57.15
TOCOM Crude Oil	67,450.00	2820.00	4.363	67450.00	63800.00	55.61
Mini Dow Jones	43,866.00	-840.00	-1.879	44706.00	43811.00	45.62
U.S. Dollar Index	107.00	0.95	0.894	106.96	105.80	61.90
COMEX Gold	2,675.80	16.20	0.609	2756.70	2649.70	48.42

Significant Events to Watch (Malaysian Time)

- 14/1/2025 (0030hrs) - Federal Budget Balance
- 14/1/2025 (0430hrs) - CFTC Crude Oil Speculative Net Positions
- 14/1/2025 (2130hrs) - PPI (MoM) Dec
- 15/1/2025 (0530hrs) - API Weekly Crude Oil Stock
- 15/1/2025 (2130hrs) - Core CPI (MoM) Dec
- 15/1/2025 (2130hrs) - CPI (YoY) (MoM) (Dec)
- 15/1/2025 (2330hrs) - Crude Oil Inventories
- 15/1/2025 (2330hrs) - Crude Oil Imports
- 15/1/2025 (2330hrs) - Cushing Crude Oil Inventories
- 18/1/2025 (0200hrs) - U.S. Baker Hughes Oil Rig Count

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



Source: Bloomberg / Phillip Capital

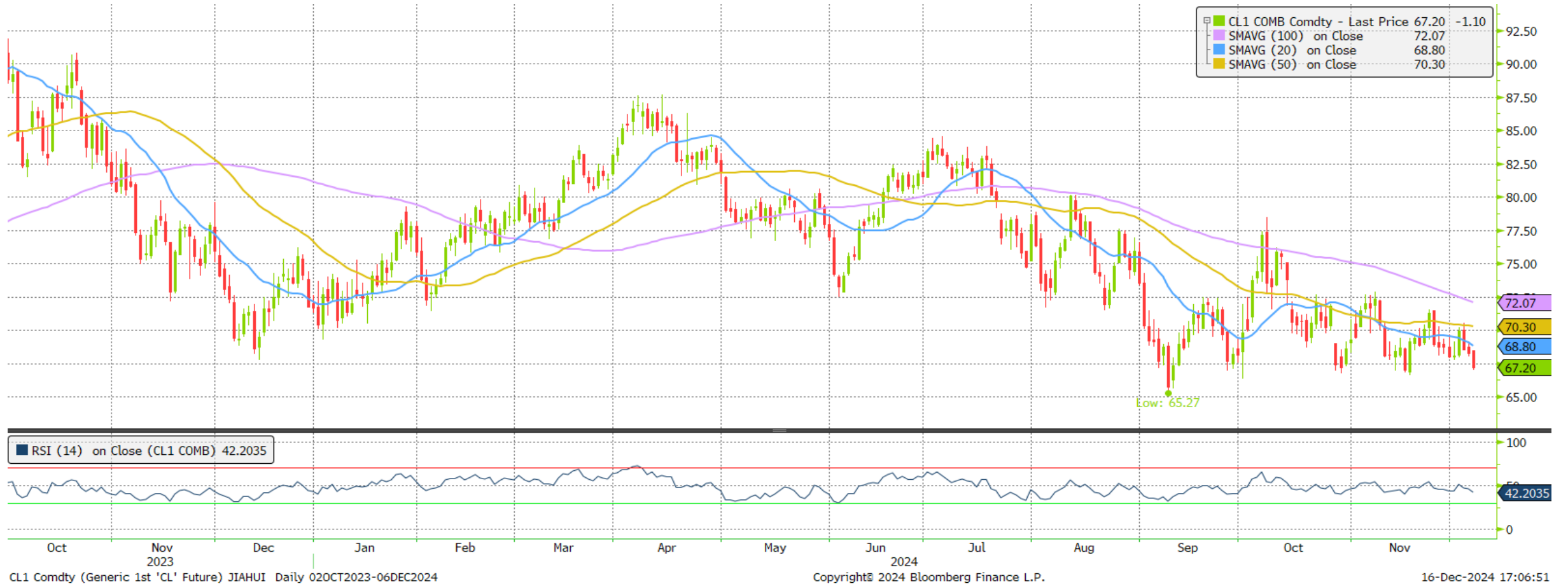
Other Market News

Asian markets tumbled Monday after an outsized US jobs report dealt another blow to hopes for more interest rate cuts, while oil extended a rally sparked by new sanctions on Russia's energy sector. The equity sell-off tracked hefty losses on Wall Street, where all three main indexes finished more than one percent lower as the new trading year continued to falter.

Keenly awaited data on Friday showed the US economy created 256,000 jobs last month, a jump from November's revised 212,000 and smashing forecasts of 150,000-160,000. The figures followed news that the crucial US services sector picked up in December, with the prices component soaring more than expected to the highest level since last January, while another report showed job openings hit a six-month high in November.

The hawkish pivot came as inflation continues to hover above the bank's two percent target, while there are also concerns that president-elect Donald Trump's plans to

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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