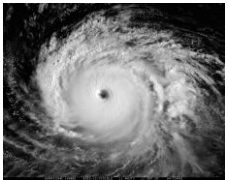
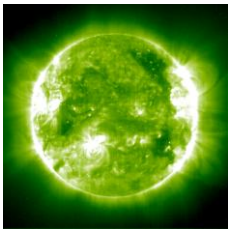


Energy Weekly

A Weekly Report on World Energy Market



Energy Overview

Despite of increased inventory report released by US Energy Department, Crude oil futures prices traded in a bullish trend and made a two year's high. Weakening dollar index made investors to invest in commodity market as safe heaven in the last week.. Similarly, gas prices took positive cues from expected rising winter demand and lower storage report in the last week. However on gas futures fell on week basis. In the coming week, we may expect oil prices to trade in a positive trend, though some correction can be seen. However, we may expect gas prices to trade in a positive trend on the back of supportive fundamentals.

Technical Recommendation:-Buy

Exchange	S3	S2	S1	R1	R2	R3
Jan- Crude oil - Nymex (\$/bbl)	79.39	81.47	85.33	91.27	93.35	97.21
MCX Crude oil – Dec (Rs/bbl)	3743.00	3802.00	3918.00	4093.00	4152.00	4268.00
Nymex crude oil (January)	Buy at 87-87.5 targeting \$ 90.45 then \$93.3 with stop loss below \$ 85					
MCX Crude oil (December)	Buy at 3970-85 targeting 4080 then 4125 with stop loss below 3925					

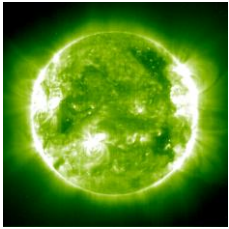
Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	January	83.9	89.49	83.55	89.19	6.48	1679922	47.26	316409	-6.93
	February	84.61	89.87	84.09	89.59	6.21	439533	105.52	135364	20.28
ICE Brent Crude (\$/bbl)	January	85.5	91.85	85.41	91.42	6.82	911708	31.44	205016	-13.33
	February	85.82	91.91	85.5	91.49	6.73	492562	109.94	196706	19.37
MCX WTI Crude	December	3866	4029	3866	4022	4.17	755110	17.35	22854	22.82
	January	3919	4073	3915	4067	4.07	41971	46.54	4278	115.19

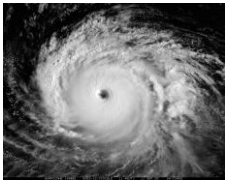
Review:

Crude oil futures prices rallied in the last week and traded at 2year's high. December Crude oil future prices settled at Rs.4013 on Friday with a rise of more than 4% on Multi Commodity Exchange, India. Similarly January futures climbed the highest in weekly i.e. 6.4% in Neywork Merchantile Exchange in the last week. West Texas Intermediate, bench mark crude oil for February delivery ended the Week at \$89.59/bbl on NYMEX. ICE Brent also climbed in international market. Thus the spread between WTI and Brent increased from past period to near \$2.23.

Oil prices started the bullish trend since beginning of the week and climbed more than 2% on account of weaker dollar index. Europe Government and IMF declared together for the bailout of Ireland, which made dollar to fall against Euro. Equity market supported prices to



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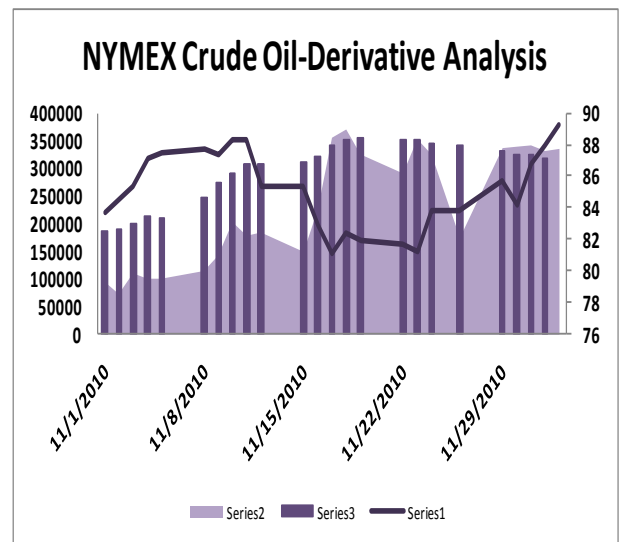
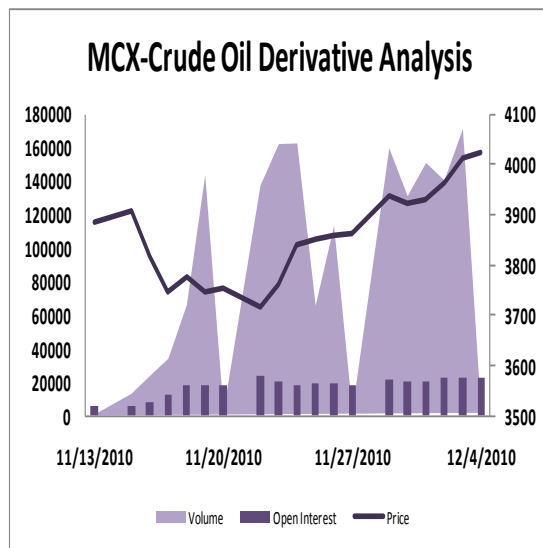
trade higher. November futures closed in a positive note, though declined slightly on the settlement day in India Market. Weakening dollar index and rallied equity market have supported oil prices to trade higher despite of increased inventory data released by US Energy Department.

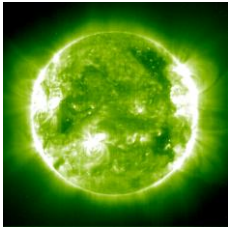
Host of economic releases from the major countries were there in the last week. Economic releases from the Euro-zone were positive, which made Euro to climb more than 1.3% against dollar. Euro-zone economic, consumer and service confidence have been increased in November. Retail sales of both Euro-zone and Germany climbed from the prior month. Similarly a rise in manufacturing activity was also witnessed in November. However, the interest rate remains unchanged from last time as per ECB declaration. Not only Euro-Zone but also US economic releases were surprising. Manufacturing activities, consumer confidence, and Non-farm productivity has been increased. Coming to jobs data, private payrolls have been increased whereas jobless claims have been increased, thus resulting a hike in US unemployment to 9.8% in November. Manufacturing activity has been declined on November in China, which had negative impact on oil prices.

Inventory data releases from the US energy department were negative for oil prices, but there was no impact seen on market. Total crude oil inventory climbed to more than 359K million barrels. Not only Total crude oil but also Gasoline stocks also increased in the last week. However, a fall in Distillates inventory is still continuing. Refinery utilization fell near 3% in the last week, which implies a lower production of petroleum.

Rig counts have been increased as per Baker Hughes calculation. Oil rigs have been increased to more than 22, whereas a rise 26 numbers in total oil and gas rigs is also seen in the last week. Ofcourse, it indicates crude oil production is rising, though refinery utilization is declining.

Derivative Analysis of Crude Oil Future Contracts





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US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	359691	358625	1066
Gasoline	210153	209592	561
Distillate	158057	158251	-194
Refinery utilization (%)	82.6	85.5	-2.9
EIA Working gas storage (Bcf)			
Natural gas	3814	3837	-23

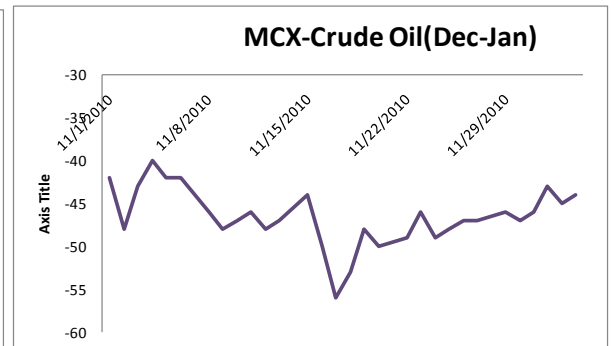
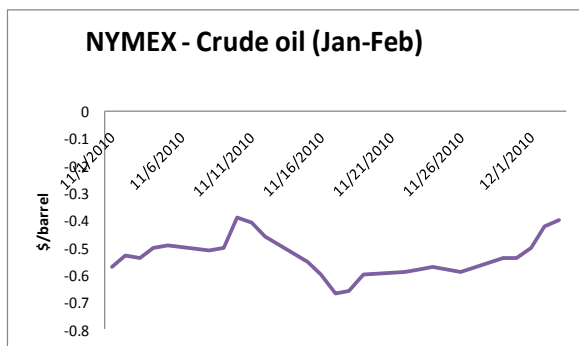
Outlook

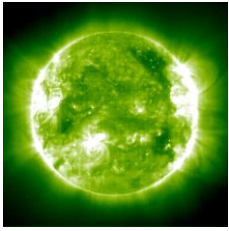
We expect crude oil prices to continue the bullish trend in the coming week; however some correction can be seen in initial stage on account of profit booking. Major bankers in the world like JP Morgan Chase & Co, Deutsche Bank are expecting crude oil prices to touch \$100 in near future. Tumbling dollar index may support oil prices to take cues in the coming week, as commodity will be investors' choice than currency. In the coming week, there are few economic releases from the US, where a fall in job less claims, rising import price index and widening budget deficit are expected. Thus a mixed impact on dollar index can be seen through data releases. German factory orders and industrial production are expected to expand which means the euro appreciating against the dollar. Japanese GDP growth for the third quarter also revised higher to 4.10% from 3.90% earlier. The Japanese yen may appreciate further against the dollar after having risen 1.87% to 82.53 this week. Overall, economic data expectations point to a further decline in the dollar index. However, actual data releases and any fresh cues from Europe and Korea may turn around the markets. Inventory data releases may change price movement in the coming week.

Facts to watch out:

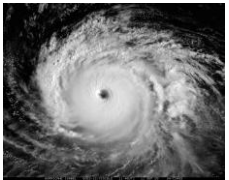
- API Inventory data releases on Wednesday 2:00 A.M. IST
- DOE Inventory data releases on Wednesday 9:00 P.M. IST

Calendar spread





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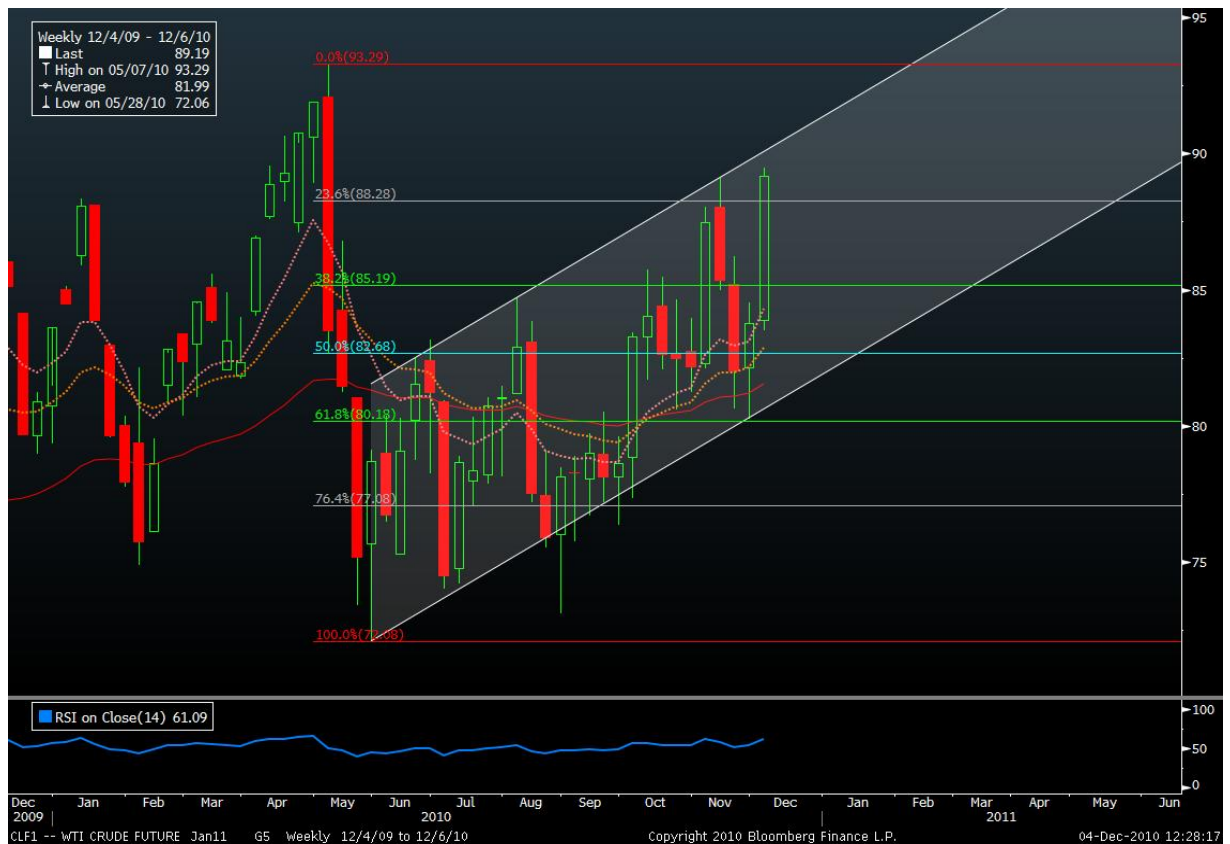


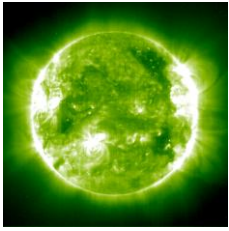
Calendar spread between the consecutive contract stands at lower level from prior week, that Rs.44. Spread difference had been declined as current month contract increased more in comparison to far month contract in MCX. Similar changes also seen in NYMEX traded oil future contracts. We, expect current contract to rise more in comparison to far month contract which may lead spread to come down in the coming week.

Technical analysis:

CRUDE Oil NYMEX:

January crude oil futures prices traded completely higher on last week's trading sessions. Crude oil made a high of 89.49 and low of 83.55 levels and settled higher at 89.19 levels. It was up by around 6.4% on last week. Crude oil is witnessing "TREND CHANNEL" formation on the upper side and the prices are trading within the upper band and the lower band from the past several weeks. It is witnessing crucial resistance at 90.40 levels which is the higher band of the trend channel. The principle of Fibonacci retracement states that crude oil has breached the resistance at 88.30 levels which is 23.6% retracement of the range (72.05-93.30) levels and has potential for the prices to test the origin point of 93.30 levels. The momentum indicator weekly RSI-14 is trading at 0.610 levels and showing potential for the prices to trade on the upper side. As prices are trading well above the short term and midterm EMA's of (9, 18, 45) days suggesting the prices to trade on the higher side. Hence, we expect prices to trade higher and recommend buying at the support levels.





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Natural Gas



Technical Recommendation: - Sideways



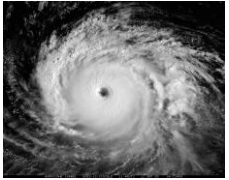
Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas January (\$/MMBtu)	3.79	3.96	4.15	4.52	4.68	4.88
MCX Natural Gas December (Rs./MMBtu)	172.00	181.60	188.60	205.20	214.80	221.80
NYMEX Natural Gas(January)	Sideways					
MCX Natural Gas(December)	Sideways					



Last week's Price Movement



Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	January	4.40	4.49	4.13	4.35	-1.14	572311	63.179	227555	0.01
	February	4.43	4.50	4.15	4.36	-1.20	148092	69.02	75134	15.41
MCX (Rs/MMBtu)	December	204	208	191	195	-4.27	235593	71.86	17372	33.51
	January	188	205	183	203	-4.30	23553	82.51	4177	37.45



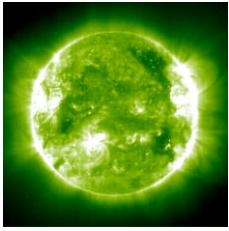
Review

Natural gas future prices closed in a positive note on Friday, but declined on week by more than 4% in India market. Prior week rally could not continue in beginning of the week; however it recovered from losses .December futures of natural gas prices traded at Rs195/mmbtu with a fall of more than 4% from last week. Gas prices climbed near Rs.208 in Multi Commodity Exchange. January contracts increased to \$4.49 in Newyork Merchantile Exchange.



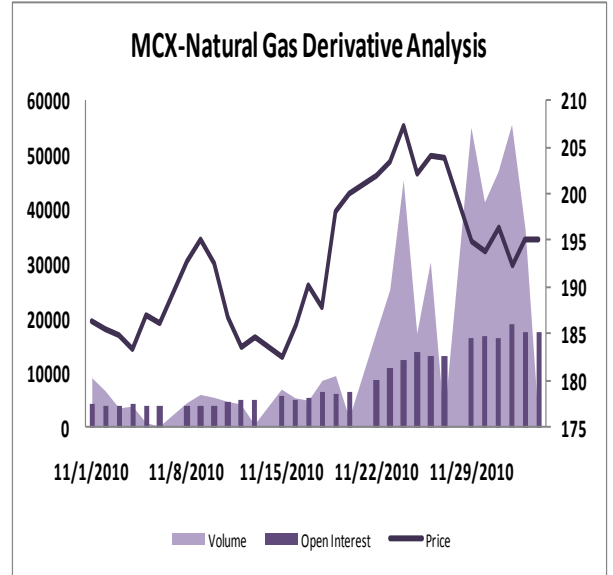
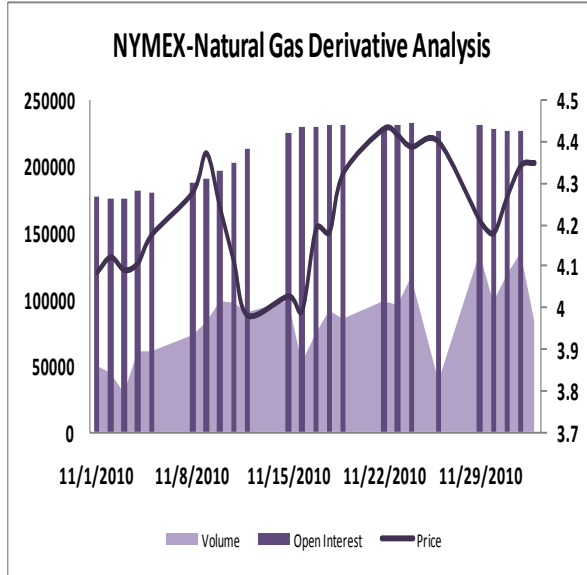
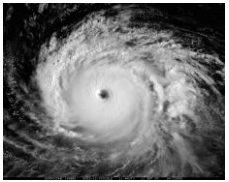
National Oceanic and Atmospheric and administration reported about cooler weather condition in the US lower 48 states, which boosted demand for gas. Fall in storage also supported gas prices to climb more than 4%.Natural gas storage declined to 3814 bcf, fall of 23 bcf in the last week. This is the highest fall in the last eight months of time. Economic data of the major countries made dollar index to fall by 2%, thus a positive impact was also witnessed. According to Baker Hughes's natural gas rig count increased by the 8 numbers which had negative impact on prices before closing of the week.





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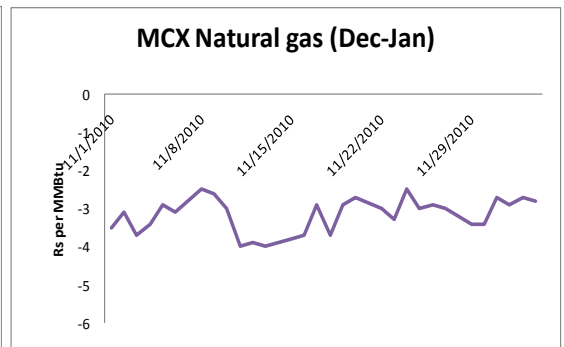
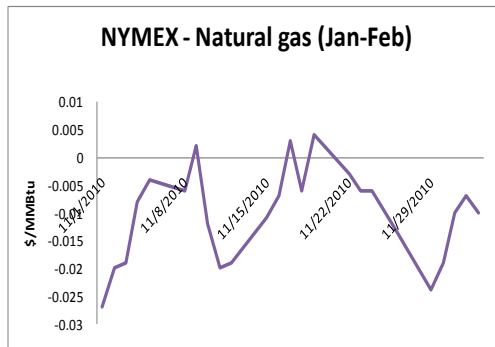
Derivative Analysis of Natural Gas Future Contracts

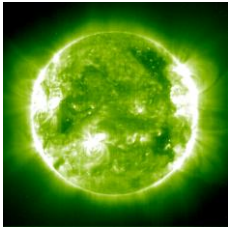


Outlook

Gas prices are expected to trade in a positive trend in the coming week, supported by winter demand in the US. Forecasters continue to see cold across much of the eastern half of the U.S. beginning this weekend and extending through next week. The below-normal temperatures should blanket major heating markets in the Midwest and Northeast, as well as the Southeast, meteorologists with MDA Earth Sat said on Friday. Meanwhile, the rig counts have been increased, which may have negative impact on prices. Economic releases from the US are expected to have some positive impact on economy which may push gas prices to trade higher. However, we may expect gas prices to trade in a positive trend on the back of supportive demand due to winter in US. Whereas actual storage report and rig counts may have some pressure on gas prices in mid of the week.

Calendar spread





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Calendar spread declined near Rs.2.8 in MCX for December and January contracts. Current month contract increased more than far month contract, which made spread to fall. However, some gain was also witnessed in beginning of the week. Similarly, spreads difference declined near 0.10 cents in NYMEX future contracts. However, we may expect the spread to increase in the coming week, as far month contract may trade in a higher trend in comparison to current month contract.



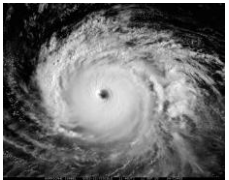
Technical analysis:

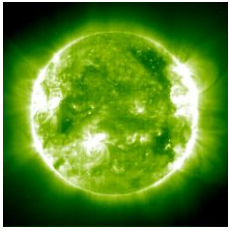
NYMEX Natural gas

Natural gas future prices traded marginally lower on its previous week. It made a high of 4.487 levels and low of 4.126 and settled at 4.349 levels. It was down by around 1.1% on last week.



The principle of Fibonacci retracement states that Natural gas is witnessing support at 4.339 levels which is 23.6% retracement of the range (3.842-5.949) and has potential for the market to test next resistance at 4.647 levels which is 38.2% retracement of the same range. As prices are trading well below the prices indicates limited upside movement for the coming week. The momentum indicator RSI weekly 14 is trading at 0.406 levels showing potential to trade on the higher side. We expect price to trade higher in the coming week and recommend buying at the support levels.



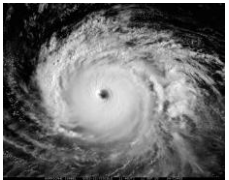
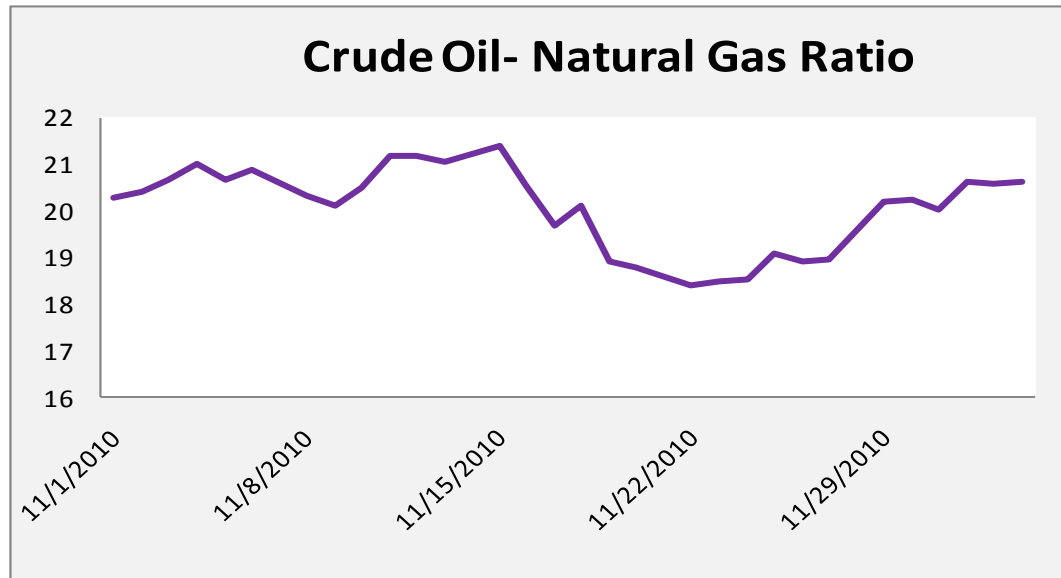


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Crude Oil –Natural Gas Ratio

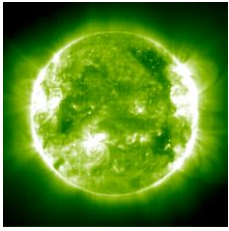
This week ratio between crude oil and Natural gas stands at 21, which is higher than last week ratio. A growth in ratio is witnessed in the last week as oil prices increased more than gas prices. However, as per weekly view, we may expect the ratio to rise in the coming week.



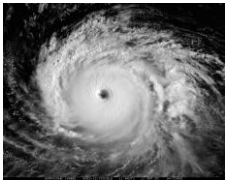
MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Region	Event	Period	Survey	Prior
12/07/2010 15:00	UK	Industrial Production (MoM)	OCT	0.30%	0.40%
12/07/2010 16:30	GE	Factory Orders MoM (sa)	OCT	1.90%	-4.00%
12/08/2010 05:20	JN	Machine Orders (MoM)	OCT	-0.10%	-10.30%
12/08/2010 12:30	GE	Current Account (EURO)	OCT	14.3B	14.0B
12/08/2010 12:30	GE	Trade Balance	OCT	15.1B	16.8B
12/08/2010 16:30	GE	Industrial Production MoM (sa)	OCT	1.00%	-0.80%
12/09/2010 05:20	JN	GDP Annualized	3Q F	4.10%	3.90%
12/09/2010 12:30	GE	Consumer Price Index (MoM)	NOV F	0.10%	0.10%
12/09/2010 17:30	UK	BOE ANNOUNCES RATES	9-Dec	0.50%	0.50%
12/09/2010 19:00	US	Initial Jobless Claims	4-Dec	425K	436K





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12/09/2010 19:00	US	Continuing Claims	27-Nov	4233K	4270K
12/09/2010 20:30	US	Wholesale Inventories	OCT	0.90%	1.50%
12/10/2010	CH	Trade Balance (USD)	NOV	\$21.00B	\$27.15B
12/10/2010 19:00	US	Trade Balance	OCT	-\$44.0B	-\$44.0B
12/10/2010 19:00	US	Import Price Index (MoM)	NOV	0.80%	0.90%
12/10/2010 20:25	US	U. of Michigan Confidence	DEC P	72.5	71.6
12/11/2010 00:30	US	Monthly Budget Statement	NOV	-\$132.0B	-\$120.3B

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