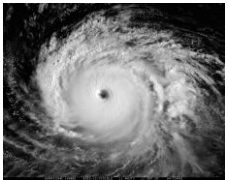
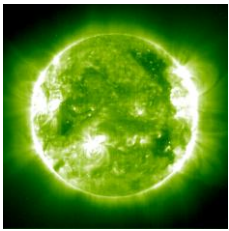


Energy Weekly

A Weekly Report on World Energy Market



Energy Overview

Despite of 10 yr low crude oil inventory data report, oil prices could not rise as much as expected. China refrained itself from rising interest rate where as Consumer price index continue to soar the most in last two years. Downgrade rating of Spain by rating agency Moody had negative impact on market. However Europe government declared to build European stability mechanism to avoid any financial crisis in future. Cash reserve ratio and Reverse Repo rate remain unchanged. Tumbling dollar index finally gained more than 0.30% in the last week, whereas INR depreciated by 0.6%. However oil prices managed to gain some points over prior week, after trading in a lower range in the last week. Highest weekly fall was witnessed in natural gas price movement in the last week in the last four month of time. Declining inventory level could not support gas prices to take cues, on the back of lower cooler weather forecast.

However, in the coming week, we may expect oil prices to trade on positive trend supported by improving US economy expectation. Some correction can be seen on gas price movement and expected to trade on a limited range.

Technical Recommendation:-Buy

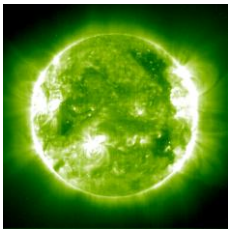
Exchange	S3	S2	S1	R1	R2	R3
Feb- Crude oil - Nymex (\$/bbl)	84.8	86.1	87.4	89.9	91.2	92.5
MCX Crude oil – Jan (Rs/bbl)	3924.3	3965.7	4008.3	4092.3	4133.7	4176.3
Nymex crude oil (February)	Buy at 85.80-86.00 targeting \$ 89 then \$91.7 with stop loss below \$83.					
MCX Crude oil (January)	Buy at 4000-10 targeting 4080 then 4110 with stop loss below 3950.					

Last week's Price Movement

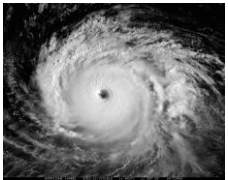
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	January	87.68	89.49	86.83	88.02	0.26	1295969	-28.30	62549	-61.50
	February	88.42	90	87.43	88.6	0.33	875952	18.04	296392	25.77
ICE Brent Crude (\$/bbl)	January	90.65	92.42	90.33	91.71	1.36	379040	-50.58	33333	-67.67
	February	90.5	92.46	90.41	91.67	1.14	805505	49.09	273744	29.75
MCX WTI Crude	December	3972	4035	3947	3992	0.66	591487	-25.02	4165	-83.43
	January	4024	4091	4007	4049	0.82	177739	217.22	15065	141.23

Review:

Oil futures traded in a very lower band than prior week and closed on a positive note. NYMEX traded oil futures made a weekly low of \$86.83/bbl, whereas MCX traded contract fell to Rs.3947. With bunch of economic releases and driven by dollar index oil prices traded mostly on a bearish trend, though it recovered before the weekend.



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Oil prices gained more than 1% on first day of the week, in the absence of any major economical triggers. Supported by equity market and falling dollar index performed well on Monday. Rise in equity market was witnessed as China refrained itself from raising interest rate. Increase in UK inflation reached to 3.3% in the last month, which created a negative impact on European equity market in spite of positive economic releases on Tuesday. However, oil prices took positive cues from falling dollar index. Increasing inventory expectation and falling equity market made oil prices to trade on a lower trend till European session on Wednesday. Concern of down grade Spain credit rating drove equity market to trade low. However, oil prices recovered after inventory data released in the night and closed on a positive note. CFTC decision on curbing trader's position in the market pressurized commodity market to fall on Thursday. So, fall in oil prices was also seen, despite of positive economic releases from the US. Employment improved in the last week.

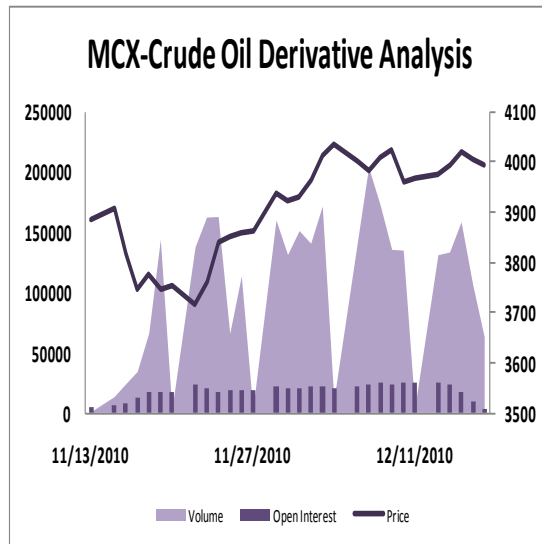
Industrial production and Trade balance of the Euro-zone increased in the last month. Bunch of economic releases from the US, were positive for the economy. Rise in industrial production, Empire Manufacturing being seen in the last week.

As per American Petroleum Institute, Crude oil inventory has been climbed along with other petroleum products. However, DOE energy department released inventory report stating that total crude oil inventory has been declined to 10yr low, whereas gasoline and distillates stock piles have been increased. To meet the rising demand of winter demand, increase in refinery utilization was seen which made refined product stocks to pile up. Total rig counts fell more than 17 numbers, whereas oil rig counts increased in the last week.

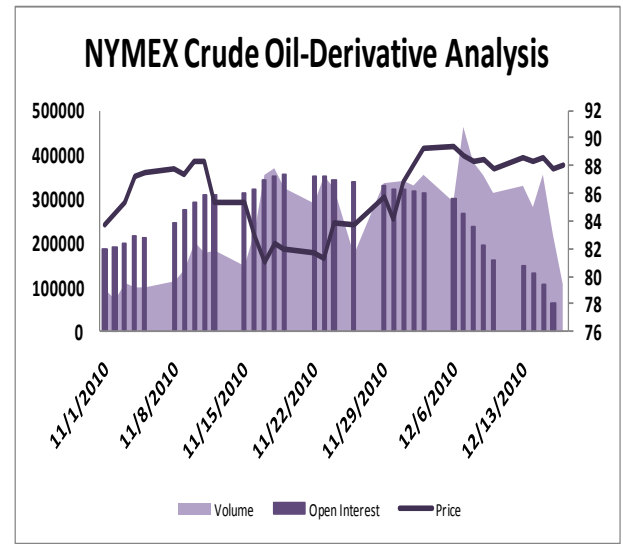
A rise in prices was witnessed with increasing volume; where as Open Interest has been declined in the last week, indicating a bullish trend. As per CFTC data releases, long positions have been increases the most by Non commercial investors. So, it may support oil prices to take cues in the coming week.

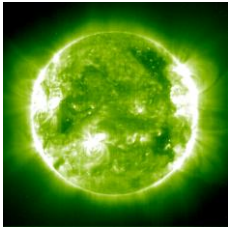
Derivative Analysis of Crude Oil Future Contracts

MCX-Crude Oil Derivative Analysis

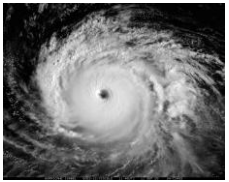


NYMEX Crude Oil-Derivative Analysis





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US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	346018	355872	-9854
Gasoline	214773	213964	809
Distillate	161305	160211	1094
Refinery utilization (%)	88	87.5	0.5
EIA Working gas storage (Bcf)			
Natural gas	3561	3725	-164

Outlook

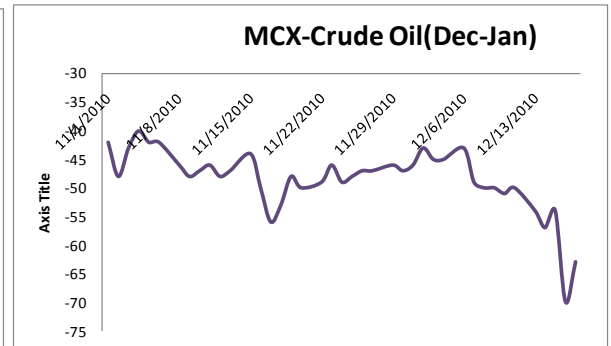
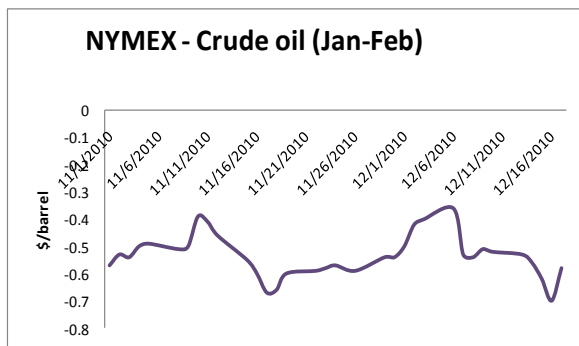
We expect crude oil prices to continue the bullish trend in the coming week on account of strengthening economic condition and rising winter demand. Dollar index is expected to rise as most of the economic releases from the US are expected to have positive impact. Economic releases in the form of durable goods orders, existing home sales and Michigan Confidence is expected to have increase. GDP of both Europe and US is expected to climb. Thus, most of economic releases from the US are expected to have positive impact on Dollar index, which may make oil price correction. .

Fundamentally, total crude oil inventory is in a declining trend, which indicates refining is increasing the utilization to fulfill the forthcoming winter demand. So, overall we may expect oil prices to trade on positive trend on the back of rising winter demand.

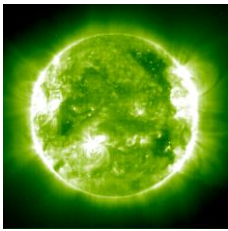
Facts to watch out:

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

Calendar spread



Calendar spread between the consecutive contract stands at higher level from prior week, that Rs.63. Spread difference had been increased as far month contract climbed more in comparison to current month contract in MCX. Highest spread climbed to 70 in the last week. Similar changes also seen



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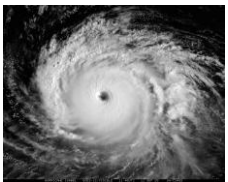
in NYMEX traded oil future contracts. We, expect far month contract to increase more in comparison to near month contract which may lead spread to go up in the coming week.

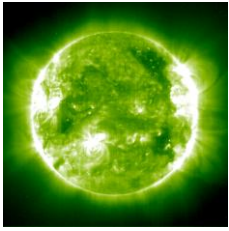
Technical analysis:

CRUDE Oil NYMEX:



February crude oil futures prices traded sideways on last week. Crude oil made a high of 90.00 and low of 87.43 levels and settled at 88.60 levels. It was only up by 0.26% on last week. Closing of the weekly candle renders indecisive movements for the coming week. Crude oil is witnessing **"TREND LINE"** resistance at 90.98 levels on the upper side. Only on breach and sustained trade above is likely to trade higher. Crude oil is also 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 was unable to breach and sustain above the resistance of 90.98 levels which is upper band of the trend channel. Only on breach and sustained trade above would lead the prices to trade higher. The principle of Fibonacci retracement states that crude oil has breached the resistance at 88.90 levels which is 76.4% retracement of the range (72.78-93.87) and unable to sustain above the same levels. The momentum indicator weekly RSI-14 is trading at 0.590 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 (8, 21, 34) suggesting bullish trend is still intact. Volume Indicator analysis also suggesting bullish trend as the Volume has increased on the previous week from 0.74M to 0.87M. Hence, we recommend buying at the support levels for the coming week.





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Natural Gas



Technical Recommendation: - Sideways



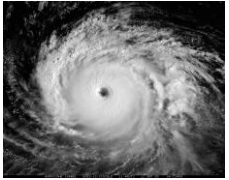
Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas January (\$/MMBtu)	3.2	3.6	3.8	4.4	4.8	5.0
MCX Natural Gas December (Rs./MMBtu)	150.0	165.2	175.7	201.4	216.6	227.1
NYMEX Natural Gas(January)	Sideways					
MCX Natural Gas(December)	Sideways					



Last week's Price Movement



Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	January	4.44	4.55	3.95	4.07	-7.95	726121	-15.079	88859	-38.34
	February	4.46	4.55	3.99	4.10	-7.34	398883	27.73	139746	43.21
MCX (Rs/MMBtu)	December	202	206	180	186	-7.76	211144	-9.92	21344	12.39
	January	208	211	194	199	-7.02	36098	40.31	9300	67.54



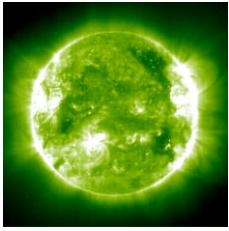
Review

Natural gas future prices fell near 8% in the last week, highest weekly falls after August month this year. Bearish trend continued through out the week. December futures of natural gas prices traded at Rs186/mmbtu with a fall of more than 7% from last week. Gas prices climbed near Rs.206 in Multi Commodity Exchange. January contracts increased to \$4.55 in Newyork Merchantile Exchange. Henry hub spot prices declined by 8% from the prior week and closed at \$4.01 on Friday.

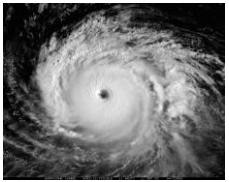


National Oceanic and Atmospheric and administration reported about mild weather condition in the US lower 48 states, which might have lower demand for gas. Fall in storage also could not supported gas prices to recover losses. Natural gas storage declined to 3561 bcf, fall of 164 bcf in the last week. Though it is the highest fall in this year, still stands slightly higher than last year's storage in this week. Investors are already aware about fall in inventory levels during this winter, thus little impact is being seen on price movement. China and India is expected to rise import of coal by 70% in the coming year, which drove gas prices to trade on a lower range. Most of the economic releases from the US were positive for the economy, which made dollar index to gain some digits. Thus a negative impact was also witnessed. CFTC decision on curbing trader's position also pressurizes gas prices. According to Baker Hughes's natural gas rig count declined by the 7 numbers which had slight positive impact on prices before closing of the week.

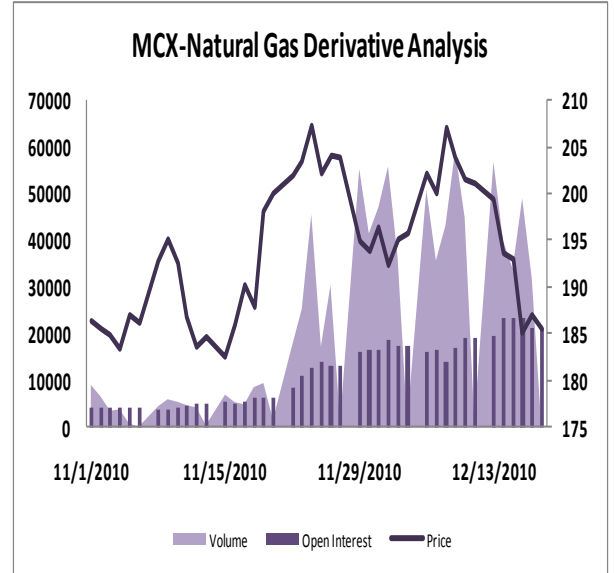
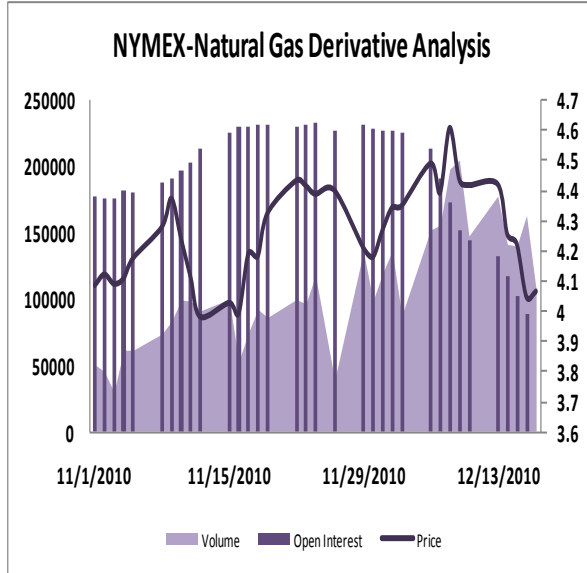




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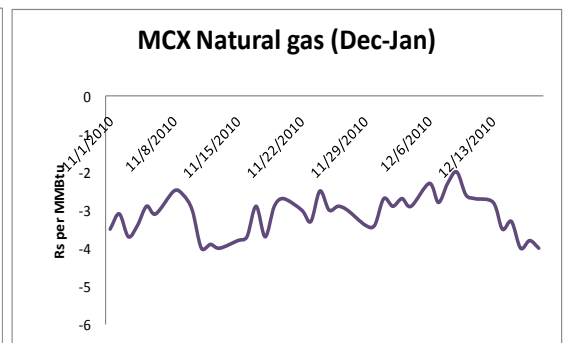
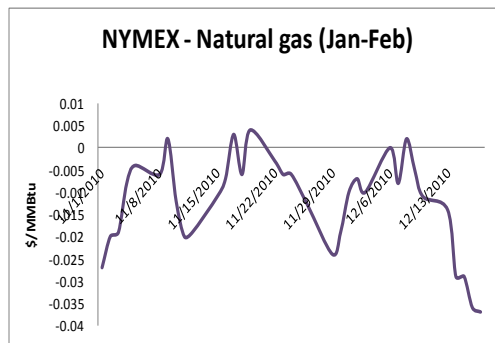
Derivative Analysis of Natural Gas Future Contracts

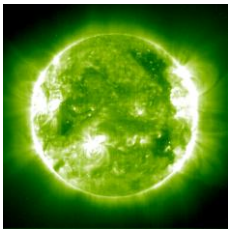


Outlook

Gas prices are expected to trade steadily in the coming week, though some improvement can be seen supported by winter demand in the US. A slight decline in cooler weather is being predicted by US weather forecasters. Thus a slight negative impact on prices can be seen. Natural gas storage has been declined to 3561 bcf, declined by 164 bcf but higher than last year's average. Decline in inventory is expected in winter season, which is not having much impact on market movement in current situation. Meanwhile, the rig counts have been declined, which may have 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 higher. However, we may expect gas prices to trade in a range, whereas actual storage report may have some pressure on gas prices in mid of the week.

Calendar spread





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Calendar spread increased more than Rs.4 in MCX for December and January contracts. Current month contract fell more than far month contract, which made spread to rise. Similarly, spreads difference increased near 0.034 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:

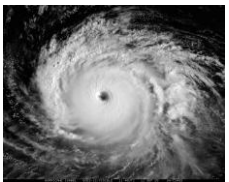
NYMEX Natural gas

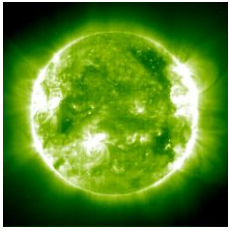


Natural gas future prices traded completely lower on its previous week. It made a high of 4.547 levels and low of 3.951 and settled lower at 4.066 levels. It was down by around -7.95% on last week. Closing of the weekly candle renders downside movements continued for the coming week. Natural gas is witnessing **"TREND CHANNEL"** formation on the down side allowing the prices to trade lower. The principle of Fibonacci retracement states that Natural gas is running towards the origin point of 3.850 levels of the range (3.850-5.949) and has potential for the market to trade further down side. As prices are trading well below the short term and midterm EMA's of (8, 21 & 34) levels suggesting the downside movement are still intact.



The momentum indicator RSI weekly 14 is trading at 0.360 levels showing higher potential for the markets to trade on the lower side. We expect price to trade sideways to lower in the coming week.



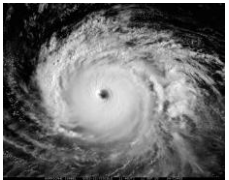
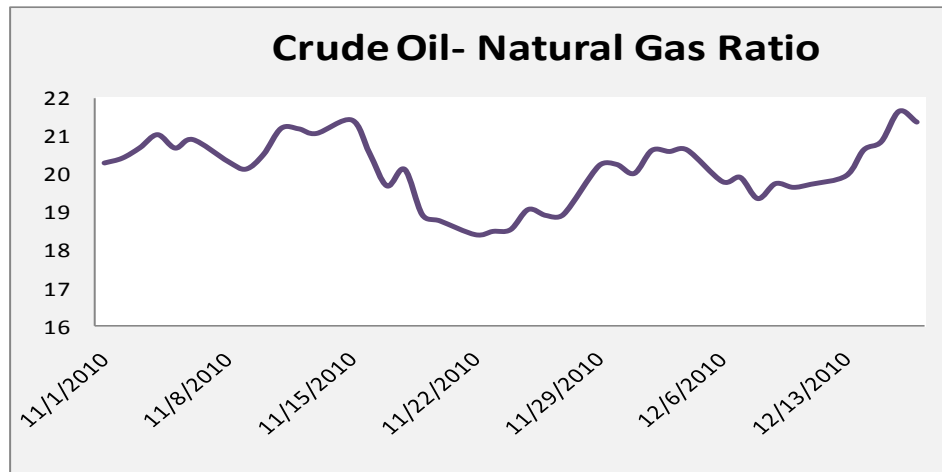


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Crude Oil –Natural Gas Ratio

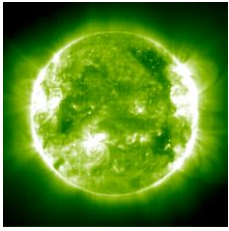
This week ratio between crude oil and Natural gas stands at 21, which is higher than last week ratio. A rise in ratio is witnessed in the last week as gas prices fell more than oil prices. However, as per weekly view, we may expect the ratio to rise in the coming week.



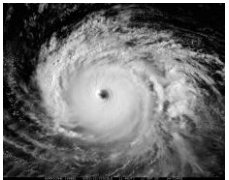
MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Region	Event	Period	Survey	Prior
12/20/2010 12:30	GE	Producer Prices (MoM)	NOV	0.30%	0.40%
12/20/2010 14:30	EC	ECB Euro-Zone Current Account SA	OCT	--	-13.1B
12/20/2010 19:00	US	Chicago Fed Nat Activity Index	NOV	0	-0.28
12/20/2010 20:30	EC	Euro-Zone Consumer Confidence	DECA	-9	-9.4
12/21/2010 05:31	UK	GfK Consumer Confidence Survey	DEC	-22	-21
12/21/2010	JN	BOJ Target Rate	21-Dec	0.10%	0.10%
12/22/2010 12:30	GE	Import Price Index (MoM)	NOV	0.50%	-0.20%
12/22/2010 15:00	UK	GDP (QoQ)	3Q F	0.80%	0.80%
12/22/2010 15:00	UK	Current Account (BP)	3Q	-8.5B	-7.4B



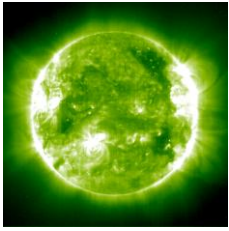


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12/22/2010 19:00	US	GDP QoQ (Annualized)	3Q T	2.80%	2.50%
12/22/2010 19:00	US	Personal Consumption	3Q T	2.80%	2.80%
12/22/2010 20:30	US	Existing Home Sales	NOV	4.75M	4.43M
12/22/2010 20:30	US	Existing Home Sales MoM	NOV	7.20%	-2.20%
12/22/2010 20:30	US	House Price Index MoM	OCT	-0.20%	-0.70%
12/23/2010 19:00	US	Durable Goods Orders	NOV	-0.70%	-3.30%
12/23/2010 19:00	US	Personal Income	NOV	0.20%	0.50%
12/23/2010 19:00	US	Personal Spending	NOV	0.50%	0.40%
12/23/2010 19:00	US	Initial Jobless Claims	18-Dec	420K	420K
12/23/2010 19:00	US	Continuing Claims	11-Dec	4106K	4135K
12/23/2010 20:25	US	U. of Michigan Confidence	DEC F	74.5	74.2
12/23/2010 20:30	US	New Home Sales	NOV	300K	283K
12/23/2010 20:30	US	New Home Sales MoM	NOV	6.00%	-8.10%

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