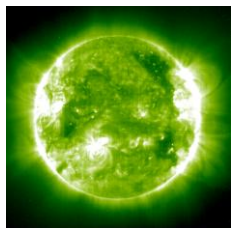


Energy Weekly

A Weekly Report on World Energy Market



CRUDE OIL

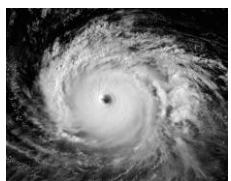
Overview-

Crude oil prices for future contracts traded in a **bearish trend in beginning of the week but ended in a positive note**. Oil prices tumbled to six week's low on over supply of crude oil and Global economic instability. However, oil prices recovered on account of Tropical storm threat and expected rising economy of the US. Thus, crude oil is expected to trade in a positive trend next week.



Technical Recommendation:-Sell

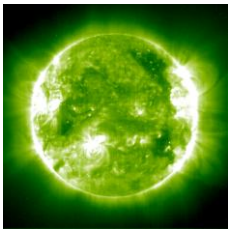
Exchange	S3	S2	S1	R1	R2	R3
September Crude oil - Nymex (\$/bbl)	\$70.80	\$72.20	\$73.67	\$77.10	\$78.60	\$79.20
August- Crude oil - MCX (Rs/bbl)	3440	3480	3500	3620	3680	3700
Nymex crude oil (Oct)	sell at \$77.10-78.10 targeting \$74.00 then \$ 73.20 stop loss above \$79.20					
August Crude oil (September)	sell at 3610-3620 targeting 3560 then 3520 stop loss above 3670					



Last week's Price Movement

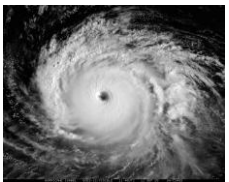
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	October	73.9	75.59	70.76	75.17	1.83	1755548	51.52	309503	-3.40
	November	74.47	76.57	71.49	76.21	2.35	580760	59.67	147481	9.42
ICE Brent Crude (\$/bbl)	October	74.46	76.93	71.75	76.65	3.22	883600	18.53	217932	-1.27
	November	75	77.3	72.22	77.01	3.02	353087	31.69	169776	19.62
MCX WTI Crude (Rs/bbl)	September	3475	3547	3354	3544	2.13	1021778	109.59	37173	-25.82
	October	3521	3605	3403	3605	2.62	65290	228.93	3253	50.74
MCX Brent Crude	September	3700	3700	3552	3612	3560.00	2	2.00	1.00	1.00



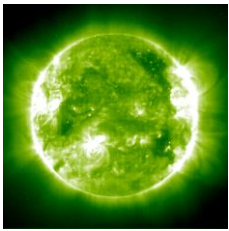


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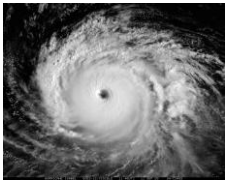
Review:



- **Crude oil prices rose near two percent from last week. West Texas Intermediate**, bench mark crude oil for October delivery ended the Week at \$75.17/bbl on NYMEX. Oil prices traded high more than two percent in Multi Commodity Exchange, India. However, Brent crude prices surpassed WTI crude oil by more than \$1
- In the beginning of previous week, oil prices traded at a higher side on speculation or rising demand from Emerging market. Asian equities also supported oil prices to trade high globally. Thereafter, appreciating dollar index made oil prices to erase earlier gains in early European hours. **Declining Manufacturing activity** of Euro zone made Euro to depreciate against Dollar. Hence oil prices took negative cues. **Disorganized cyclone** in Atlantic Ocean could not boost oil prices
- **Declining Industrial new orders of Euro-zone** has made euro to further depreciate against Dollar on Tuesday. Hence oil prices declined near 2.5 percent on account of bearish equity indices as economy growth is dissipating. Effect of rising inventories also had negative pressure on prices
- **American Petroleum Institute** reported about declining crude oil inventories by 1800 thousands barrel from last week. Whereas Gasoline and Distillates increased from last week but in a lower pace. Cushing Crude oil inventories declined for the second time in the month as per API report
- **Department of Energy**, US reported about huge increase in crude oil inventories including Gasoline and Distillates. Stock piles rose more than expectation which was really a negative sign for the oil price. However, rising inventories effect was already discounted before the report releases on Wednesday
- **National Hurricane centre** reported about tropical storm **Danielle**, thus oil prices rose on storm threat. Rising Consumer confidence of Euro zone made Euro to appreciate thus oil prices trade high at \$73.63/bbl on Thursday. Decling prices might have attracted investors for further investment
- **Fall in Jobless claims of the US**, results positive for the economy. Storm Danielle declared as category 4 storm, which boosted oil prices. **On weekend, Chairperson of Federal Reserve Bank, Ben S. Bernanke said about the tools to recover the US economy** .Stocks rose in the US market. Thus oil prices rose on expectation of rising economy. Crude oil prices rose more than 1.5 percent on Friday on NYMEX
- **Commodity Future Trading Commission**, US reported about declining long and short positions from the last week. This signifies net short positions have been declined on oil futures. Hence, this could be used as another barometer to have a bullish stance on oil price for the coming week



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CFTC Report		
Non-Commercial	Crude oil	% Change
Long	260005	0.96
Short	232682	19.14
Spreading	297275	-1.85
Net non commercial	27323	-57.57
Commercial		
Long	603247	-3.30
Short	652375	-6.60
Net commercial	-49128	-38.24
Total		
Long	1160527	-2.00
Short	1182332	-1.16
Net positions	-21805	84.94

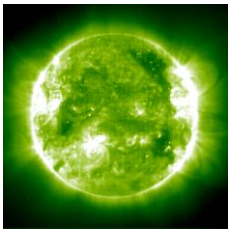
Outlook

In the coming week, most of **economic figures are expected to be positive** for the largest fuel consumer in the world, the US. Economic releases on Monday in the form of personal consumption of the US are expected to rise which may have positive impact on oil prices. Unemployment rate of the Euro zone is expected to remain unchanged coming week. Consumer confidence of the US is expected to rise which may have positive impact on economy, hence on oil prices. Euro is expected to appreciate on account of rising retail sales for the month of July. Whereas payroll change is expected to decline and expected rising jobless claims for the US, which may have negative impact on oil prices in the weekend

US Energy Information Administration has reported about **rising crude oil stockpiles** more than 4000K million barrels last week. Total crude oil stock piles rose more than 1000 million barrels from last month average. Distillates and Gasoline inventories more than expectation may be due to less demand by largest consumers. Jet fuel consumption has been declined in the US. However refinery utilization has been declined more than two percent. **Baker Hughes rig counts stands at 973**, declined by 7 numbers from last week. Thus declining rig counts and less refinery utilization shows that production has been declined on lower demand.

National Hurricane Centre has reported about 80% chance of Atlantic Tropical cyclone. Hurricane Danielle is expected to turn northward in couple of days. Thus oil supply and production may be hampered which may lead oil prices to rise.

KCTL expect oil prices to trade higher **in the beginning of the week** on account of rising economy expectation. Tropical storm threat may lead oil prices to be on a higher side. Rising prices may attract investors to increase long position. The recent trend says a rise on inventory and the same effect may have in the coming week's inventory data. This may keep oil futures to trade lower. However, we may expect oil prices to end the coming week in a positive note.



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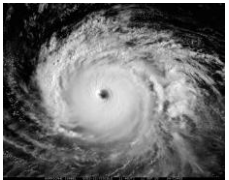
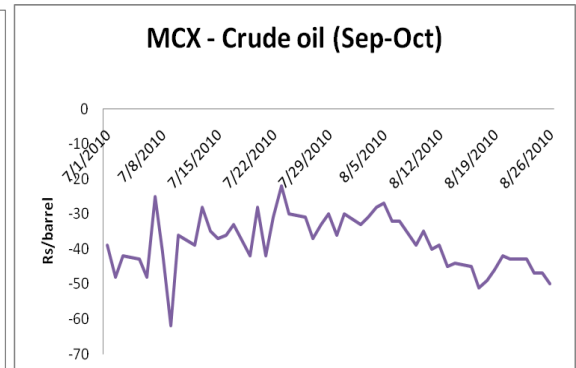
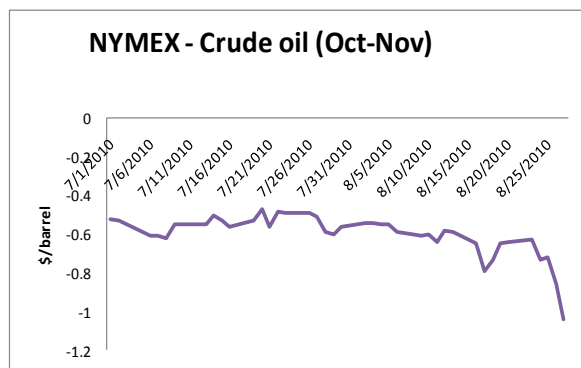


Facts to watch out:

- Tropical storm report by National Hurricane Centre, US
- API Inventory data releases on Wednesday 2:00 A.M. IST
- DOE Inventory data releases on Wednesday 8:00 P.M. IST
- Dollar movement with effect economic releases



Calendar spread



Calendar spread between NYMEX October and November contract stand at -1.04. The price difference has been increased more than \$1 between the two contracts in the last week. Where as calendar spread for September and October contract stands at Rs.60. It means prices for October contracts traded higher than September contract.



Technical analysis:

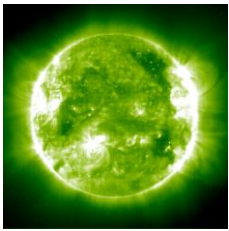
NYMEX Crude oil – September

CRUDE Oil NYMEX:

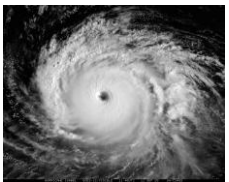


October crude oil futures prices ended the week gaining by 1.82 % W/W. After making a low of \$70.76 levels market ended the week on a higher note at \$75.17 levels. Market is trading below the major trend line support and is having a potential to fall further. Momentum indicator weekly RSI-14 is trading at 0.44 levels. Moreover, As per Fibonacci principle, price may test the \$77.10 - \$78.60 levels. Key levels to watch the prices at \$77.10-\$ 78.55 levels. If prices unable to sustains above \$78.55 levels, we expect a further decline in prices. Since, the price trend still bearish, we

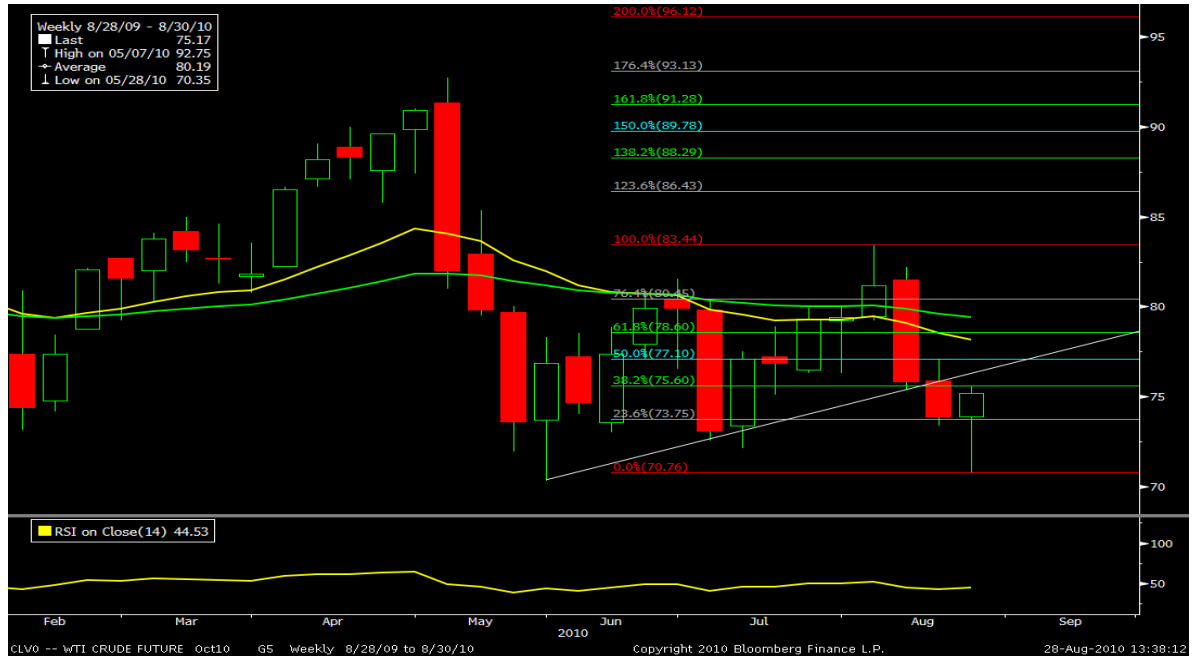




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recommend taking short position at higher levels. In the next week, initially we may see a growth on prices; however, market is likely to hold resistance at \$77.00-77.50

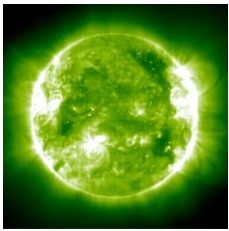


Natural Gas

Overview-Gas prices also had shown a *bearish trend last week* with impact of oversupply to meet the demand. Future contract prices have fallen more than 11 percent on NYMEX from last week and more than 23 percent in August month. Tropical storm threat could not boost prices much. Rising supply may put pressure on gas prices to trade lower in the coming week.

Technical Recommendation: - Sell

Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas October(\$/Mmbtu)	3.200	3.350	3.500	3.809	4.066	4.180
MCX Natural Gas September(Rs./Mmbtu)	160	165	171	180	185	194
NYMEX Natural Gas	Sideways					
MCX Natural Gas	Sideways					



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Last week's Price Movement

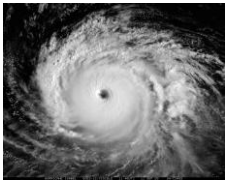
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	October	4.07	4.14	3.70	3.71	-10.44	399143	33.569	201429	10.80
	November	4.32	4.33	3.99	4.00	-7.81	129747	8.20	143605	7.89
MCX (Rs/MMBtu)	September	196	196	176	177	-9.99	106731	225.68	23178	224.67
	October	221	224	214	218	-7.53	7600	126.12	1778	64.17

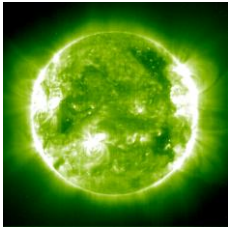


Review

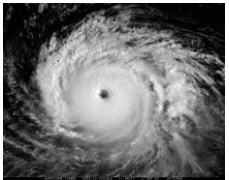


- Henry hub natural gas last traded at \$3.71/ Mmbtu on NYMEX by declining more than eleven percent. Gas prices traded near one year low at Rs.177 on Multi Commodity Exchange, India.
- We can see a **continuous decline** in gas prices since last two months .Thus gas prices have declined on account of higher supply as investors may have cut their long positions.
- **Milder weather forecast** in the US , made gas prices to fall more than one percent on NYMEX.Demand of natural gas for electricity production in power plant is expected to decline which had negative impact on gas prices
- Global economic concern made world equities to trade lower, hence gas prices trade lower
- **Storage has been increased by 40 Bcf** as per the US Energy Department's inventory report. Inventories rose more than last month's average, which show oversupply on demand
- **Tropical storm threat from in the form of Danielle** had some positive impact on prices in mid of the week. Thereafter, it fell by taking negative cues from faltering economy and rising inventories
- **Commodity Future Trading Commission, US** has reported about rising long and falling short positions in the last week.





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CFTC Report		
Non-Commercial	Natural gas	% Change
Long	112931	1.48
Short	276127	1.52
Spreading	282797	-0.98
Net non commercial	-163196	1.55
Commercial		
Long	361105	0.47
Short	230034	-0.86
Net commercial	131071	2.89
Total		
Long	756833	0.07
Short	788958	-0.08
Net positions	-32125	-3.59

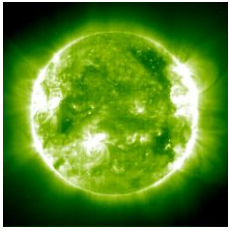
Outlook

Gas prices are expected to trade in a bearish trend as the **demand is expected to low on account of normal weather**. Temperatures will be normal in the eastern and Midwest U.S. in coming month, according to the **National Weather Service**. So demand from power plant for electricity generation may decline further.

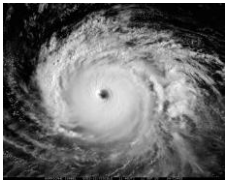
Rising of inventory by 40BCF last week may have some negative effect on gas prices. Meanwhile, the rig counts have been declined from last week which may have a positive impact on prices.

However, we may expect gas prices to trade slight higher in beginning of on account of tropical storm threat and expected economy recovery. Whereas actual storage report and rig counts may have some pressure on gas prices in mid of the week. With support of positive economic releases we may expect gas prices to trade **slight higher in beginning of the week but may end in a negative note**.

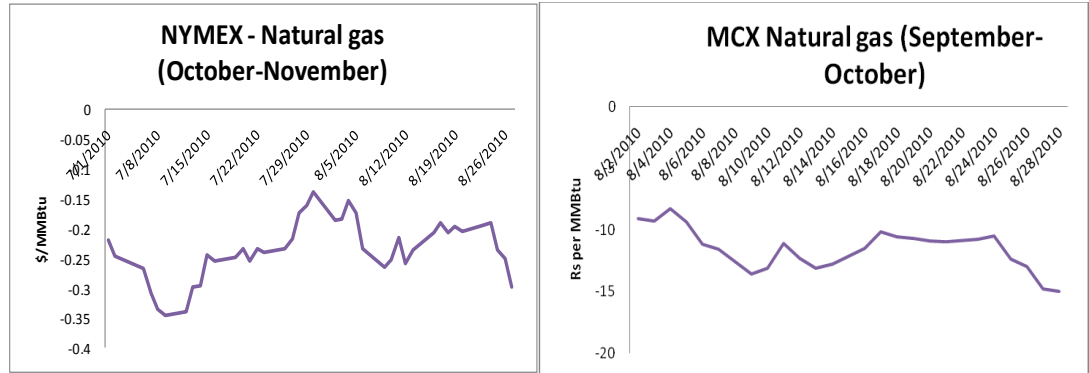
Natural gas Rig count			
Commodity	Latest week	Previous week	Change
Natural gas	973	985	-12



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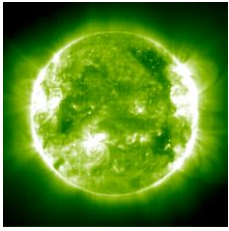
Calendar spread



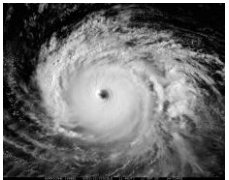
DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	358282	354174	4108
Gasoline	225617	223344	2273
Distillate	175974	174211	1763
Refinery utilization (%)	87.7	90	-2.3
EIA Working gas storage (Bcf)			
Natural gas	3052	3012	40

Technical analysis: NYMEX Natural gas - October

Natural gas futures hit fresh 11-month low of \$3.610 levels on Friday. The active October futures fell from a weekly high of \$4.129 and settled the week at \$3.651 levels. Prices have been on a bearish trend for the last four consecutive weeks. Momentum indicator RSI is at 0.36 levels. Prices are trading below the long term and short term EMA (9, 18 and 45 days) indicating lower movement for the week ahead. The weekly price chart shows market is in a downward channel, however, prices are nearing to test the channel support levels. In this regard, we may see gas prices testing support levels at \$3.5000. However, a sustained trade below \$3.5000 may extend the correction. The weekly view suggests, initially prices to test the support levels and later on it may recover a tad. Over, the entire trend remains bearish. However, buying could be seen near the mentioned support levels.

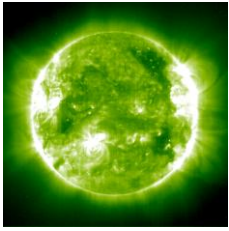


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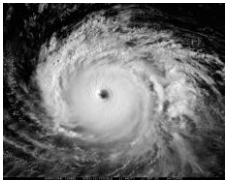


MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Region	Event	Period	Survey	Prior
08/30/2010 18:00	US	Personal Income	JUL	0.30%	0.00%
08/30/2010 18:00	US	Personal Spending	JUL	0.30%	0.00%
08/31/2010	IN	Qtrly GDP YoY%	2Q	8.80%	8.60%
08/31/2010 13:25	GE	Unemployment Rate (s.a)	AUG	7.60%	7.60%
08/31/2010 14:30	EC	Euro-Zone Unemployment Rate	JUL	10.00%	10.00%
08/31/2010 19:30	US	Consumer Confidence	AUG	50.9	50.4
09/01/2010 11:30	GE	Retail Sales (MoM)	JUL	0.50%	-0.90%
09/01/2010 19:30	US	ISM Manufacturing	AUG	52.8	55.5
09/01/2010 19:30	US	ISM Prices Paid	AUG	55.3	57.5
09/02/2010 18:00	US	Initial Jobless Claims	28-Aug	475K	473K
09/02/2010 18:00	US	Continuing Claims	21-Aug	4430K	4456K
09/02/2010 19:30	US	Factory Orders	JUL	0.40%	-1.20%
09/02/2010 19:30	US	Pending Home Sales MoM	JUL	-1.00%	-2.60%
09/03/2010 14:30	EC	Euro-Zone Retail Sales (MoM)	JUL	0.20%	0.00%
09/03/2010 18:00	US	Change in Nonfarm Payrolls	AUG	-100K	-131K
09/03/2010 18:00	US	Change in Private Payrolls	AUG	47K	71K
09/03/2010 18:00	US	Change in Manufact. Payrolls	AUG	10K	36K
09/03/2010 18:00	US	Unemployment Rate	AUG	9.60%	9.50%



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