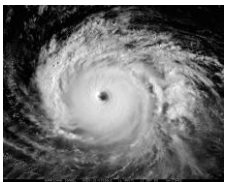
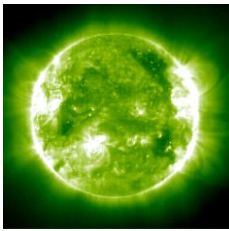


# Energy Weekly

A Weekly Report on World Energy Market



## Energy Overview- OPEC's effort to make oil \$100 is at turbulence

As per our last week's view, we have seen both way directions; however it ended lower by around 2.00% from its previous week's close. The primary reasons are higher inventory and a slight recovery on dollar index. For the coming week we expect crude oil to prolong its correction supported by its intrinsic fundamentals as well market dynamics factors. However, few economic indicators from US may support its decline.

### Technical Recommendation:-Sell

Exchange	S3	S2	S1	R1	R2	R3
October Crude oil - Nymex (\$/bbl)	77.90	79.40	80.60	84.01	86.10	87.40x
MCX Crude oil - Oct (Rs/bbl)	3550	3575	3600	3700	3740	3790
Nymex crude oil (Dec)	Sell at \$ 82.71-83.20 targeting \$ 79.50 with stop loss above \$ 84.50					
MCX Crude oil (Nov)	Sell in the range of Rs 3690-3700 targeting 3600 with stop loss above 3750					

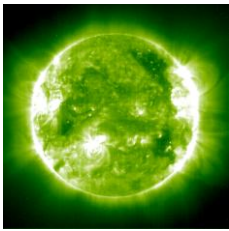
### Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	November	82.95	84.12	80.75	81.25	-1.71	1546936	-17.03	140915	-45.75
	December	83.65	84.8	81.41	81.93	-1.70	994102	-7.11	382370	32.49
ICE Brent Crude (\$/bbl)	November	84.33	85.46	82.48	84.53	0.60	386685	-53.72	39919	-58.27
	December	84.67	85.75	81.95	82.45	-2.28	940652	32.26	280666	-1.58
MCX WTI Crude	October	3688	3720	3587	3607	-2.12	754519	-24.66	24856	20.30
	November	3738	3769	3643	3665	-1.85	71653	-1.47	6484	37.90

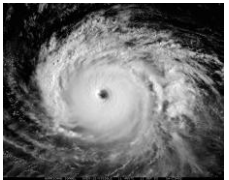
### Review:

**O.P.E.C now is talking about making crude oil to reach \$100/bbl.** There may be many reasons to talk about but the weakening of US dollar is the primary one. The greenback is in a losing streak since past six consecutive weeks's and has reached to 77-76.50 levels. The amount of dollar declined in last five weeks has not been reflected on to crude oil price progress. In fact crude oil gain was limited.

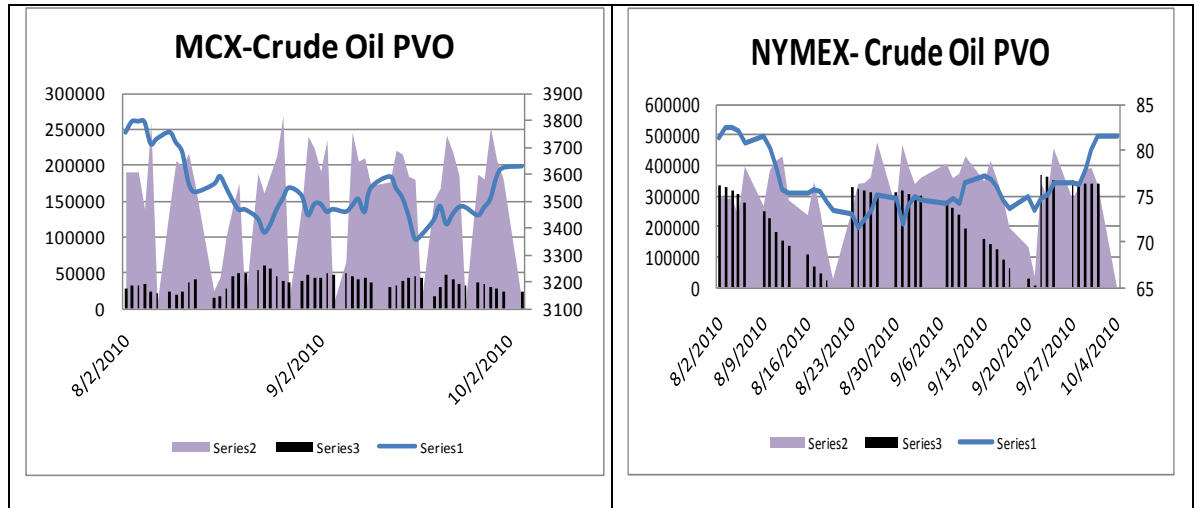
To talk about last week's performance both dollar index and the commodity; crude oil were in the same direction. However, the quantum of losses was different. The dollar index declined by 0.37% where as oil tripped over 1.70%. Similarly, the crude oil prices in Indian rupee have declined by 2.06%. Though it is clearly visible that the domestic currency appreciation (INR) has made the deviation and hence a slight divergence is witnessed in NYMEX and MCX crude oil prices.



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## Derivative Analysis of Crude Oil Future Contracts



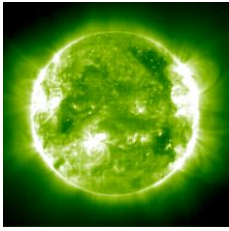
## US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	360532	360948	-416
Gasoline	218174	219943	-1769
Distillate	172210	172465	-255
Refinery utilization (%)	81.9	83.1	-1.2
EIA Working gas storage (Bcf)			
Natural gas	3590	3499	91

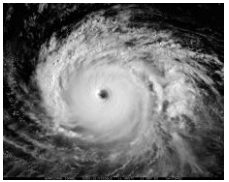
**Outlook:** This is also surprising to look at price movement of crude in the last week. The November futures oil prices witnessed a high of \$84.11 and finally settled lower at \$81.37. To reassess the price action, initially oil prices traded on a higher note, the reasons being weaker dollar, robust equity markets and expectations of higher global demand.

However, in the last two days of the week oil withdrew its gain and ended the week on a weaker note. The similar factors were the cause of concern, but few intrinsic fundamentals also showed negative impact on oil market. During the week, dollar index recovered from its losses, equity market at overseas witness a minor profit booking. Meantime, the weekly petroleum data from department of energy were disappointing and crude oil inventories rose to 1400-1500K bbl. Finally, oil ended on a weaker note.

While talking about crude oil outlook for next week, we need to consider some important factors like euro reaching to \$1.40 against the greenback, dollar index at 7-8 months low and meanwhile, OPEC is wooing to make oil to reach \$100 price. We may probably have to rely upon economic data releases from the various nations of the world. The data from China are likely to give a support on oil prices (one of the largest consumer of oil). Likewise, the data from U.S are also expected to be better than the previous figures. However, any rebounding on US dollar may keep crude oil to trade lower.



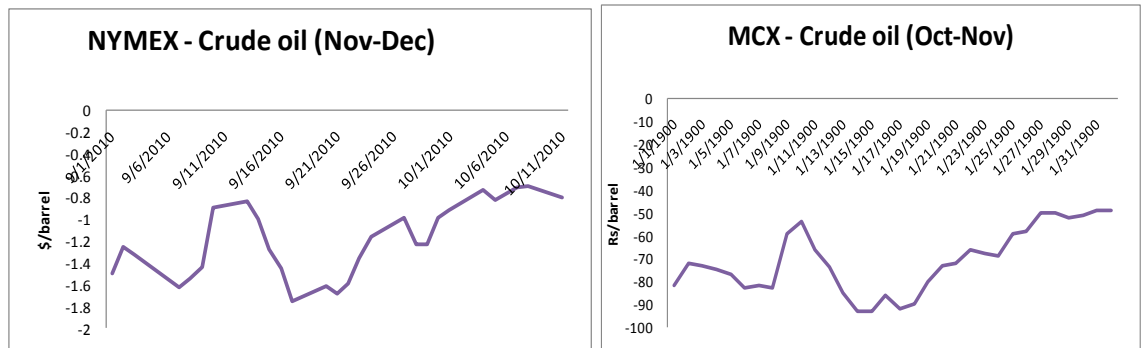
# Energy Weekly



We will also talk about crude oil- natural gas ratio which is at its high of 23.06. This ratio has moved up substantially from 22.45 TO 23.06 (last week) as the gas prices have tumbled more than oil. However, we expect this ratio to make a short term correction and according to us we see a rebound on gas as well as oil in the next week. Though, it may happen at the end of next week.

Since the November future contract is expiring on 20th of this month, we may have to shift our analysis to December contract. However, this is a crucial time to look at derivative (PVO) of November & December contract. There is sharp cut in OI and volume in November contract where as the OI and volumes have increased in December contract. Meanwhile, market is in a correction phase (down trend, prices are down by 2%) this indicate higher OI is in selling side. Going by this principle, we may see the on going correction to continue. However, any substantial change in the fundamentals may keep a check on the fall. Strategy: **Remain short till next DOE data releases.**

## Calendar spread

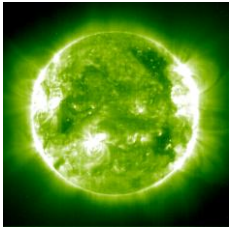


## Technical analysis:

### CRUDE Oil NYMEX:

December crude oil futures prices ended the week with a loss by -1.70 % from its previous close. After making a high of \$84.80 levels market fell and ended the week on a bearish note at \$ 81.93 levels. After a three consecutive weeks of bullish run a profit booking is seen in the last week. As per the Fibonacci retracement principles prices settled below the 50% i.e. 82.92 levels. As per the daily chart double top pattern is forming and its neck line is at 80.96 levels. If prices sustains below the 80.96 levels, we may expect a further decline in prices. As per the momentum indicator weekly RSI-14 is trading at 0.53 levels and, volumes also decreased along with the fall in prices in comparison to previous week. However, prices are trading above all short and long term weekly EMA's (i.e. 9, 18 and 45) may have cautious factor. We recommend taking short at higher levels.





# Energy Weekly



## Natural Gas



**Technical Recommendation: - Sell**

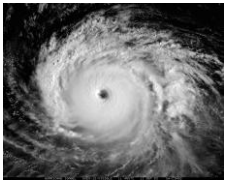


Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas December (\$/MMBtu)	3.50	3.65	3.80	4.00	4.10	4.
MCX Natural Gas November (Rs./MMBtu)						
NYMEX Natural Gas	Sell at \$3.97 targeting \$ 3.79, 3.67 with stop loss above 4.26					
MCX Natural Gas	Sell at 177-180 targeting 165with stop loss above 190					



### Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	November	3.65	3.78	3.52	3.54	-3.18	726674	24.550	118665	-35.98
	December	4.04	4.09	3.91	3.93	-2.99	421271	62.72	116531	29.07
MCX (Rs./MMBtu)	October	163	169	155	156	-4.18	256809	4.90	34054	-8.30
	Novmber	196	196	184	185	-4.06	25683	-0.91	4661	13.21

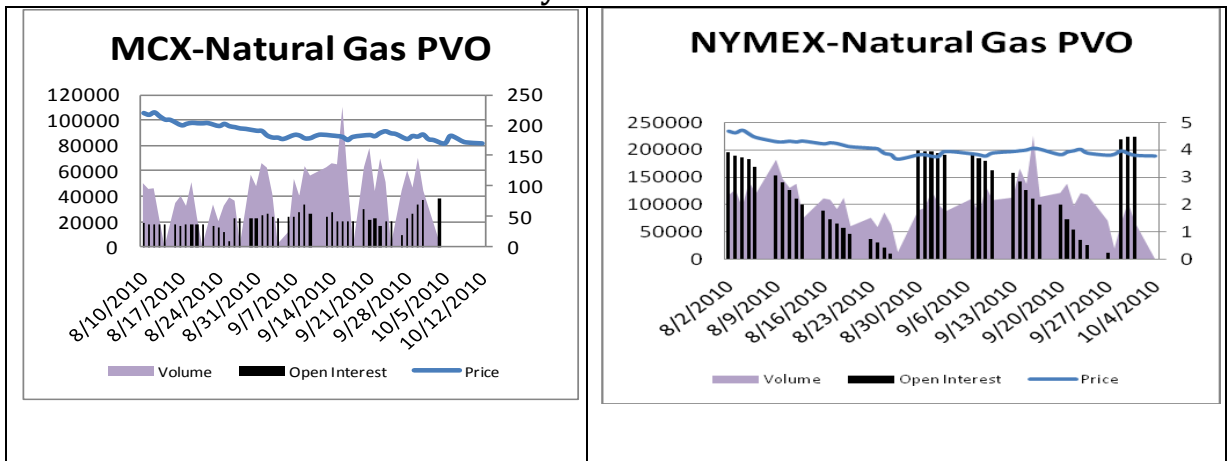


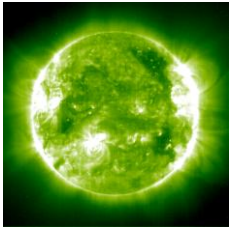
### Review

November futures gas prices tumbled to \$3.925 with a loss of 2.905%. Similar movement was witnessed in Indian market and settled at around ` 156. The gas futures prices are declining inline with weaker spot rate. The weekly storage data released from US were at high and stood at 91BCF (above 5 year normal average of 3590 TCF). This data has made gas to trade lower.

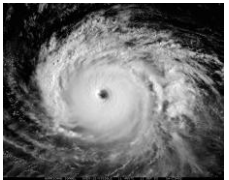


### Derivative Analysis of Natural Gas Future Contracts





# Energy Weekly

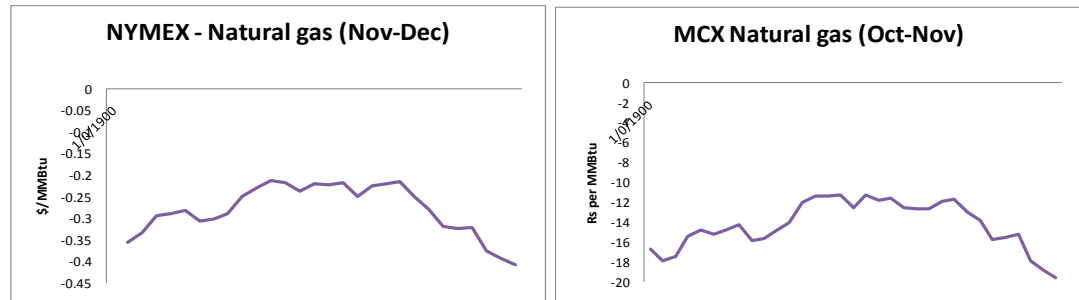


## Outlook

We expect this correction to prolong in the next week. The primary reason is higher inventory and US weather condition. Natural-gas prices typically rise at this time of year in anticipation of winter's heating needs, but futures have been declining by a relentless supply outcropping and projections for continued high levels of production. ***This is the reference which we would like to address in our report:*** Normal or above-normal temperatures are likely through most of the U.S. during the next two weeks. - Secondary source: Meteorologists at private forecaster Commodity Weather Group. Given the market's recent weakness, some traders are also waiting for winter's chill before placing bets that natural gas will rally. We from KCTL expect gas prices to trade lower in the coming week. Another important factor to look at is the calendar spread between two near month contract. If we look at MCX platform the calendar spread has narrowed down from 20-21 and now it is at 17.00. This has happened due to more weakness in the short term. As of now no trigger is visible for making gas to move higher.

Natural gas Rig count			
Commodity	Latest week	Previous week	Change
Natural gas	971	962	9

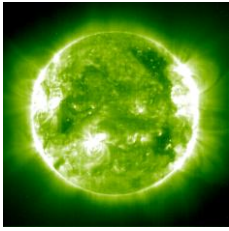
## Calendar spread



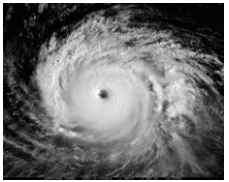
## Technical analysis: NYMEX Natural gas -December

Natural gas future prices ended at bearish note with a loss by -3.975 % compare to its previous week's close. The active November futures fallen from a weekly high of \$4.093 and settled lower at \$3.925 levels. Moreover, prices are trading in a declining trend channel for the last four consecutive weeks and likely to continue its bearish trend. The momentum indicator RSI is at 0.241 levels. Since there has been a decline on prices along with increase in volume in last weeks, it is suggesting that prices may fall in coming week too. 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. However, we would be cautious while building up positions in short. We recommend making only intraday positions in this commodity.



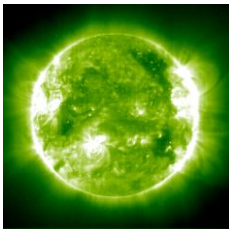


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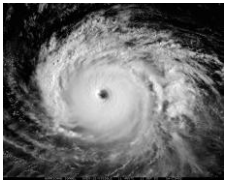


## MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Country	Event	Month	Survey	Prior
10/18/2010 18:30	US	Total Net TIC Flows	AUG	--	\$63.7B
10/18/2010 18:30	US	Net Long-term TIC Flows	AUG	--	\$61.2B
10/18/2010 18:45	US	Industrial Production	SEP	0.20%	0.20%
10/18/2010 18:45	US	Capacity Utilization	SEP	74.80%	74.70%
10/18/2010 19:30	US	NAHB Housing Market Index	OCT	14	13
10/19/2010 13:30	EC	ECB Euro-Zone Current Account SA	AUG	--	-3.8B
10/19/2010 14:30	GE	Zew Survey (Current Situation)	OCT	64	59.9
10/19/2010 14:30	EC	ZEW Survey (Econ. Sentiment)	OCT	-2	4.4
10/19/2010 14:30	GE	ZEW Survey (Econ. Sentiment)	OCT	-7	-4.3
10/19/2010 18:00	US	Housing Starts	SEP	580K	598K
10/19/2010 18:00	US	Housing Starts MOM%	SEP	-3.00%	10.50%
10/19/2010 18:00	US	Building Permits	SEP	575K	571K
10/19/2010 18:00	US	Building Permits MOM%	SEP	0.70%	1.80%
10/20/2010 11:30	GE	Producer Prices (MoM)	SEP	0.20%	0.00%
10/21/2010 07:30	CH	Real GDP YoY	3Q	9.50%	10.30%
10/21/2010 07:30	CH	Consumer Price Index (YoY)	SEP	3.60%	3.50%
10/21/2010 07:30	CH	Retail Sales (YoY)	SEP	18.50%	18.40%
10/21/2010 07:30	CH	Industrial Production (YoY)	SEP	14.00%	13.90%
10/21/2010 13:00	GE	PMI Manufacturing	OCT A	54.6	--
10/21/2010 13:00	GE	PMI Services	OCT A	54.9	--
10/21/2010 13:30	EC	PMI Composite	OCT A	53.7	--
10/21/2010 13:30	EC	PMI Manufacturing	OCT A	53.2	--
10/21/2010 13:30	EC	PMI Services	OCT A	53.7	--
10/21/2010 18:00	US	Initial Jobless Claims	16-Oct	455K	462K
10/21/2010 18:00	US	Continuing Claims	9-Oct	4410K	4399K
10/21/2010 19:30	EC	Euro-Zone Consumer Confidence	OCT A	-11	-11
10/21/2010 19:30	US	Leading Indicators	SEP	0.30%	0.30%
10/21/2010 19:30	US	Philadelphia Fed.	OCT	1.8	-0.7
10/22/2010 13:30	GE	IFO - Business Climate	OCT	106.5	106.8
10/22/2010 13:30	GE	IFO - Current Assessment	OCT	110	109.7



# Energy Weekly



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