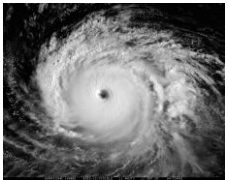
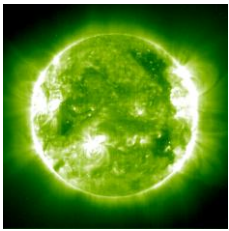


# Energy Weekly

A Weekly Report on World Energy Market



## Energy Overview

Crude oil futures prices traded in a range bound last week on the back of appreciating currencies economical factors. However, prices declined on account of increasing inventory. Similarly, gas prices traded in a bearish trend in the last week in the absence of any supportive trigger. Though some improvement were seen by rising storm threat in mid of the week. We, may expect oil prices to trade steadily in the coming week as profit booking is expected. Similarly, we may expect gas prices to trade in a lower trend whereas some improvement can be seen in price movement after a correction.

## Technical Recommendation:- Sell

Exchange	S3	S2	S1	R1	R2	R3
Dec- Crude oil - Nymex (\$/bbl)	\$75.6	\$77.7	\$79.7	\$83.8	\$85.9	\$87.9
MCX Crude oil - Nov (Rs/bbl)	3461	3530	3600	3739	3808	3878
Nymex crude oil (December)	Sell at \$ 82-82.2 targeting \$ 80 with stop loss above \$ 83.90					
MCX Crude oil (November)	Sideways					

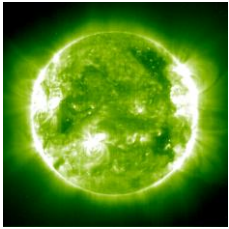
## Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	December	82.2	83.95	79.84	81.69	-0.29	1782096	75.42	399236	0.51
	January	82.68	84.64	80.58	82.45	-0.19	380164	20.53	162664	-0.38
ICE Brent Crude (\$/bbl)	December	83.05	84.5	80.75	82.96	0.62	991931	5.45	245624	-9.48
	January	83	84.97	81.24	83.39	0.53	343302	2.67	174780	9.59
MCX WTI Crude	November	3653	3739	3600	3669	0.11	677608	845.68	18241	181.32
	December	3675	3785	3652	3721	0.13	26592	1022.50	2032	197.51

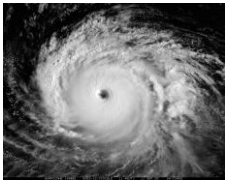
## Review:

Crude oil prices declined by 0.20% on Newyork Merchantile Exchange in the last week. West Texas Intermediate, bench mark crude oil for January delivery ended the Week at \$82.45/bbl on NYMEX, Oil prices declined more than 0.50% in the last week on Multi Commodity Exchange, India. ICE Brent recovered slightly by 0.62% in international market. Thus the spread between WTI and Brent recovered from past period to near \$1.2. However, Brent crude oil future prices are still at higher side from WTI. Oil prices have also climbed with a rising trend of volume in the last week.

Oil prices traded in a zigzag manner in the last week. Future contracts climbed near 2% in beginning of the week on the back of depreciating rupee in India market. Similarly, depreciating dollar index supported international oil price movement. Net long term TIC flows of the US increased whereas as total TIC flows declined for the month of August. Thus, oil prices fell



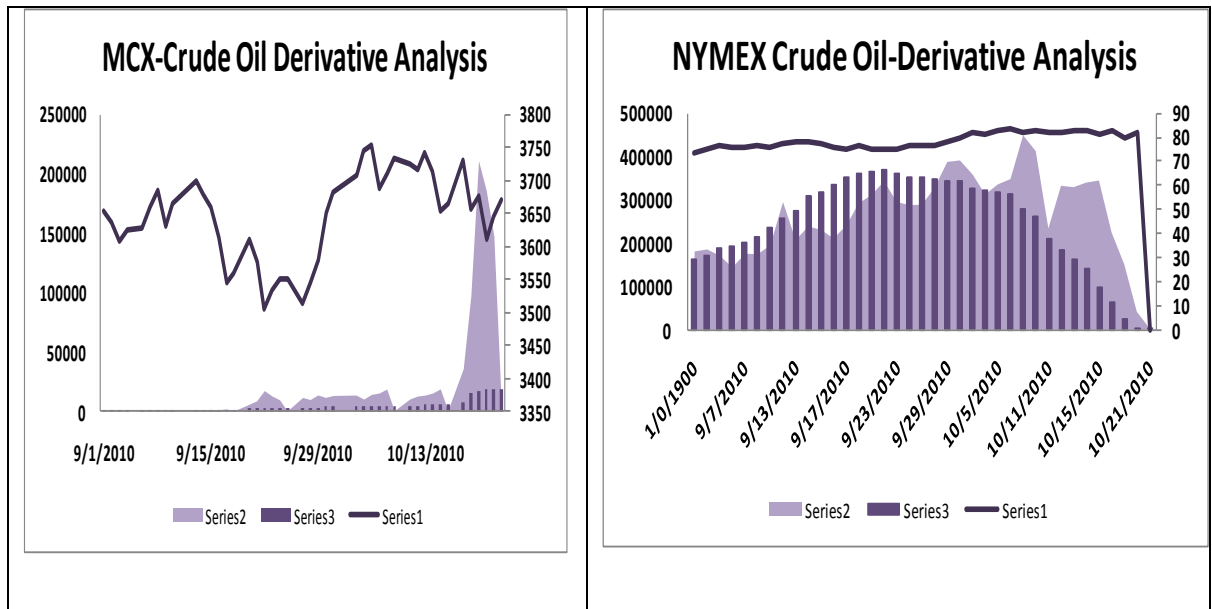
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by taking cues from appreciating dollar index on Tuesday. Economic sentiments of the Euro-zone increased in the month of October. Pressure on prices also witnessed by rollover of future contracts. Producer price index of the German increased in the month of September, which made dollar to depreciate against Euro. Rising interest rate by China depressed Asian stocks market on worries of slow economic growth. Oil prices started trading by regaining day's loss on Wednesday. Both Gasoline and total crude oil inventory declined as per inventory data released by DOE. The China's Real GDP data for the third quarter declined from the last quarter. Thus, oil prices declined more than 3% in India market on Thursday. However depreciating rupee supported oil prices to regain losses on weekend. A slight decline in MSCI world index is witnessed in the last week. The US equity indices increased to near 2% in the last week. Long positions have been declined more than short positions as reported by CFTC data.

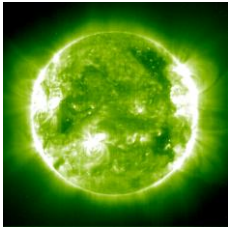
Volatility in oil price movement is seen due to the most fundamental data, US energy department inventories data releases. American Petroleum Institute released the inventory data which stated that Cushing crude oil inventory declined to more than 700K in the last week. DOE and API inventory data results in a same direction for the last week. Gasoline inventory has been increased whereas Distillates have declined from the prior week data. Baker's Hughes rig counts data declined by 1 numbers to 1669 in the last week. Tropical storm Richard in the Gulf, was expected to become hurricane which also supported oil price movement in mid of the week.

## Derivative Analysis of Crude Oil Future Contracts



## US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	361199	360532	667
Gasoline	219329	218174	1155
Distillate	170055	172210	-2155
Refinery utilization (%)	82.5	81.9	0.6
EIA Working gas storage (Bcf)			
Natural gas	3683	3590	93



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## Outlook

In the coming week, crude oil futures prices may trade in a lower trend due to volatility in the market can be seen on the base of PVO analysis. Crude oil prices declined in a lower pace in the last week from the prior week, whereas volume and open interest has been increased in a higher pace in the last week. So, on basis of this PVO-analysis we may expect oil prices to trade in a lower trend as profit booking can be seen in the market supported by market sentiments.



Most of the economic releases from the US are expected to have positive impact on economy. Home sales for the month of September are expected to rise. Consumer confidence and personal consumption of the US people is expected to increase. GDP for the third quarter is expected to rise, which will support dollar to rise, hence pressure can be seen in oil price movement. Euro-zone economic releases are expected to have negative impact on Euro. 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.



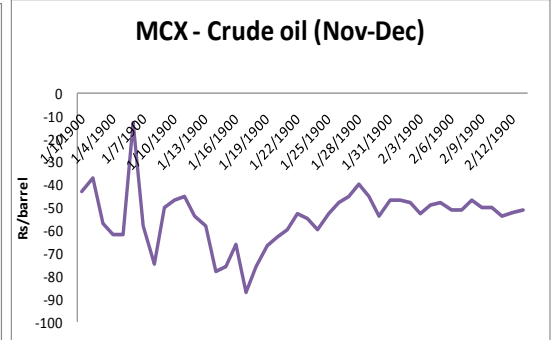
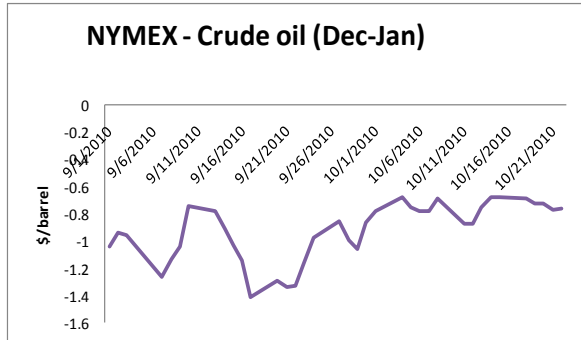
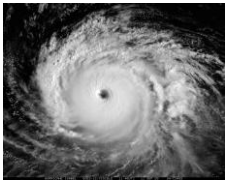
On the back of economic and fundamental reasons, we may expect oil prices to trade in a lower pace in the coming week.

## 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

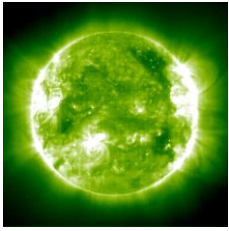


## Calendar spread

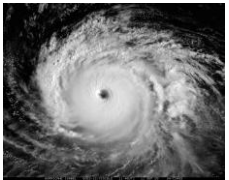


Calendar spread between the consecutive contract stands at same level as prior week, that Rs.51. Spread difference had been increased in mid of the week as current contract declined the most in comparison to near month contract in MCX. Similar changes also seen in NYMEX traded oil future contracts. We, expect current contract to decline more in comparison to near month contract which may lead spread to rise in the coming week.





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## Technical analysis:

### CRUDE Oil NYMEX:

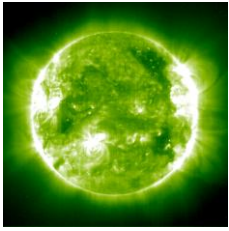
December crude oil futures prices ended the week with a loss by -0.29 % from its previous close. After making a high of \$83.95 levels market fell and ended the week on a bearish note at \$ 81.69 levels. As per the Fibonacci retracement principles prices settled marginally below the 50% (\$82.53 levels) retracement of the range 93.55-71.37. Sustain below would lead the prices to limit the gains. Unless and until prices sustains below the moving average support at \$79.90 levels, we may not expect huge decline in prices. The weekly RSI-14 is trading at 0.53 levels and showing a lower potential. However, prices are trading above all short and long term weekly EMA's (i.e. 9, 18 and 45) may have cautious factor for selling. We recommend making short positions for intraday only.



## Natural Gas

### Technical Recommendation: - Sideways

Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas October (\$/MMBtu)	3.30	3.50	3.6	3.9	4.1	4.2
MCX Natural Gas October (Rs./MMBtu)	150	158	162	173	181	185
NYMEX Natural Gas	Sideways					
MCX Natural Gas	Sideways					



# Energy Weekly

## Last week's Price Movement

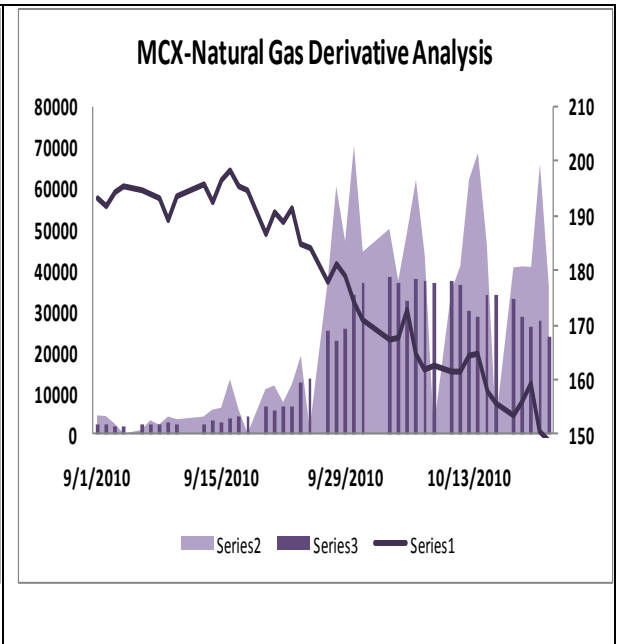
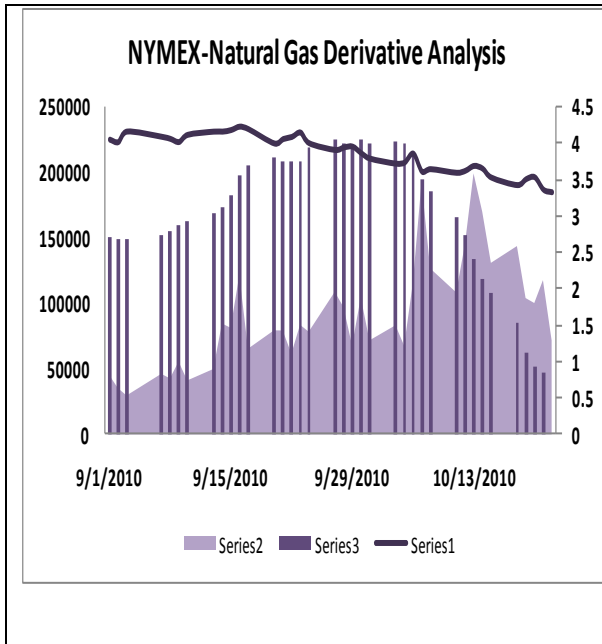
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	November	3.48	3.61	3.29	3.33	-5.74	535768	-28.642	46290	-57.18
	December	3.90	3.95	3.66	3.69	-5.91	365108	-17.25	174404	30.42
MCX (Rs/MMBtu)	October	155	160	147	148	-5.14	225761	-12.09	23728	-30.32
	November	184	189	179	182	-5.21	33627	30.93	6866	47.31

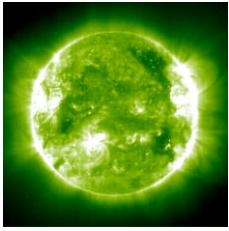
## Review

October futures natural gas prices traded at Rs.148/mmbtu by declining more than 5% from last week. Gas prices fell near Rs.147 in Multi Commodity Exchange. November contracts declined to \$3.33 in Newyork Merchantile Exchange, with a fall of more than 5%. Decline in volume is witnessed with falling prices which shows a bearish trend.

Gas prices open the week in a bearish trend, though a slight recovery was seen in mid of the week. 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. National Hurricane Centre issued advisory on tropical storm Richard, which supported gas prices to climb near two percent. However the bullish trend could not continue on the back of rising storage. Thus, 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 93 bcf, which made gas prices to take negative cues. In the absence of any boosting fundamentals, gas prices fell more than five percent before the weekend.

## Derivative Analysis of Natural Gas Future Contracts





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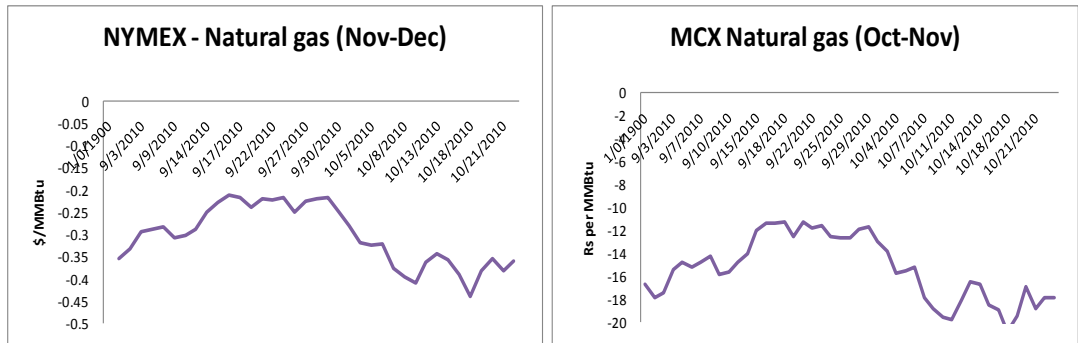
## Outlook

Gas prices are expected to continue the bearish trend as last week. As per CFTC data reported last week total short positions have been increased more than total long positions. This indicates bearish sentiments in the market. Gas prices have declined in a higher pace from the prior week, whereas volume increased in a higher pace and open interest declined. Thus this trend may create some volatility in gas price movement. Natural gas storage still stands higher than one month average. Meanwhile, the rig counts have been declined by 1 number from prior week, which may have little positive impact on prices. Economic releases from the US are expected to have some positive impact on economy which may push gas prices to trade lower.

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. Roll over of contracts will be there on coming week, which may pressurize gas prices to trade in lower trend.

Natural gas Rig count			
Commodity	Latest week	Previous week	Change
Natural gas	965	966	-1

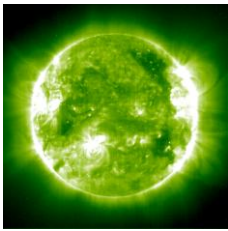
## Calendar spread



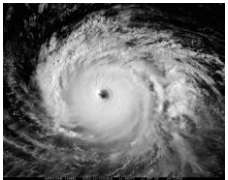
Calendar spread declined near Rs.17 in MCX for October and November contracts. Current month contract declined lower than far month contract, which indicates a bearish view in the long term. Similarly, spreads difference declined near 0.30 cents in NYMEX future contracts. However, we may expect the spread to continue the same trend in the coming week, as near month contract may fall more than current month contract.

## Technical analysis: NYMEX Natural gas – November

Natural gas future prices ended on bearish note with a loss by -0.59 % compare to its previous week's close. The active November futures fallen from a weekly high of \$ 3.954 and settled lower at \$ 3.693 levels. Moreover, prices are trading in a declining trend channel for the last five consecutive weeks and likely to continue its bearish trend. The momentum indicator RSI is at 0.214 levels (Oversold zone) and is likely to see a bounce back. **Since there has been a decline on prices in comparison with previous**



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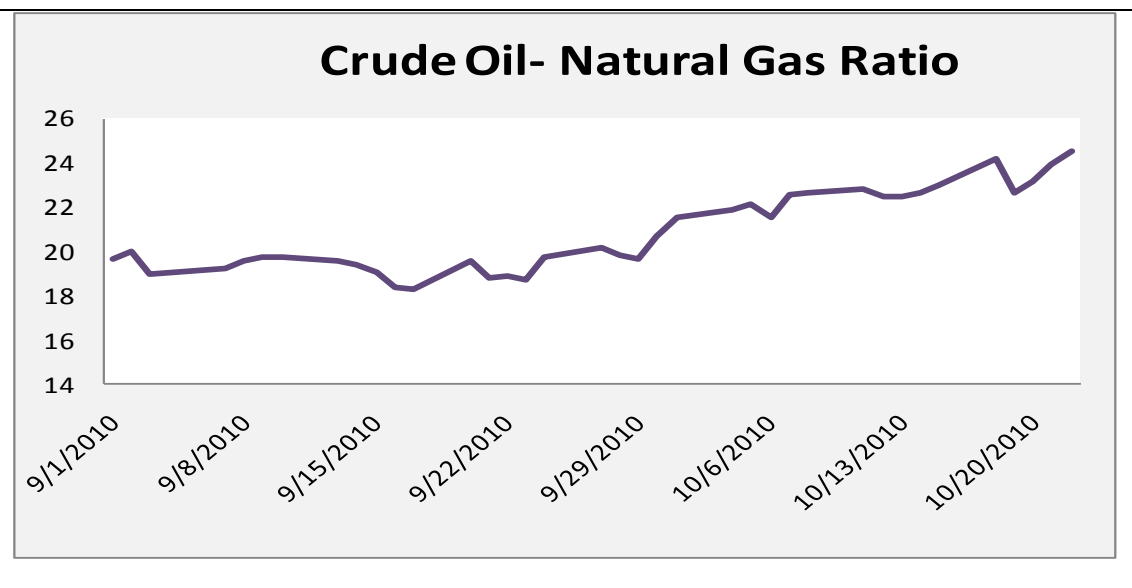


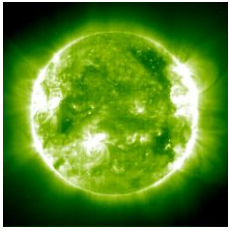
week but volumes have decreased marginally, it is suggesting that prices may fall in coming week. Market is trading below all short term and medium EMA's (9, 18 and 45) levels suggest downside pressure. The weekly view suggests, initially prices to test the resistance levels and later on it may trade 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.



## Crude Oil - Natural Gas Ratio

This week ratio between crude oil and Natural gas stands at 25, which more than last month's average and higher than last week ratio. A continuous increase in ratio is witnessed in the last week as gas prices declined more than oil prices. However, as per weekly view, we may expect the ratio to continue the rising trend in the coming week.



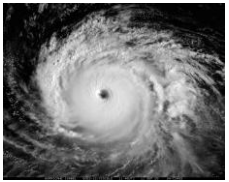


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## MAJOR ECONOMIC RELEASES IN THE COMING WEEK

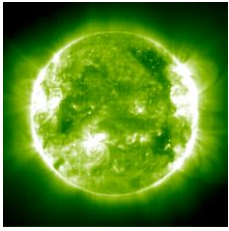
Date Time	Region	Event	Period	Survey	Prior
10/25/2010 14:30	EC	Industrial New Orders SA (MoM)	AUG	2.20%	-2.40%
10/25/2010 19:30	US	Existing Home Sales	SEP	4.30M	4.13M
10/25/2010 19:30	US	Existing Home Sales MoM	SEP	4.10%	7.60%
10/25/2010 20:00	US	Dallas Fed Manf. Activity	OCT	-8.5	-17.7
10/26/2010 11:30	GE	Import Price Index (MoM)	SEP	0.20%	0.20%
10/26/2010 14:00	UK	GDP (QoQ)	3Q A	0.40%	1.20%
10/26/2010 18:30	US	S&P/CS 20 City MoM% SA	AUG	-0.20%	-0.13%
10/26/2010 19:30	US	Consumer Confidence	OCT	49.5	48.5
10/26/2010 19:30	US	House Price Index MoM	AUG	-0.20%	-0.50%
10/26/2010 19:30	US	Richmond Fed Manufact. Index	OCT	1	-2
10/27/2010 18:00	US	Durable Goods Orders	SEP	2.00%	-1.30%
10/27/2010	GE	Consumer Price Index (MoM)	OCT P	0.10%	-0.10%
10/27/2010 19:30	US	New Home Sales	SEP	300K	288K
10/27/2010 19:30	US	New Home Sales MoM	SEP	4.20%	0.00%
10/28/2010 13:25	GE	Unemployment Change (000's)	OCT	-30K	-40K
10/28/2010 13:25	GE	Unemployment Rate (s.a)	OCT	7.40%	7.50%
10/28/2010 14:30	EC	Euro-Zone Consumer Confidence	OCT F	-11	-11
10/28/2010 14:30	EC	Euro-Zone Economic Confidence	OCT	103.5	103.2
10/28/2010 14:30	EC	Euro-Zone Indust. Confidence	OCT	-1	-2
10/28/2010 14:30	EC	Euro-zone Services Confidence	OCT	7	8
10/28/2010	JN	BOJ Target Rate	28-Oct	0.10%	0.10%
10/28/2010 18:00	US	Initial Jobless Claims	23-Oct	455K	452K
10/28/2010 18:00	US	Continuing Claims	16-Oct	4415K	4441K
10/29/2010 05:20	JN	Industrial Production (MoM)	SEP P	-0.60%	-0.50%
10/29/2010 14:30	EC	Euro-Zone Unemployment Rate	SEP	10.10%	10.10%
10/29/2010 18:00	US	GDP QoQ (Annualized)	3Q A	2.00%	1.70%
10/29/2010 18:00	US	Personal Consumption	3Q A	2.40%	2.20%
10/29/2010 19:15	US	Chicago Purchasing Manager	OCT	58	60.4
10/29/2010 19:25	US	U. of Michigan Confidence	OCT F	68	67.9



### Prepared By:

Aurobinda Prasad G: [Aurobinda@karvy.com](mailto:Aurobinda@karvy.com)

Smitarani Tripathy: [Smitarani.tripathy@karvy.com](mailto:Smitarani.tripathy@karvy.com)



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