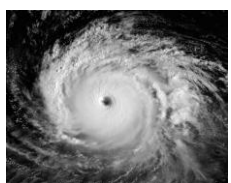


# Energy Weekly

A Weekly Report on World Energy Market



## Energy Overview

Crude oil futures prices continued the bullish trend of last week and ended the week in a positive note. Appreciating equity market and strengthening rupee Oil prices to trade higher. Rotary rig counts also have declined to one month low, which supported oil prices to bounce back. However, Natural gas prices fell more than seven percent on account of rising inventory. In the coming week, we may expect gas prices to trade in a lower trend whereas some improvement can be seen in oil price movement after a correction.

## Technical Recommendation:-Buy

Exchange	S3	S2	S1	R1	R2	R3
October Crude oil - Nymex (\$/bbl)	\$77.70	\$78.90	\$80.09	\$82.40	\$83.10	\$84.00
MCX Crude oil - Oct (Rs/bbl)	3380	3410	3440	3515	3545	3600
Nymex crude oil (Nov)	NYMEX: Buy at \$79-79.50 targeting \$82.40 with stop loss 77.60 below					
MCX Crude oil (October)	MCX: Buy in the range of Rs .3575-3585 targeting 3660 with stop loss below 3530					

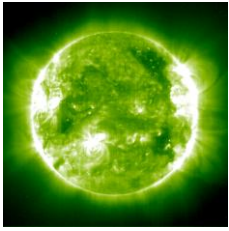
## Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	November	76.47	81.75	75.52	81.58	6.65	1738000	2.08	340491	-2.98
	December	77.57	82.68	76.51	82.5	6.25	849672	-0.09	241581	10.74
ICE Brent Crude (\$/bbl)	November	79.01	83.81	77.6	83.75	6.19	837256	7.79	171546	-0.66
	December	79.25	84.07	77.8	84.02	6.19	560228	19.58	222933	21.28
MCX WTI Crude	October	3481	3640	3425	3624	4.17	1005014	8.59	24055	-28.48
	November	3551	3696	3498	3682	3.69	60254	9.50	3803	12.35

## Review:

Crude oil prices **climbed more than 6% in the** last week on Newyork Merchantile Exchange. West Texas Intermediate, bench mark crude oil for November delivery ended the Week at \$81.58/bbl on NYMEX, whereas the far month settled last at \$82.5/bbl.Oil prices gained near 5% in the last week on Multi Commodity Exchange, India. ICE Brent recovered less in comparison to WTI crude oil in international market. Thus the spread between WTI and Brent recovered from past period. Oil prices have also climbed with a rising trade volume in the last week.

Oil prices trade very steadily in beginning of the week on the back of appreciating rupee in India market. Supportive equity market and depreciating dollar index supported international oil prices. However, rising inventory expectation and declining consumer confidence of the US kept oil prices under pressure on Tuesday. The US Consumer confidence increased to 48.5, less than expectation. Richmond Fed Manufacturing index also declined the most in September. American Petroleum Inventory actual data released were supportive for oil prices. Gasoline and



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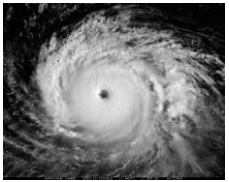
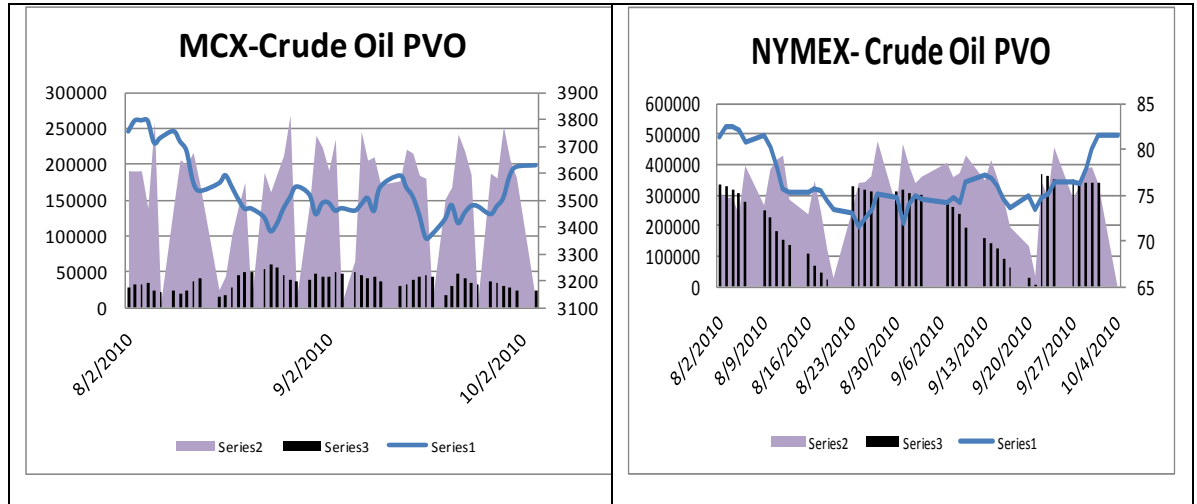
Distillates inventory declined the most in September as per API. Thus prices started rising in electronic session and closed in a positive note. However, appreciating rupee against dollar index again pressure oil prices in India market. European consumer economic, service and industrial confidence increased from last month data. Thus dollar index depreciated against Euro on the back of positive economic releases on Wednesday.



Department of Energy actual report releases on Wednesday evening stated declining gasoline inventory more than 3000 million barrel and more than 1000 million of Distillates barrels in the last week. Oil prices climbed more than two percent on the back of declining inventory level, the most in September and storm threat Nicole in Gulf of Mexico. Initial jobless claims data declined to 453K, lower than expectation indicating positive sign of economic growth. Thus crude oil prices climbed more than two percent on Thursday evening, Rising PMI manufacturing index of China and increasing consumer spending supported oil price movement on last Friday night.



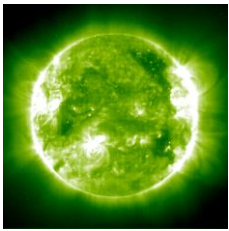
## Derivative Analysis of Crude Oil Future Contracts



## US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	357860	358335	-475
Gasoline	222589	226058	-3469
Distillate	173589	174854	-1265
Refinery utilization (%)	85.8	87.8	-2
EIA Working gas storage (Bcf)			
Natural gas	3414	3340	74





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## Outlook

In the coming week, crude oil futures prices may trade higher in beginning of the week on the back of depreciating dollar index. As per crude oil inventory seasonality chart, inventory is expected to rise in the coming week. There is no effect of tropical storms seen in North Atlantic. However, hurricane season is still going on which may drive prices any time.



Economic data releases from the US, in the form of declining factory orders, consumer credit sign for a slow growing economy. Unemployment rate is expected to rise from the month of August in the US. Host of economic releases from the Euro-zone are also supportive for the Euro movement which will pressure on dollar index movement. There are no major economic releases from the China, as the china market will be opening on coming Friday.



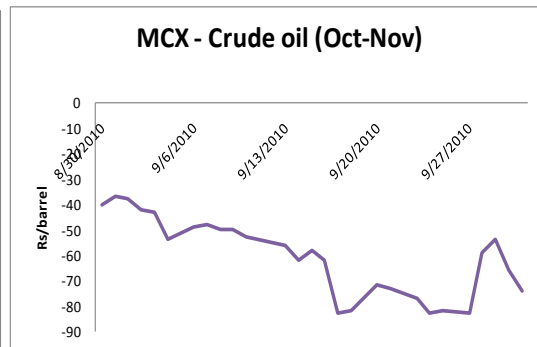
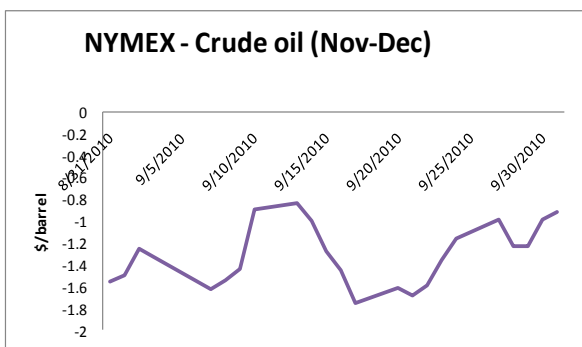
On the back of economic and fundamental reasons, we may expect oil prices to trade steadily and thereafter some improvement can be seen before the weekend.



## 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

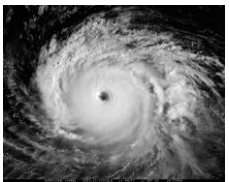


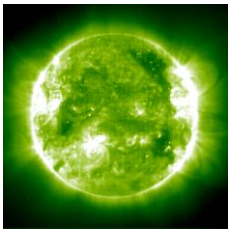
Calendar spread between NYMEX November and December contract stand at -1.02. The price difference has been declined only 14 cents between the two contracts in the last week. Where as calendar spread for October and November is hovering in the range of Rs.58-68, lower than last week's spread. Though crude oil futures are in Contango, the spreads is showing a mixed trend for both the contracts. However, we may expect the spread to decline in short term.

## Technical analysis:

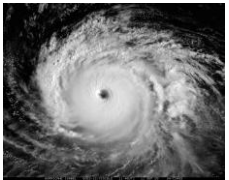
### CRUDE Oil NYMEX:

November crude oil futures prices ended the week with a gain by 6.83 % from its previous close. After making a low of \$75.52 levels market gained and ended the week on a bullish note at \$81.75 levels. Currently market is trading above the major trend line support and having a potential higher. Momentum indicator weekly RSI-14 is trading at 0.54 levels and showing a higher side movement. A key level to watch for the prices to be at \$ 83.91 level. We expect





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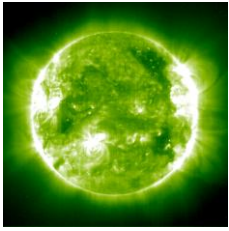
prices to trade in a range of \$78.20- 83.91 levels in coming week. However, prices are trading above all short and long term EMA's (i.e. 9, 18 and 45) suggesting a potential to trade higher. We expect prices to remain higher unless it holds the trend line support at \$78.20 levels. Since, prices are likely to trade higher and recommend taking long at lower dips.



## Natural Gas

**Technical Recommendation: - Sell**

Exchange	S3	S2	S1	R1	R2	R3
<b>NYMEX Natural Gas October (\$/MMBtu)</b>	3.43	3.52	3.62	3.78	3.9	4.35
<b>MCX Natural Gas October (Rs./MMBtu)</b>	165.30	167.20	168.10	175.40	177.40	180.70
<b>NYMEX Natural Gas</b>	Sell at \$3.82 targeting \$ 3.52 with stop loss above 3.997					
<b>MCX Natural Gas</b>	Sell at 175 target at 168 with stop loss 180					



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## Last week's Price Movement

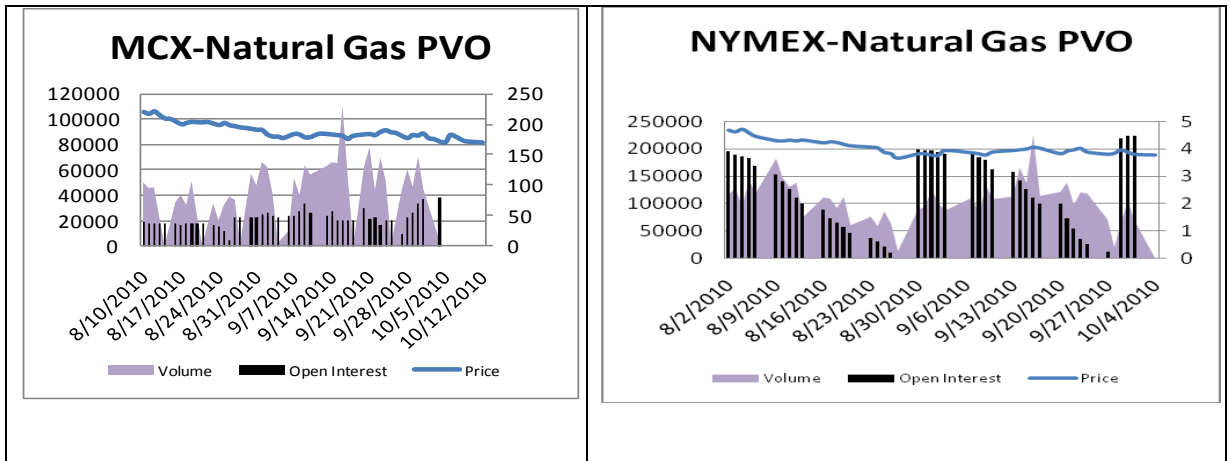
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	November	3.94	4.01	3.78	3.80	-5.29	445645	3.630	223647	2.16
	December	4.23	4.24	4.04	4.08	-4.30	157539	23.44	82381	13.86
MCX (Rs/MMBtu)	October	184	184	170	171	-7.12	260112	307.72	37034	177.76
	November	208	213	202	206	-6.10	15721	375.96	2352	115.78

## Review

October futures natural gas prices traded at Rs.171/mmbtu by declining more than 7% from last week. Gas prices fell near Rs.170 in Multi Commodity Exchange. September contracts settled at Rs.169.10 in India Market. November contracts declined to \$3.8 in Newyork Merchantile Exchange, with a fall of more than 5%. Huge increase in trade volume is witnessed in MCX. Thus prices have fallen with rising volume and open interest.

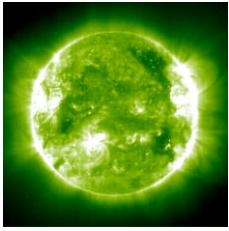
Gas prices open the week in a bearish trend thereafter traded in a bullish trend. Appreciating rupee pressure gas prices to trade in a lower trend on Monday. Similarly, depreciating dollar index and rising equity market could not support international gas price movement. Rising storage change kept gas prices under pressure in mid of the week. Natural gas storage change data increased from the expectation and stands at 74 bcf, which made gas prices to take negative cues. In the absence of any boosting fundamentals, gas prices fell more than two percent before the weekend.

## Derivative Analysis of Natural Gas Future Contracts



## Outlook

Gas prices are expected to continue the bearish trend as last week. Natural gas storage still stands higher than one month average. Meanwhile, the rig counts have been declined from last week, which may have a positive impact on prices. Economic releases from the US are expected to have some negative impact on economy which may push gas prices to trade lower.



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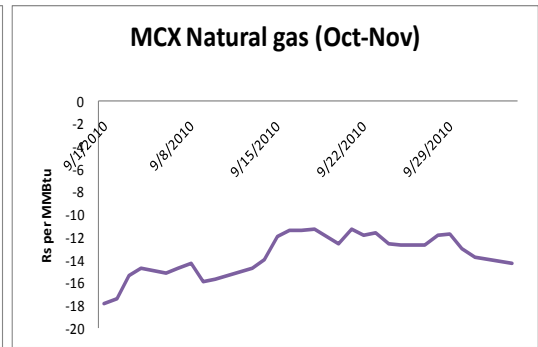
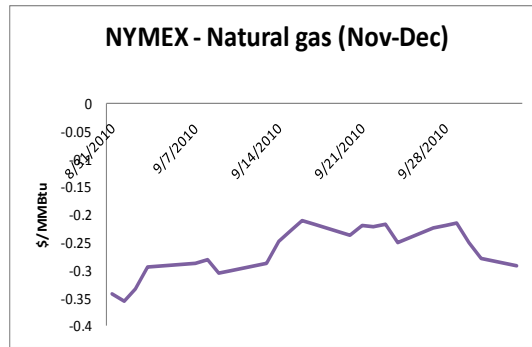
However, we may expect gas prices to trade slight lower in beginning of the week. Whereas actual storage report and rig counts may have some pressure on gas prices in mid of the week. With support of mixed economic releases we may expect gas prices to trade in a bearish trend.



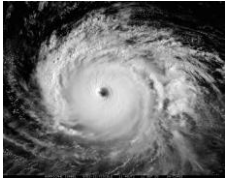
Natural gas Rig count			
Commodity	Latest week	Previous week	Change
Natural gas	962	967	-5



## Calendar spread



Calendar spread between October and November contract hovering in the range of Rs.12- Rs.14 in MCX. The spread increased more than Rs.1, in the week which is indicating increasing demand for the far month contract. Similarly, spread has been increased in between November and December contract in NYMEX from the last week.

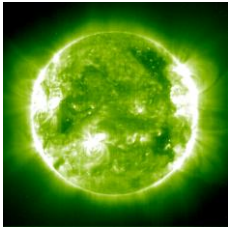


## Technical analysis: NYMEX Natural gas - November

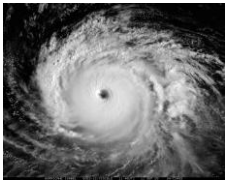


Natural gas futures ended at bearish note a loss by -5.22% compare to its previous weeks close. The active November futures fallen from a weekly high of \$4.012 and settled lower at \$3.797 levels. However, prices hold the \$3.968 levels as support for long time and it has breached in last week and prices may continuous with its bearish trend. The momentum indicator RSI is at 0.294 levels. Since there has been a decline on prices along with increase in volume in last weeks, it is suggesting that prices may fall further in coming week. Market is trading below all short term and medium EMA's (9, 18 and 45) levels. The weekly view suggests, initially prices to test the resistance levels and later on it may trade on the lower side. We expect price to trade lower in the coming week.



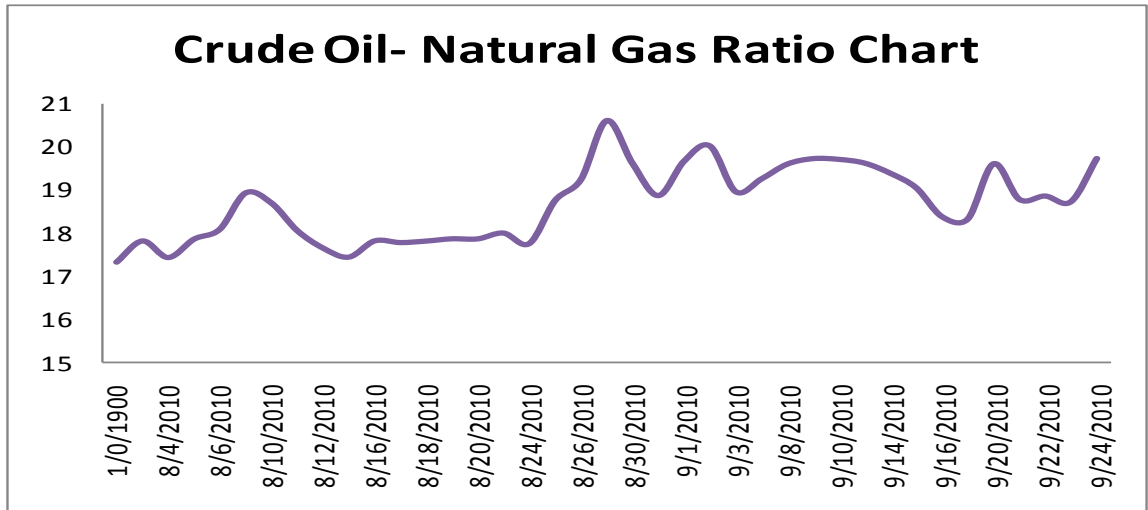


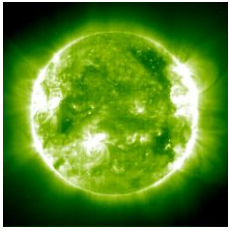
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## Crude Oil - Natural Gas Ratio

This week ratio between crude oil and Natural gas stands at 21, more than average and higher than last week ratio. A continuous increase in ratio is witnessed in the last week as oil prices moved faster than gas prices. As per our weekly view, we expect ratio to increase more as crude prices is expected to gain more incomparison to the gas prices.

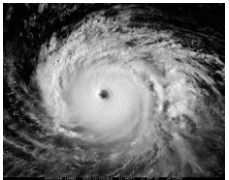




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## MAJOR ECONOMIC RELEASES IN THE COMING WEEK

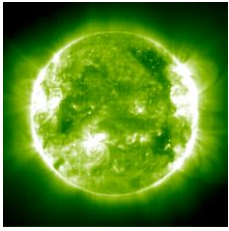
Date Time	Region	Event	Period	Survey	Prior
10/04/2010 14:00	UK	PMI Construction	SEP	51.5	52.1
10/04/2010 14:30	EC	Euro-Zone PPI (MoM)	AUG	0.20%	0.20%
10/04/2010 19:30	US	Factory Orders	AUG	-0.40%	0.10%
10/04/2010 19:30	US	Pending Home Sales MoM	AUG	2.10%	5.20%
10/04/2010 19:30	US	Pending Home Sales YoY	AUG	--	-20.10%
10/05/2010	JN	BOJ Target Rate	5-Oct	0.10%	0.10%
10/05/2010 13:25	GE	PMI Services	SEP F	54.6	54.6
10/05/2010 13:30	EC	PMI Composite	SEP F	--	53.8
10/05/2010 13:30	EC	PMI Services	SEP F	53.6	53.6
10/05/2010 14:30	EC	Euro-Zone Retail Sales (MoM)	AUG	0.20%	0.10%
10/05/2010 19:30	US	ISM Non-Manf. Composite	SEP	52	51.5
10/06/2010 14:30	EC	Euro-Zone GDP s.a. (QoQ)	2Q F	1.00%	1.00%
10/06/2010 15:30	GE	Factory Orders MoM (sa)	AUG	1.00%	-2.20%
10/06/2010 17:45	US	ADP Employment Change		20K	-10K
10/07/2010 14:00	UK	Industrial Production (MoM)	AUG	0.30%	0.30%
10/07/2010 15:30	GE	Industrial Production MoM (sa)	AUG	0.50%	0.10%
10/07/2010 16:30	UK	BOE ANNOUNCES RATES	7-Oct	0.50%	0.50%
10/07/2010 17:15	EC	ECB Announces Interest Rates	7-Oct	1.00%	1.00%
10/07/2010 18:00	US	Initial Jobless Claims	2-Oct	455K	453K
10/07/2010 18:00	US	Continuing Claims	25-Sep	--	4457K
10/08/2010 00:30	US	Consumer Credit	AUG	-\$3.0B	-\$3.6B
10/08/2010 11:30	GE	Current Account (EURO)	AUG	--	9.0B
10/08/2010 11:30	GE	Trade Balance	AUG	11.3B	13.5B
10/08/2010 18:00	US	Change in Nonfarm Payrolls	SEP	5K	-54K
10/08/2010 18:00	US	Change in Private Payrolls	SEP	75K	67K
10/08/2010 18:00	US	Change in Manufact. Payrolls	SEP	6K	-27K
10/08/2010 18:00	US	Unemployment Rate	SEP	9.70%	9.60%



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