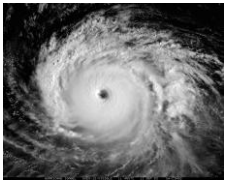
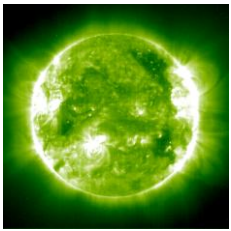


Energy Weekly

A Weekly Report on World Energy Market



Crude oil

Review:

Crude oil prices declined over 20% in last three consecutive weeks and settled the week at \$70.04. The major reason for crude oil prices falling is the European government still struggling to contain the region's debt crisis. This has raised concerns about global economic recovery. Moreover, the intrinsic fundamentals are also suggesting a bearish outlook for prices as the petroleum inventories have climbed to the highest level in at least 20 years. Brent crude oil futures prices have also fallen by nearly 19% in the last three weeks and the adverse effect is seen across the diverse crude oil types.

The supplies have also increased as the petroleum-based fuels increased to 1.81 billion barrels in the week ended May 14, the highest stockpiles on a seasonal basis in Energy Department data through 1990.

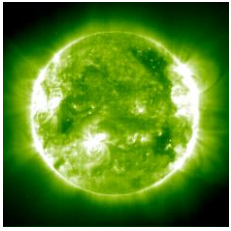
If we look at the crack spread for July, it has also dropped over 13 per cent in the last week as the higher inventories have reduced the profit margin from refining crude oil into gasoline and heating oil from 15 months high. According to American Petroleum Institute (API), the gasoline inventories production for the month of April have risen to the second highest monthly on record.

Coming onto world equity markets, the S&P 500 Index has dropped the most in 13 month and settled the week with 4.3% losses at 1087.69. Likewise, other Asian and European major indices have also ended lower. The benchmark MSCI world index for stocks closed nearly 4.5% lower for the week.

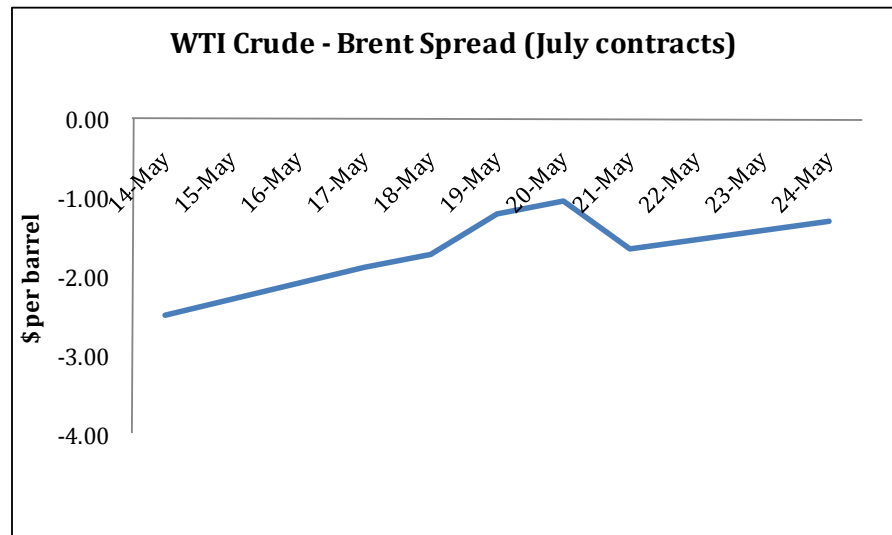
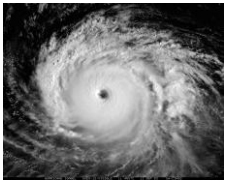
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/bbl)	June	75.62	75.94	68.85	70.04	-7.15	2174093	68.95	412104	8.48
	July	77.78	78.03	70.27	71.67	-7.72	570266	28.84	118798	7.97
MCX (Rs/bbl)	May	3411	3467	3268	3324	-3.37	529084	538.87	22180	165.34
	June	3486	3575	3349	3408	-4.22	20839	586.85	2771	339.14

Outlook

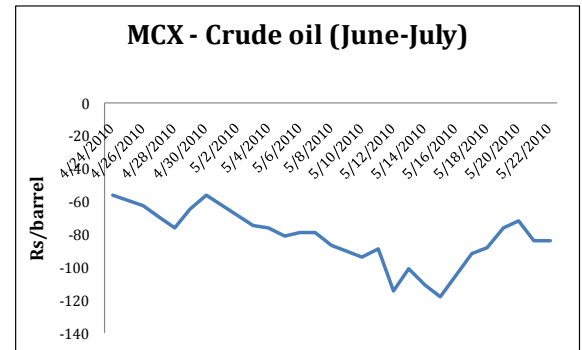
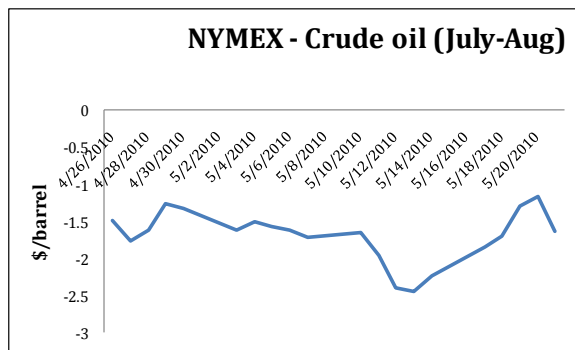
Since the entire global financial markets have fallen for the three consecutive weeks, there can be a slight recovery on equity markets and the greenback may retreat some of its gain. However, this prediction need not to be correct as the on going debt crisis does not seem to be getting over soon. Nevertheless, a speculative thought can be developed for inter day outlook. Now, we need to look at the various economic indicators releases from US and euro zone in the coming week. The upcoming week will have significant economic data from the US with majority of them are expected to have positive impacts on the dollar. The rising dollar due to stronger economic factors like industrial new orders, consumer confidence and home sales data might show a slight improvement on demand for crude oil. However, KCTL expect the gains on crude oil prices may be limited and the oil prices may stay stable to weaker.



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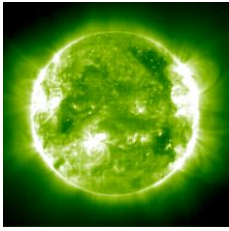


Calendar spread

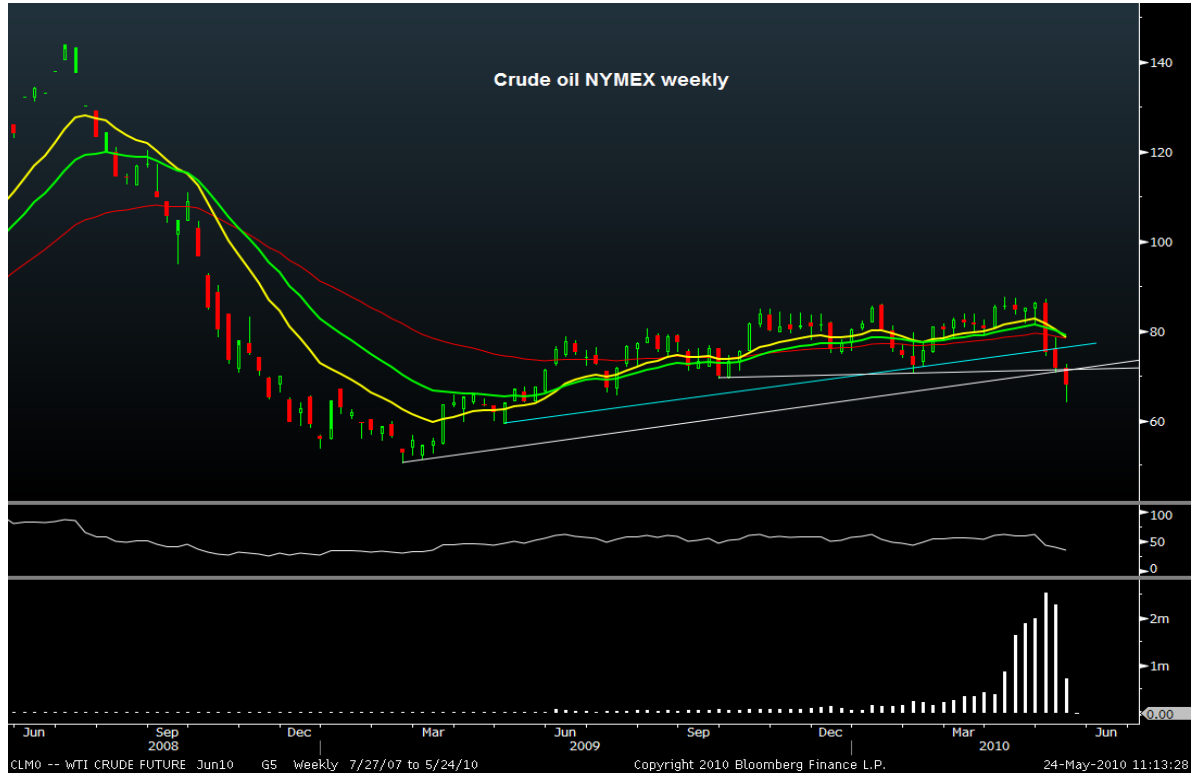
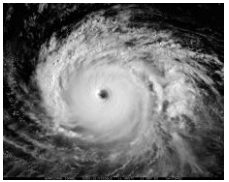


Technical analysis: NYMEX Crude oil – July

The crude oil futures prices have fallen over 20% in last three consecutive weeks from the levels of \$86.50 and witnessed a low of \$68.82 and settled the week at \$70.04 levels. The very recent week was a sideways trend for the prices as the market is already trading below 45-weeks EMA signaling the bearish trend is still intact. Moreover, prices have witnessed a lower break out from its long lived consolidation phase suggesting a signs of further decline in the short term. Nevertheless, it needs to break \$68.60-68.50 range to confirm the down trend. However, the daily chart market is at its oversold phase, meaning a definite higher correction can not be ruled out. Going by the weekly chart, prices may consolidate within previous week's range of \$66-75 range. Since, the trend is bearish. We may require taking short at higher levels.



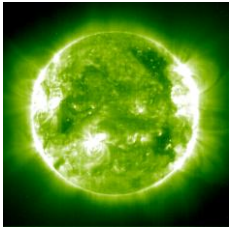
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Technical Outlook

We expect market to trade in the price band of \$68 -\$72 for the coming week. Overall, we recommend selling in pull backs for the week ahead.

Commodity	Exchange	Contract	S2	S1	Weeks close	R1	R2
Crude oil	NYMEX	July	\$66.00	\$68.00	\$70.04	\$72.00	\$74.0
Crude oil (Rs)	MCX	June	3220	3260	3324	3370	3420
Recommendation	Sideways to lower						



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Natural Gas

Review

US July futures Natural gas prices retreated sharply in the last week and settled lower at \$4.11. This could be because of 75BCF storage on weekly periodicity still holds above 5 years average. Gas inventories have bulged this year as producers increased activity in productive unconventional natural gas fields known as *shales*. Moreover, the heating demand also fades with winter weather coming to an end.

Furthermore, the number of rigs drilling for natural gas in the U.S rose this week to a level of 14 months high in mid-April, according to oil services firm *Baker Hughes* in Houston. The report showed the gas rig count climbed by 18 to 969 this week, just below the 14-month high of 973 hit April 16.

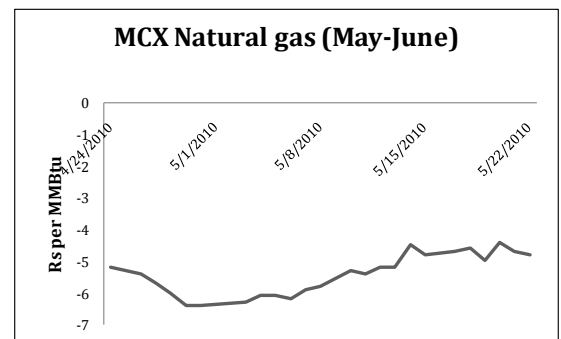
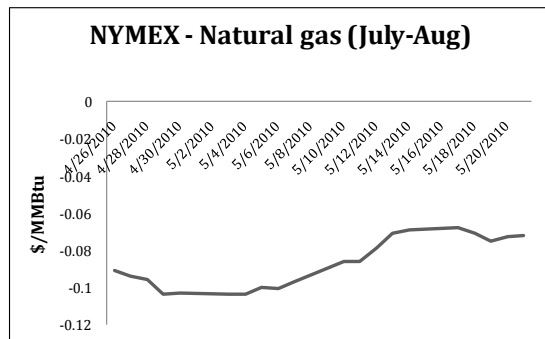
Outlook

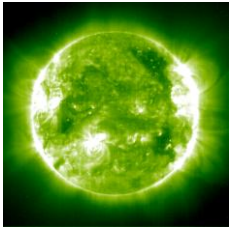
The Gas prices are likely to remain vulnerable in the coming week as the inventories pressure would remain on the market. Moreover, ongoing Greece debt crisis would still have negative impact on the market. However, we have few economic data releasing from U.S which are likely to improve from its previous figure and they might support gas prices to gain. KCTL, expect the gas prices to remain sideways to lower in the coming week.

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	June	4.42	4.59	4.09	4.11	-6.87	293058	-13.0371	215587	12.41
	July	4.48	4.66	4.17	4.18	-6.70	99264	-11.70	72800	8.70
MCX (Rs/MMBtu)	May	202	210	194	195	-3.37	12766	42.94	1776	87.74
	June	194	208	193	206	6.47	421	73.25	250	92.31

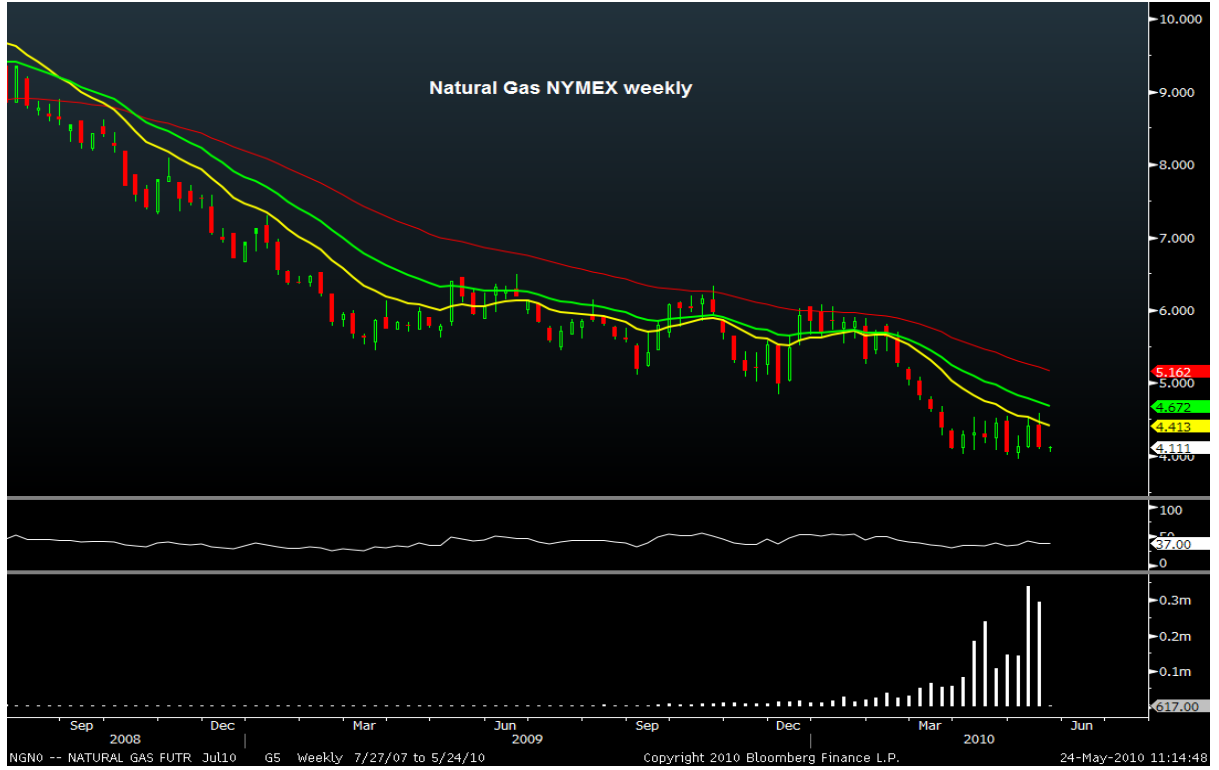
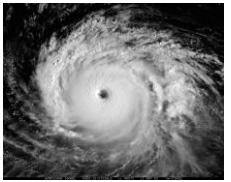
Natural gas Rig count			
Commodity	Latest week	Previous week	Change
Natural gas	953	958	-5

Calendar spread





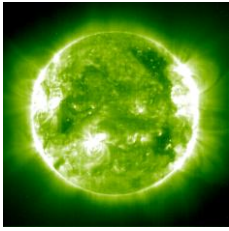
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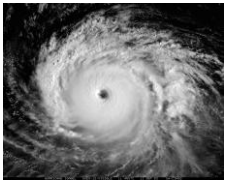
Technical analysis: NYMEX Natural gas - July

Market witnessed a false break out in the mid week and after making a high of \$4.59, it settled substantially lower at \$4.11 levels. The gas prices are moving in a consolidation phase and either side break out will confirm the trend. However, the weekly price candle has almost engulfed the previous week's candle suggesting market to remain marginally weaker having support at \$4.007 and breach of the same it may test \$3.923 levels. Likewise, on the higher side the resistances are at \$4.085 and then 4.130 levels. We expect gas prices to remain sideways to lower in the week ahead and suggesting a marginal selling on higher levels.

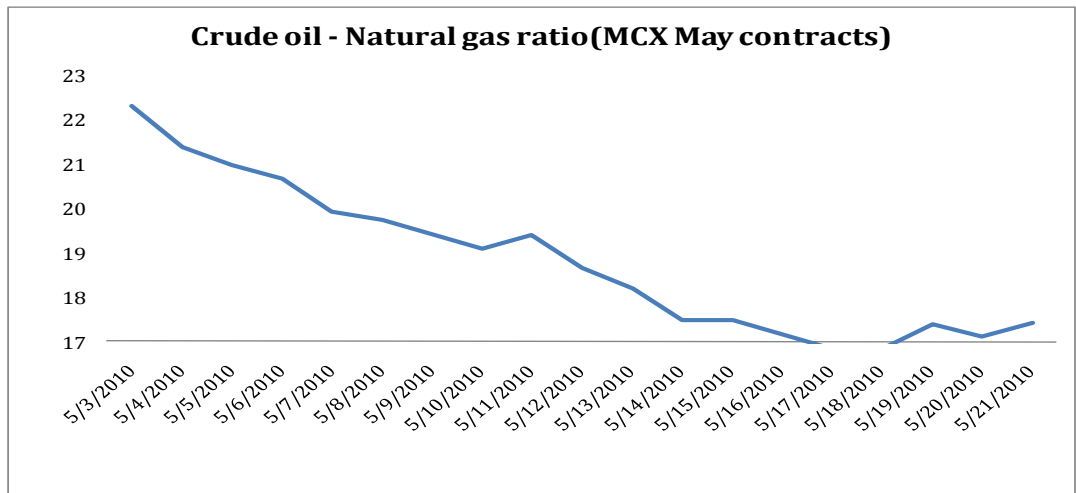
Commodity	Exchange	Contract	S2	S1	Weeks close	R1	R2
Natural gas	NYMEX	July	\$3.70	\$3.80	\$4.409	\$4.10	\$4.30
Natural gas (Rs)	MCX	June	182.0	186.0	190.1	200	\$204
Recommendation	Sideways to Lower						



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DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	362686	362524	162
Gasoline	221834	222128	-294
Distillate	152810	153789	-979
Refinery utilization (%)	87.94	88.42	-0.48
EIA Working gas storage (Bcf)			
Natural gas	2165	2089	76



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