

## **Impact on India & world if US ban on Russian oil**

It's a talk of the town that US ban Russian oil at least for the country and later for its alliance European countries sooner than expected and these expectations boost oil prices towards fresh 2008 high with Brent oil approaching \$ 140 a barrel today. Lets understand what it means for India and for the world if Supply halted by one of largest producer and exporter of oil. Russia is the world's top exporter of crude and oil products combined, at around 7 million barrels per day (bpd ) or 7% of global supply. Such a ban would be unprecedented, turbo charging already sky-high prices and risking inflationary shock globally.

In addition to being a major supplier of oil and gas, Russia is also the world's largest grains and fertilisers exporter and a top producer of palladium, nickel, coal and steel. The bid to exclude its economy from the trading system will hit a wide range of industries and add to global food security fears.

The United States imported 672,000 barrels per day of Russian crude and refined products last year, according to EIA data. Of that, 30%, or 199,000 bpd was crude, while 473,000 bpd was refined products. Russian crude imports touched a record high in 2021, after U.S. Mars grade crude production was halted in the second half of the year due to hurricanes along the Gulf Coast, which damaged the offshore LOOP facility. So far this year, U.S. weekly imports of Russian crude averaged some 57,000 bpd, a decline from the volumes in 2021, the EIA data showed.

### **Impact on India if US ban Russian from oil exports**

India budget already disturb by surge in global industrial commodities and sharp recovery seen from last 2-year pandemic also under risk which all resulted in derail its spending plan and best economy around emerging markets. If this geopolitical condition continue for some more time and if we can see any sanction from US towards oil exports from Russia then India will be hard hit as we imports close to 85% oil & many industrial commodities which will resulted in fiscal as well trade account deficit. This will converted into increase inflation and reduced saving as well as growth of the country.

To avoid voter backlash at the polls, state-run oil companies have not raised prices since Nov. 4.

### **IMPACT ON GDP**

According to one estimate, if oil prices average \$100 in next financial year than this could shave almost 1% of GDP. In its last budget when govt predicted more than

8.5% GDP for next fiscal at that time average oil process was \$ 75-80 and today its almost double to near \$ 140

### **IMPACT ON INFLATION AND CAD**

If crude average around \$ 100 for rest of the year than according to estimates inflation seen rising by 1% and Current account deficit could widen between 1-1.25%. it is to be assume that every increase of \$10 in crude oil will lift India's CPI by 20-25 basis points and widens CAD by 0.30% of GDP and risk of 15-20 basis point fall in countries overall GDP. Already Government facing problem as the fiscal deficit could slip by 20 to 30 basis points from a target of 6.9% of GDP in the current fiscal year ending in March if LIC was not listed by then.

### **CUT IN EXCISE DUTY WILL HAMPER SPENDING**

Other option for Govt is to cut in Excise duty of oil to some extent relief for consumer. But this to will resulted in lower income for Govt and lower spending which again hamper growth at later stage. It is to be estimated that every rupee cut from fuel levies shrinks revenue for the government's coffers by 130 billion rupees (\$1.7 billion) a year.

### **DOMESTIC FUTURE MCX OUTLOOK**

So many questions arise in investors mind from what & how long geopolitical tension will run, what if western countries ban on Russia oil and so on. Let's understand what chart indicates for domestic traders as well for investors.



Sources Ticker Plant and Bonanza Research

From above chart we can see Price already trading at all time high for MCX near month contract and also breach long term trend line of last 1-decade. In daily chart sharp run-up seen in prices with increased in volumes and increasing RSI (which is in overbought zone 83) with help of firm indication from MACD which sustain above zero line since last 8-weeks. The price is well above all 3-Simple Moving averages of 20-50-100 days which also indicates Bull Run likely to be continue.

Now strong support seen at 8750-8800 belt and as long it hold support bounce back expected towards 9500 – 10000 zone. On higher side price likely to be hurdle at 9750 & 10000 level. On Sustain above psychological 10000 level price may test next resistance zone of 10700 – 11000 belt.

## **GLOBAL IMPACT OF US BAN ON RUSSIA OIL**

### **PRICE SHOCK**

The last time oil prices were above \$100 was in 2014 and levels reached on Monday were not far shy of a peak of more than \$147 hit in July 2008. That is a steep climb from two years ago, when a coronavirus-driven demand slump saw a barrel of West Texas crude at below \$0 as sellers had to pay to get rid of it.

Russia already threatens that any sanction on its oil export will lead prices towards \$300 a barrel.

### **INFLATION SHOCK**

With natural gas prices hitting all-time highs, soaring energy costs are expected to push inflation above 7% around globe in the coming months and eat deep into households' purchasing power. It is to be estimated that every 10% rise in the oil price in euro terms increases euro zone inflation by 0.1 to 0.2%. Since Jan 1, Brent crude is up around 80% in euros. In the U.S., every \$10 per barrel rise in oil prices increases inflation by 0.2%.

## **GLOBAL GROWTH IMPACT**

Preliminary calculations by the European Central Bank (ECB) suggest that war could cut euro zone growth by 0.3 to 0.4 percentage points this year in a baseline scenario and 1 percentage point in case of a severe shock. In the U.S., the Fed estimates that every \$10 per barrel rise in oil prices cuts growth by 0.1 percentage point, though private forecasters see a more muted impact.

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*SEBI Regn. No.: INZ000212137*

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