

WTI CRUDE OIL DROPPED BY MORE THAN 6% TO \$73/BBL, HITS 9 WEEKS LOW ON GLOBAL OVERSUPPLY SURPLUS & NEW COVID-WAVE!

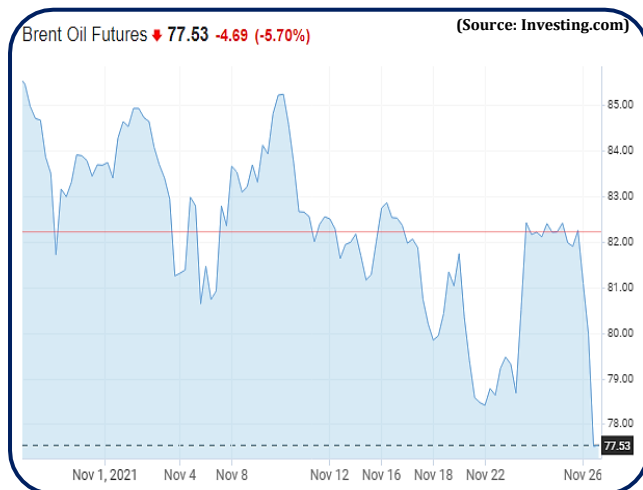
After witnessing \$11 trillion economic & financial losses across the globe, demand has outpaced supply as the world's vaccination-drive moved on aggressively with the evolution of the pandemic & strong rebound in United States, China and other advanced economies. This has pushed crude oil prices to the skyrocketing levels.

However, concerns over growing inflation, subsequent waves of fresh waves of pandemic & sustainability of the demand started exposing lingering economic vulnerabilities. The effects of pandemic and rise in unprecedented demand have pushed US inflation to 30 years high in Oct 2021.

In addition to ongoing supply-side bottlenecks, weather and the geo-political uncertainties, crude oil prices appreciated by around 100% to \$82.10 in Oct 2021 compared to \$39.90 in Oct 2020. On-month-on-month basis, the Energy Price Index appreciated by around 16% in Oct 2021 compared to Sep 2021. This has fueled global inflationary wave.



Crude Oil WTI - Futures	
Prev. Close	\$78.39/bbl
Open	\$78.12/bbl
52 Week Range	\$43.92 - 85.41/bbl
1-Year Change	68.87%
Price in 2011	\$89.41/bbl
Price in 2001	\$29.55/bbl



Brent Oil - Futures	
Prev. Close	\$82.22/bbl
Open	\$81.5/bbl
52 Week Range	\$46.82 - 86.7/bbl
1-Year Change	67.54%
Price in 2011	\$96.29/bbl
Price in 2001	\$25.64/bbl

After touching skyrocketing crude oil prices to the alarming levels, this ongoing unexpected dip in the crude prices is a welcoming relief in the backdrop of highly inflationary wave across the globe. Brent Oil futures drop by around 5.7% while WTI crude is down by 6% which are mainly on account of two key reasons:

- Global Oversupply,
- Covid-19 fresh wave across globe.

✦ **This is a strategic and coordinated move by US President Mr. Joe Biden which was in consultation with China, India & Japan, Republic of Korea, and United Kingdom to the release the Crude reserves to drop the prices on inflationary concerns.**

✦ **World Bank projects, world crude oil productions to remain around 88.391 mbpd vs crude oil consumption 88.477 mbpd as of Oct 2021**

✦ **Out of world's total crude consumption, US consumption accounts 19.41%, China 16%, India 5.2%, Japan 3.69%, and Republic of Korea 2.68%.**



▲ **Collectively, US, China, Japan & India accounts around 46.98% in world's crude consumption.**

According to the White House, **"President Joe Biden announced release from Strategic Petroleum Reserve as part of ongoing efforts to lower prices and address lack of supply around the world"**. US would release 50 million barrels of oil which is biggest strategic petroleum (SPR) reserve release in US history.

Strategic Petroleum Reserve Release fact	
1st SPR Release	32 million barrels will be released in an exchange over the next several months
2nd SPR Release	18 million barrels will be in addition to above 32 million releases which were already authorize d by the Congress.
Total	50 million Barrels

However, despite this large quantum of 50 million barrel of oil, it is just three days of United States petroleum consumption. As US daily petroleum consumption is around 17.17 mmpd. According to OPEC, "China's economic outlook is also bearish amid the lingering effects of ongoing pandemic outbreaks combined with supply chain disruptions". OPEC's demand revision in the oil demand by around 0.2 mb/d. This has also weakened sentiment.

- * Approximately 10 million barrels from Big Hill, TX
- ** Approximately 10 million barrels from Bryan Mound, TX
- *** Approximately 7 million barrels from West Hackberry, LA
- **** Approximately 5 million barrels from Bayou Choctaw, LA

Market is expecting oversupply glut in the coming months. The OPEC's Economic Commission Board (ECB) is expecting around 400,000 barrels-per-day (bpd) surplus in Dec 2021. In addition to this, Covid-19 new wave has started hitting economies. UK announced temporary ban & southern African travelling restrictions will affect their respective GDP growth. Therefore, OPEC and & its allies (OPEC+) meeting on Dec 2, 2021 has become critical. This cartel will determine that whether OPEC+ to continue rising output by 400,000 bpd in Jan 2021. According to World Bank, "Oil prices are projected to remain average \$74/bbl in 2022".

Therefore, the probability is much higher that as the new variants/cases grew the demand to ease off & this will eventually weaken oil demand outlook. Therefore, there are chances that prices could further go down.

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