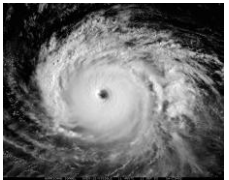
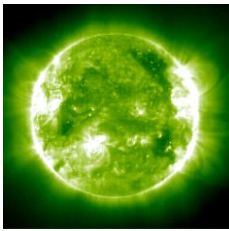


Energy Weekly

A Weekly Report on World Energy Market



CRUDE OIL

Overview-

Crude oil prices for future contracts traded in a **bullish trend in last week**. Declining Inventory and strengthening storm **Igor** has made oil prices to climb more than two percent in the weekend. However, we may expect oil to continue with **bullish trend in the coming week**.

Technical Recommendation:-Buy

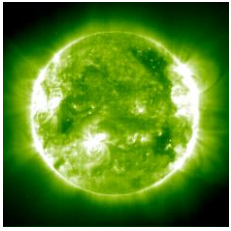
Exchange	S3	S2	S1	R1	R2	R3
October Crude oil - Nymex (\$/bbl)	73.80	75.30	76.50	78.00	79.40	82.00
MCX Crude oil - Oct (Rs/bbl)	3480	3530	3590	3670	3730	3820
Nymex crude oil (Oct)	Buy at 76-76.2 TP 79 SL 75					
MCX Crude oil (October)	Buy at 3600-3620 TP 3690/3715 SL 3540					

Last week's Price Movement

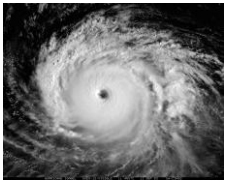
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	October	74.3	76.73	72.63	76.45	2.48	1533943	-16.09	210993	-29.95
	November	75.6	77.57	74.24	77.37	1.84	816043	2.90	263033	35.18
ICE Brent Crude (\$/bbl)	October	76.62	78.85	75.56	78.16	1.94	751097	-1.13	110688	-41.15
	November	76.57	78.92	75.71	78.31	1.75	630721	60.96	183493	5.42
MCX WTI Crude	September	3474	3558	3416	3550	2.28	893943	-13.61	36579	-23.28
	October	3548	3621	3510	3605	1.55	70181	2.58	4521	5.73
MCX Brent	September	3418	3418	3418	3418	3534.00	2	2.00	3.00	3.00

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 \$76.45/bbl on NYMEX. Oil prices traded high at Rs.3558/mmbtu , more than two percent in Multi Commodity Exchange, India
- In the beginning of previous week, oil prices traded at a lower side on speculation of lower demand by the end of summer season. There was no floor trading on last Monday on account of US labor Holiday. **European Bank's debt concern** made equities market to fall thus oil prices took negative cues from falling equity market
- **Declining Factory 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.US futures fell in the market. Effect of rising inventories also had negative pressure on prices



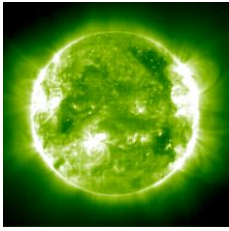
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- **American Petroleum Institute** reported about declining crude oil inventories by 7380 thousands barrel from last week. Whereas Gasoline and Distillates increased from last week but in a lower pace. Cushing Crude oil inventories declined for the second time in the month as per API report
- **Department of Energy**, US reported about declining crude oil inventory including Gasoline and Distillates. Declining Gasoline and Distillates stock piles for the second time in the last month made oil prices to trade in a higher side
- **National Hurricane centre** reported about tropical strengthening storm **Igor**, declared as category 4 storm, which boosted oil prices
- **Fall in Jobless claims of the US**, results positive for the economy. **On weekend**, rising imports of China also supported oil prices to trade higher
- **Volume has been declined with rising prices from the last week**, which indicates about fall in short positions
- **Commodity Future Trading Commission**, US reported about increasing commercial long and short positions from the last week

CFTC Report		
Non-Commercial	Crude oil	% Change
Long	270563	-1.41
Short	260074	-0.45
Spreading	304670	-2.30
Net non commercial	10489	-9.63
Commercial		
Long	690944	9.05
Short	716383	8.26
Net commercial	-25439	-1.50
Total		
Long	1266177	3.80
Short	1281127	3.89
Net positions	-14950	14.49

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	359854	361707	-1853
Gasoline	225162	225405	-243
Distillate	174847	175235	-388
Refinery utilization (%)	88.2	87	1.2
EIA Working gas storage (Bcf)			
Natural gas	3164	3106	58



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Outlook

In beginning of the week, oil futures traded in a bullish trend with optimism of rising economy of the largest oil consumers, the US and China. Shut in production in Exxon Energy due to blast occurred last week. Oil prices have taken cues from the broken pipeline of Enbridge Inc, the Canadian company today. Storm threat from IGOR, the category 4 Hurricanes is also supported oil prices.



In the coming week, most of **economic figures are expected to positive for the** largest fuel consumer in the world, the US. Economic releases on Monday in the form of monthly budget statement of the US are expected to rise which may have positive impact on oil prices. Industrial production of the Euro-zone is expected to rise for the last month. Empire manufacturing of the US is expected to increase whereas Industrial production and retail sales are expected to decline from the prior data. However, in the weekend rising jobless claims data may have negative impact on crude oil prices.

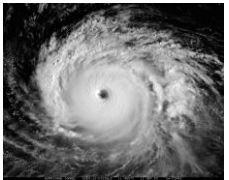


US Energy Information Administration has reported about **declining crude oil stockpiles** more than 1800K barrels last week. Distillates and Gasoline inventories have also declined more than expectation may be due to continuing maintenance period. **Baker Hughes rig counts stands at 980**, increased by 3 numbers from last week. China's crude oil import has been increased by more than 13 percent in the month of August.

National Hurricane Centre has reported about category 4 hurricane Igor and strengthening Julia in North Atlantic. Thus oil supply and production may be hampered which may lead oil prices to rise.



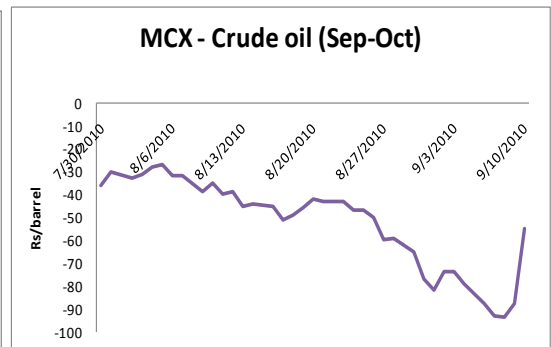
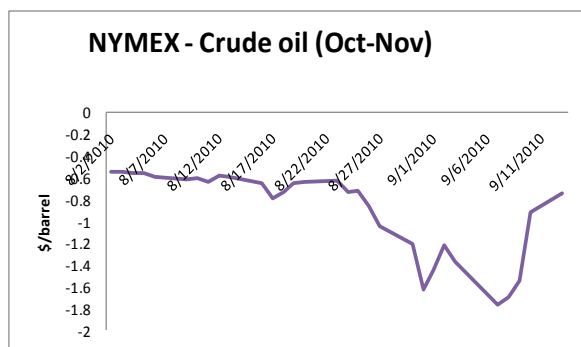
KCTL expect oil prices to trade higher **in the beginning of the week** on account of rising economy expectation .Tropical storm threat may lead oil prices to on a higher side. Rising prices may attract investors to increase long position. The recent trend says a rise on inventory and the same effect 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.



Facts to watch out:

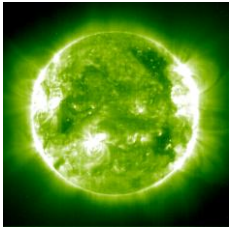
- Tropical storm report by National Hurricane Centre, US
- API Inventory data releases on Wednesday 2:00 A.M. IST
- DOE Inventory data releases on Wednesday 8:00 P.M. IST
- Dollar movement with effect economic releases

Calendar spread

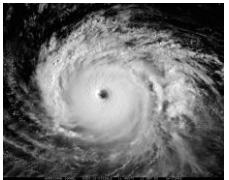


Calendar spread between NYMEX October and November contract stand at -0.74. The price difference has been declined near \$1 between the two contracts in the last week. Where as calendar spread for September and October contract stands at Rs.55. Though crude oil futures are in Contango, the spreads is declining which indicating about higher demand for the near month contract in comparison to the far month contract.





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Technical analysis: NYMEX Crude oil - October

Crude oil Nymex future prices witnessed uptrend in last week by reversing the previous week's trend. After making a low of 72.63 it settled at 76.45 levels. As per the candle stick principle it suggests sideways to higher price movements for this week. Although, market traded higher in last week but trading below the weekly short term and medium term EMA is suggests downside bias. However, initially we might see some upside movements. Incase if market fails to breach the resistance near 79 levels is possible to remain lower. The momentum indicator RSI (14) weekly ended at 0.48 levels and suggesting neutral view. Overall, we expect sideways to higher price movements for this week. The key level to watch is at 75.30 levels. Sustain above is possible to push the prices on higher side.

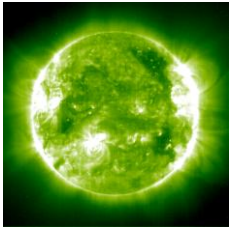


Natural Gas

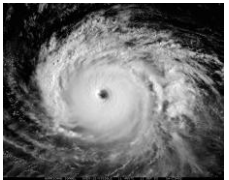
Overview-Gas prices also had shown a **bearish trend last week** with impact of oversupply to meet the demand. Future contract prices have fallen more than 1 percent on NYMEX from last week. Speculation of higher demand from power plant made gas prices to trade higher in beginning of the week, whereas rising inventories made a fall in prices in the weekend.

Technical Recommendation: - Buy

Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas October (\$/MMBtu)	3.56	3.68	3.78	3.95	4.18	4.26
MCX Natural Gas October (Rs./MMBtu)	179	185	191	195	208	212
NYMEX Natural Gas	Buy above 3.890 TP 4.129 SL 3.68x					
MCX Natural Gas	Buy above 195 TP 210 SL 187					



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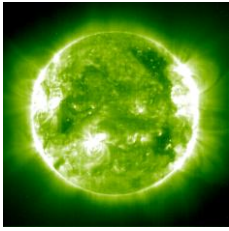
Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	September	3.87	3.94	3.70	3.88	-1.42	427021	-14.351	167478	-12.43
	October	4.11	4.17	3.98	4.13	-1.08	178794	5.46	164013	10.22
MCX (Rs/MMBtu)	August	183	184	174	180	-1.96	227824	-18.70	26397	14.46
	September	205	206	192	192	-1.07	15047	-31.00	2356	11.66

Review

- Henry hub natural gas last traded at \$3.79/ Mmbtu on NYMEX with a fall of 0.05 cents. Gas prices traded at Rs.180 on Multi Commodity Exchange, India.
- **Speculative demand of natural gas from the power plant** has boosted gas prices in the beginning of the week. However, there was no floor trading on 6th September on account of US labor holiday
- Thereafter, **Global economic concern** made world equities to trade lower, hence gas prices trade lower. Fall in MSCI is witnessed in mid of the week.
- **Storage has been increased by 58 Bcf** as per the US Energy Department's inventory report. Inventories rose more than last month's average, which show oversupply on demand
- **Gas prices recovered in the weekend as Tropical storm threat from in the form of Igor strengthened**
- **Trade volume has been declined with falling prices** from the last week. This indicates about a declining trend of gas prices
- **Commodity Future Trading Commission, US** has reported about rising long and falling short positions in the last week.

CFTC Report		
Non-Commercial	Natural gas	% Change
Long	111346	-2.32
Short	284955	2.61
Spreading	262730	-3.23
Net non commercial	-173609	6.05
Commercial		
Long	377675	5.67
Short	236886	4.04
Net commercial	140789	8.52
Total		
Long	751751	1.19
Short	784571	0.99
Net positions	-32820	-3.39



Energy Weekly



Outlook

Gas prices are expected to trade in a bearish trend as the **demand is expected to low on account of normal weather...**

Rising of inventory by 58 BCF last week may have some negative effect on gas prices. Meanwhile, the rig counts have been increased from last week but in a lower pace, which may have a positive impact on prices.

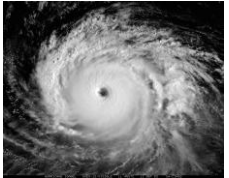
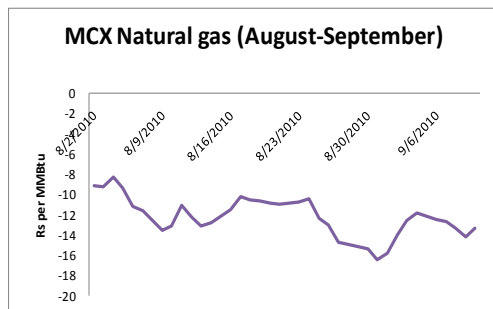
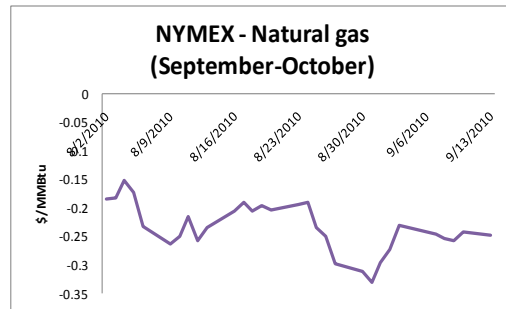
However, we may expect gas prices to trade slight higher in beginning of on account of tropical storm threat and expected economy recovery. Whereas actual storage report and rig counts may have some pressure on gas prices in mid of the week. With support of positive economic releases we may expect gas 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	977	973	4



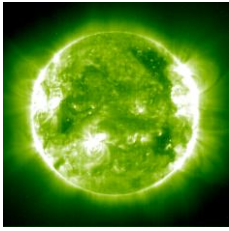
Calendar spread



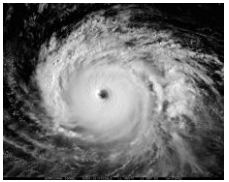
Technical analysis: NYMEX Natural gas - October

Natural gas future prices traded extremely sideways to higher in last week. Initially it made a low of 3.703 levels it took reversal and settled at 3.883 levels. Closing of the previous week candle resembles "Doji" pattern suggesting indecisive movements. However, market made a fail attempt to breach the support at 3.690 levels and closing higher for the past three weeks. As long as it sustain above 3.690 is possible to trade higher. Conversely, on the higher side resistance is at 3.946 levels. On break above is expected to extend its gains till 4.142 levels. The momentum indicator RSI (14) weekly ended at 0.37 levels and showing a higher potential. We expect sideways to higher price movements for this week.



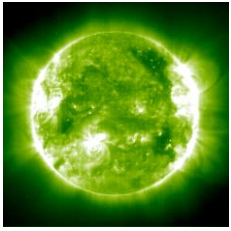


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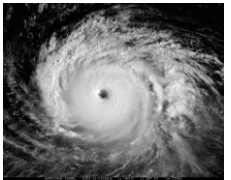


MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Column1	Event	Column2	Survey	Prior
09/13/2010 23:30	US	Monthly Budget Statement	AUG	-\$95.0B	-\$103.6B
09/14/2010 12:00	IN	Monthly Wholesale Prices YoY%	AUG	9.60%	9.97%
09/14/2010 14:30	EC	ZEW Survey (Econ. Sentiment)	SEP	14.5	15.8
09/14/2010 14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	JUL	0.10%	-0.10%
09/14/2010 18:00	US	Advance Retail Sales	AUG	0.30%	0.40%
09/14/2010 19:30	US	Business Inventories	JUL	0.60%	0.30%
09/15/2010 14:30	EC	Euro-Zone CPI (MoM)	AUG	0.20%	-0.30%
09/15/2010 18:00	US	Empire Manufacturing	SEP	8	7.1
09/15/2010 18:45	US	Industrial Production	AUG	0.20%	1.00%
09/15/2010 18:45	US	Capacity Utilization	AUG	75.00%	74.80%
09/16/2010 12:00	IN	Primary Articles WPI YoY	4-Sep	--	15.40%
09/16/2010 12:00	IN	Fuel Power Light WPI YoY	4-Sep	--	12.71%
09/16/2010 12:00	IN	Food Articles WPI YoY	4-Sep	--	11.47%
09/16/2010 14:30	EC	Euro-Zone Trade Balance sa	JUL	-0.5B	-1.6B
09/16/2010	IN	Cash Reserve Ratio	16-Sep	6.00%	6.00%
09/16/2010	IN	Reverse Repo Rate	16-Sep	4.75%	4.50%
09/16/2010 18:00	US	Producer Price Index (MoM)	AUG	0.30%	0.20%
09/16/2010 18:00	US	Initial Jobless Claims	11-Sep	458K	451K
09/16/2010 18:00	US	Continuing Claims	4-Sep	4468K	4478K
09/16/2010 18:00	US	Current Account Balance	2Q	-\$125.0B	-\$109.0B
09/16/2010 18:30	US	Net Long-term TIC Flows	JUL	\$42.0B	\$44.4B
09/16/2010 18:30	US	Total Net TIC Flows	JUL	--	-\$6.7B
09/16/2010 19:30	US	Philadelphia Fed.	SEP	0	-7.7
09/17/2010 13:30	IT	Industrial Orders s.a. (MoM)	JUL	-0.40%	3.20%
09/17/2010 13:30	EC	ECB Euro-Zone Current Account SA	JUL	--	-4.6B
09/17/2010 18:00	US	Consumer Price Index (MoM)	AUG	0.30%	0.30%
09/17/2010 19:25	US	U. of Michigan Confidence	SEP P	70	68.9



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