

29 Nov 2023

ACCUMULATE IN CORRECTION

CRUDEM –
MCX
CMP : 6375

Crude oil – ahead of OPEC+ meeting, What to expect and How to Trade

As OPEC+ meeting schedule on 30 Nov23 and it is to be expected that production cut announce earlier will likely to be extended and some analyst also expect there might be deeper cut also possible after looking correction in crude prices in last few weeks & due to poor demand than previously anticipated. Crude oil in domestic future MCX lost almost 1800 points OR more than 22% since hit recent high above 7850 in end Sep month to fall towards 6000 mark in mid Nov. above fall was due to weaker economic growth and expectations of a supply surplus in 2024 and technical sell off at overbought position. However, fall despite voluntary production cut announce by Saudi as well Russia separated from OPEC+ cur announce.

For now, OPEC+ meeting on Nov 30 (which reschedule from originally 26 Nov announce) to discuss 2024 oil policy which expected both additional oil supply cuts for Q1-24 and a rollover of existing curbs were possible. Saudi Arabia, Russia and other members of OPEC+ pump around 43 million barrels per day, or over 40% of global supply. They already have supply cuts in place of about 5 million bpd, or about 5% of global demand.

2-Possibility from OPEC+ meeting and its impact on prices

1 - OPEC+ may not be able to agree on a deeper cut and it was possible Thursday's meeting could roll over existing policy. The meeting has already been delayed from Nov. 26 and this was because of a disagreement over output quotas for African producers, though market news since said the group has largely resolved this issue. The talks on African quotas come against a backdrop of the United Arab Emirates being allowed, as per OPEC+'s last agreement in June, to raise output in 2024.

So if OPEC+ just rollover policy then might be market looks towards other fundamentals like demand & Supply, Economic recovery at top consuming as well exporting countries and Geopolitical tension. Of so that might lead to some correction in prices as already it was expected that 2024 might be surplus year and till now geopolitical impact on supply seen negligible, so prices likely to get some profit booking

2 – OPEC+ might announce deeper production cut over and above already announce in 2nd half of 2023 and apart from Saudi as Russia voluntary cut. If so prices most likely to northward as we had seen correction of more than 20% in last 3-months and lower level attract hedge funds towards long build up in energy counter.

So it is to be concluded that, OPEC+ meet outcome is most impact event for Crude oil prices to decide its short term view, however for long term perspective many other factors to be watch including dollar index move, FED next stand on Interest rate regime, Geopolitical tension and how economy shape up for upcoming months will decide price action for longer period.

Technically Outlook

CrudeM Daily Chart MCX



Sources – Ticker Plant and Bonanza Research

Technically, Crude seen consolidating after recent fall try to come out of lower op lower bottom pattern seen in last 3-months. RSI 14-period also seen up move and towards 50-mark which if sustain can bullish for prices while MACD below zero line makes pressure on prices at every run-up.

So, based on above setup, immediate resistance seen at 6550 – 6650 belt and any Sustain close above same will likely to test 38.2 % and 50% retracement level of 6720 & 6950 which also act as resistance as previous low. While on lower side immediate Support seen at 6250 – 6200 – 6075 belt. Anytime Sustain close below same will fall prices towards June & March month Low of 5550 – 5300 belt in weeks to come.

Overall accumulation strategy advisable at every dip from here on and unless price close below support level of 6075 on daily basis.

WTI Crude oil immediate Support seen at \$ 72 & 67 and Resistance at 80 & 84 belt.

Technical Research Analyst

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