4TH MAY 2026

COMMODITY
OF THE MONTH

Global Perspective | Strategic Outlook

GLOBAL VIEW
Worldwide Trends and Market Drivers

MARKET INSIGHTS
In-depth Analysis and Key Indicators

STRATEGIC OUTLOOK
Opportunities, Risks & Strategies

CRUDE OIL

THE COMMODITY WE COVER IN THIS REPORT

TECHNICAL RECOMMENDATION

❖ **Commodity of the Month – May (Crude Oil)**

Crude oil presents a **bullish opportunity** for the month, supported by a healthy retracement phase and a strong underlying structure across higher timeframes.

Recommended Strategy :-

- **Accumulation Zone:** 8000 – 8200
- **Stop Loss:** 7400
- **Target:** 10800

A sustained hold within the accumulation zone is likely to offer a favorable entry opportunity, with the broader trend structure indicating potential for a strong upside move toward the defined target.

CRUDE OIL TECHNICALS

❖ Technical Overview

- ❑ WTI crude oil prices have remained firm for a second consecutive week following a brief corrective phase observed in the previous month. The recent price action appears constructive in nature, as the pullback was accompanied by declining volumes, indicating that the correction was healthy rather than driven by panic-led selling or aggressive liquidation. This behavior typically reinforces underlying strength within an ongoing uptrend. On the weekly chart, the broader bullish structure continues to remain intact. Prices are sustaining comfortably above the key cluster of 20, 50, and 100-period SMA and EMA levels, which collectively act as a dynamic support zone. This alignment signals a confirmed trend shift on the higher timeframe and suggests that the market is maintaining a structurally strong footing.

- ❑ Momentum indicators further support this positive outlook. The MACD, after witnessing a strong bullish crossover earlier, is currently flattening out, which indicates a phase of consolidation rather than a reversal. Importantly, it continues to hold a bullish bias on the monthly timeframe, reinforcing the longer-term uptrend. Meanwhile, the RSI is hovering around the 68 mark, suggesting that the market is approaching overbought territory in the short term. This typically points toward a period of consolidation or mild cooling before the next potential leg of the uptrend unfolds.

❖ CRUDE OIL Buy Recommendation (MCX – Positional Call)

- ❑ From a price action perspective, the formation of a bullish flag or continuation pattern appears to be developing, as prices are holding firmly above a crucial support zone near $78. This level remains a key pivot for sustaining the current bullish momentum, and as long as it is defended, the probability of an upward continuation remains elevated. In the Indian market, MCX crude oil is also expected to maintain an upward bias in the near term, supported by strong weekly and monthly trends. Key technical levels to watch are placed at **₹7,500 as immediate support and ₹11,000 as a major resistance zone**, which could act as the next upside target if bullish momentum persists.

FUNDAMENTAL OVERVIEW

❖ Executive Summary

Crude oil markets are currently operating under conditions that deviate significantly from conventional supply-demand dynamics. The escalation of the US–Iran conflict and the resulting disruption to the Strait of Hormuz — the world's most critical oil chokepoint — has triggered what market participants are characterizing as the largest oil supply shock in modern history. Benchmark prices have surged to approximately $120–126 per barrel, representing four-year highs, driven predominantly by geopolitical risk premium rather than underlying demand growth.

This report provides a structured assessment of the fundamental drivers currently shaping crude oil markets, encompassing supply-side disruptions, near-term demand dynamics, geopolitical escalation risks, key price levels, and the near-term outlook across bullish and bearish scenarios. The analysis is intended to support informed decision-making by traders, portfolio managers, and risk professionals.

Core Thesis: Crude oil is presently trading on geopolitical crisis premium, not underlying fundamentals. The resolution — or continuation — of the Strait of Hormuz blockade represents the single most consequential variable for price direction in the near term.

❖ The Big Picture: A Supply Crisis Layered on Geopolitical Risk

The current crude oil market environment is defined by the convergence of two powerful forces: a structural supply shock and an acute geopolitical risk premium. Unlike conventional commodity cycles — where prices are shaped by incremental shifts in production quotas, inventory data, or macroeconomic demand — the present situation is driven by the near-total disruption of one of the most strategically vital maritime corridors in the world.

The Strait of Hormuz, through which approximately 19–20% of global oil supply transits daily, has been partially to fully obstructed as a consequence of the ongoing US–Iran conflict. The market's response has been swift and severe. Prices have risen to levels not seen in four years, and volatility has escalated to reflect the binary nature of the key risk: whether the disruption persists or is resolved. The core characterization of this market is therefore straightforward:

This is not a normal commodity cycle. It is a supply crisis compounded by active geopolitical conflict — a combination that historically produces both extreme price spikes and sharp reversals upon resolution.

FUNDAMENTAL OVERVIEW

❖ Supply Side: Severe Disruption as the Dominant Bullish Driver

A. The Strait of Hormuz Chokepoint

The Strait of Hormuz remains the critical vulnerability in global oil logistics. Roughly 19–20 million barrels per day (19–20% of global supply) normally transit this narrow passage. Ongoing conflict has resulted in:

- Blocked or restricted shipping routes
- Sharp reduction in tanker movements
- Significantly elevated insurance and logistics costs

Consequence: An estimated 10–14 million barrels per day of supply has been disrupted, with Gulf exports declining by over 60% during peak disruption periods.

B. Limited Effectiveness of Spare Capacity

Although Saudi Arabia and the UAE maintain meaningful spare production capacity, logistical bottlenecks and constrained alternative routes (including Red Sea pipelines) prevent full market compensation. Supply exists physically but cannot reach consuming markets efficiently.

C. OPEC+ Fragmentation

Signs of internal division, highlighted by the UAE's reported positioning, indicate weakening coordination within OPEC+. This raises the risk of uncoordinated production decisions and further market volatility.

D. Structural Recovery Challenges

Even if hostilities cease, restarting shut-in production will face technical hurdles including reservoir pressure loss, tanker repositioning delays, and infrastructure repairs. Full supply normalization is likely to take **weeks to months**, not days.

FUNDAMENTAL OVERVIEW

❖ Demand Side: Temporary Weakness vs. Structural Resilience

A. Short-Term Demand Destruction

Elevated prices and geopolitical uncertainty have triggered approximately **4 million barrels per day** (~4%) of global demand reduction through:

- Slowing global trade
- Higher fuel costs curbing consumption
- Increased recessionary risks

B. Medium- to Long-Term Outlook

Once supply disruptions ease, demand is expected to rebound sharply. Emerging markets, particularly India and China, continue to exhibit strong structural oil dependency driven by economic growth, industrialization, and transportation needs. The current demand softness is viewed as cyclical and temporary rather than structural.

❖ Geopolitical Drivers: The Primary Market Influence

Geopolitical factors currently overshadow traditional fundamentals:

- **US–Iran Tensions**: Escalation involving naval actions and potential blockades with no immediate diplomatic resolution visible.
- **Weaponization of Energy Chokepoints**: Control over the Strait of Hormuz has become a strategic lever, amplifying volatility and creating sudden price swings.
- **Prolonged Disruption Risk**: Extended blockade scenarios could push prices toward the **$150–200/bbl** range.

FUNDAMENTAL OVERVIEW

❖ Current Market Structure

Factor	Current Condition	Implication
Supply	Severely constrained	Strong bullish pressure
Demand	Moderately weak	Temporary offset
Geopolitics	Extremely elevated	Dominant risk premium
Volatility	Very high	Event-driven price action

The market is currently in a rare state where **fear and geopolitical risk**, rather than pure physical tightness, are the primary price drivers.

❖ Key Price Levels and Technical Context

Price Range	Scenario	Market Implication
$90 – $100/bbl	Full Reopening	Hormuz fully operational; normalization
$100 – $120/bbl	Partial Disruption	Limited shipping; elevated risk premium
$120+ /bbl	Severe Supply Shock	Active blockade; crisis conditions (current)
$150+ /bbl	Prolonged Blockade	Extended disruption; demand destruction risk

Price action remains highly event-driven rather than following traditional technical or seasonal trends.

FUNDAMENTAL OVERVIEW

❖ Near-Term Outlook (1–3 Months)

A. Base / Bullish Case (Higher Probability):

Continued blockade or restricted flow through the Strait of Hormuz sustains supply tightness. Prices remain elevated or test higher levels as the geopolitical premium persists.

B. Bearish Case:

A meaningful diplomatic breakthrough or full reopening of the Strait triggers a sharp price correction (potentially 10–20% in a short period), as evidenced by previous rapid 10% single-day declines on reopening rumors.

❖ Strategic Considerations for Traders and Investors

Key Takeaway:

Crude oil is currently trading predominantly on a **geopolitical premium** layered atop a genuine supply shock. Fundamentals alone do not fully explain current price levels.

Critical Monitoring Points:

- Real-time status and flow data through the Strait of Hormuz
- Progress in US–Iran diplomatic engagements
- Tanker movement and shipping insurance metrics
- OPEC+ production decisions and cohesion

VOLUME & OPEN INTEREST

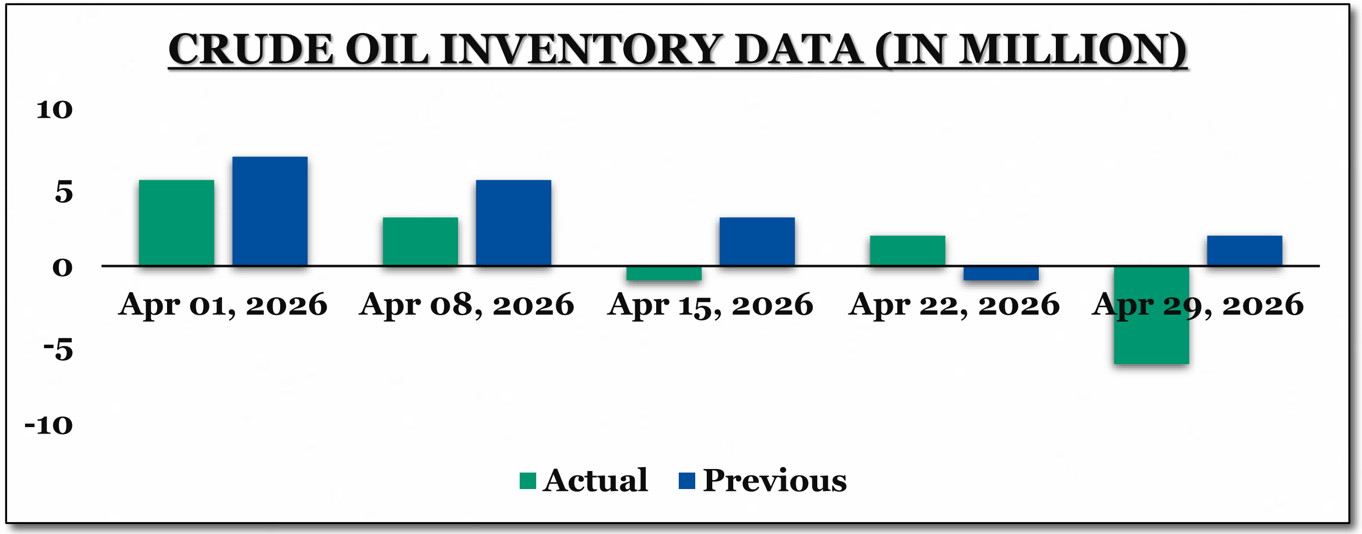
MCX CRUDEOIL		
MONTHS	**OPEN INTEREST**	**VOLUME**
JANUARY	16.68 k	502.19 k
FEBRUARY	15.43 k	530.32 k
MARCH	15.25 k	2.13 m
APRIL	16.37 k	1.59 m

NYMEX LIGHT CRUDE OIL		
MONTHS	**OPEN INTEREST**	**VOLUME**
JANUARY	357.69 k	7.11 m
FEBRUARY	323.27 k	6.99 m
MARCH	272.86 k	13.34 m
APRIL	279.3 k	7.31 m

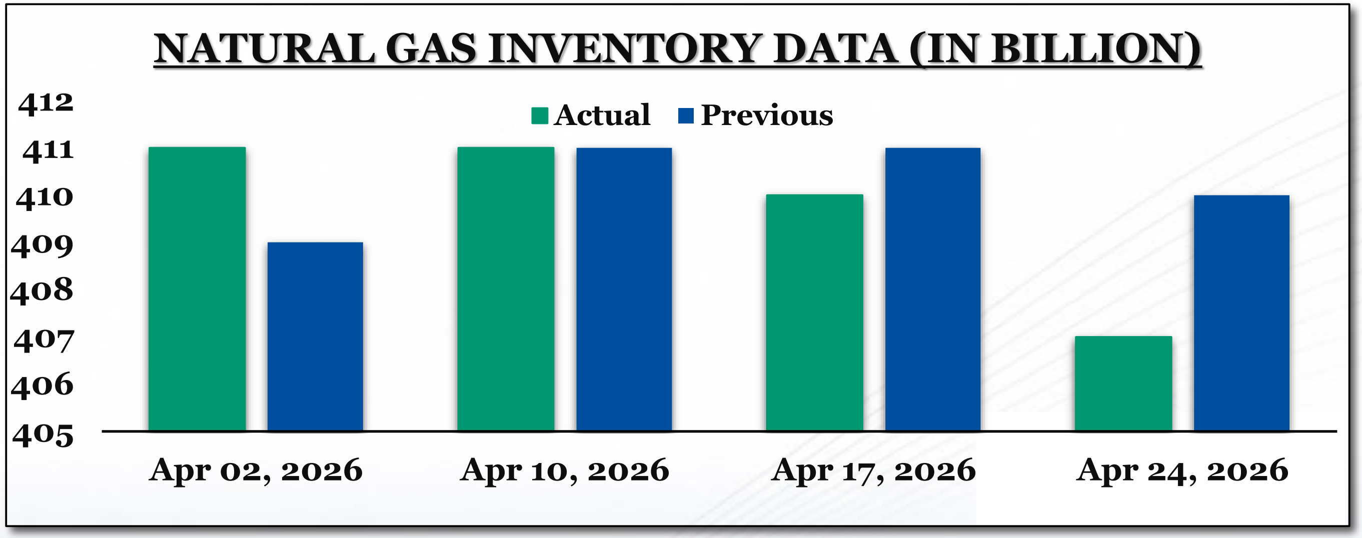
MACROECONOMIC INDICATORS

Bonanza

CRUDE OIL INVENTORY DATA (IN MILLION)		
WEEKS	Actual	Previous
Apr 01, 2026	5.451M	6.926M
Apr 08, 2026	3.081M	5.451M
Apr 15, 2026	-0.913M	3.081M
Apr 22, 2026	1.925M	-0.913M
Apr 29, 2026	-6.234M	1.925M

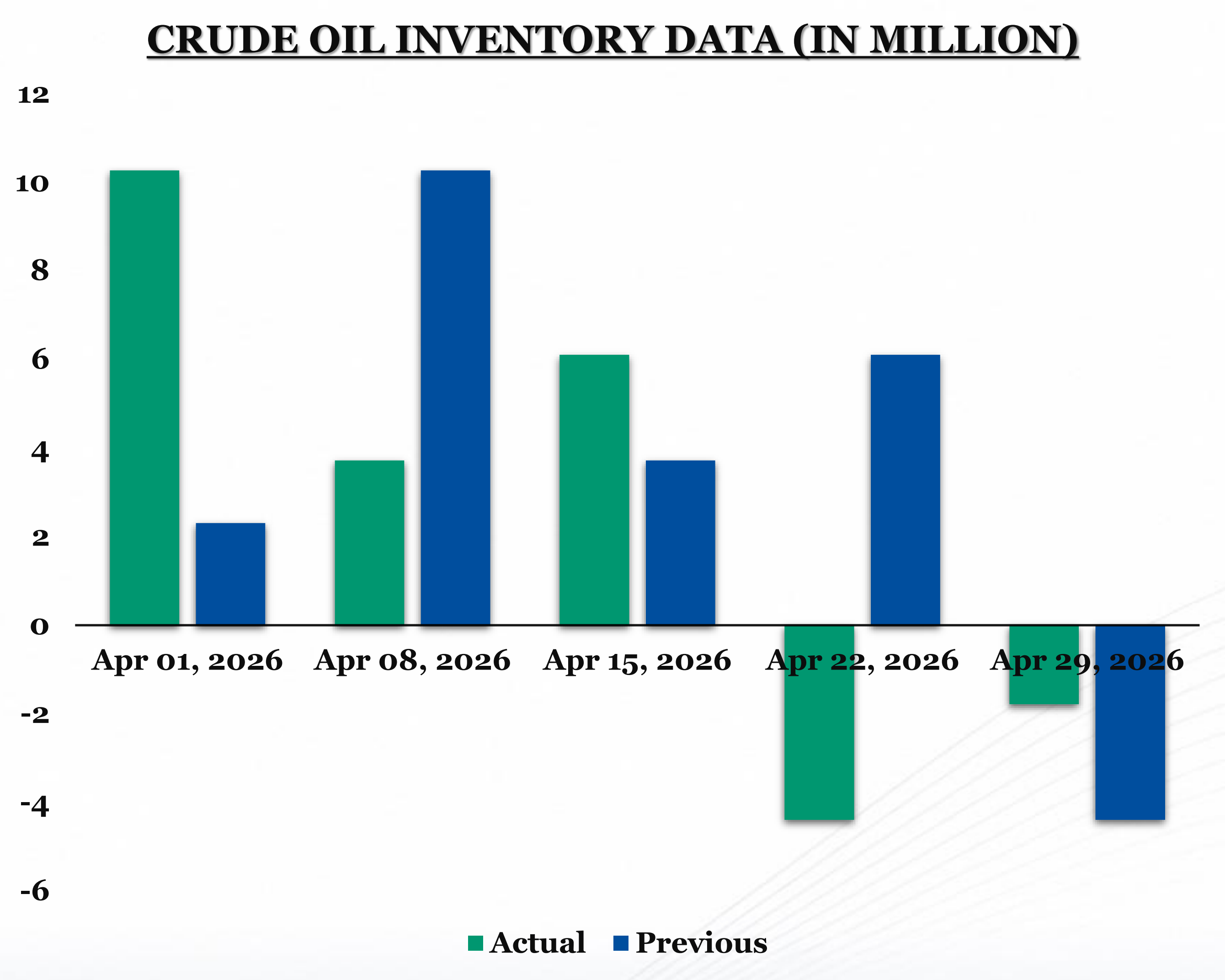


BAKER HUGHES CRUDE OIL RIGS		
WEEKS	Actual	Previous
Apr 02, 2026	411	409
Apr 10, 2026	411	411
Apr 17, 2026	410	411
Apr 24, 2026	407	410



MACROECONOMIC INDICATORS

U.S. API Weekly Crude Oil Stock		
WEEKS	**Actual**	**Previous**
Apr 01, 2026	10.263 m	2.300 m
Apr 08, 2026	3.719 m	10.263 m
Apr 15, 2026	6.100 m	3.719 m
Apr 22, 2026	-4.400 m	6.100 m
Apr 29, 2026	-1.790 m	-4.400 m



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