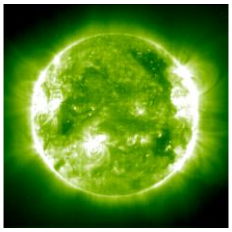
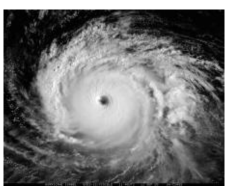
3rd Jan 2010



Energy Weekly

A Weekly Report on World Energy Market



Energy Overview

Oil futures prices traded bearish trend in the last week though managed to gain some points before closing of the week. Oil prices gained more than 10% in MCX and 15% in NYMEX on yearly basis. 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 positive range.

Technical Recommendation:-Buy

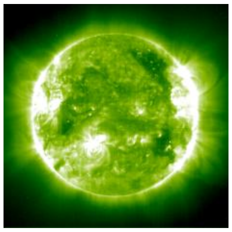
Exchange	S3	S2	S1	R1	R2	R3
Feb- Crude oil - Nymex ($/bbl)	86.5	87.8	89.6	92.6	93.9	95.7
MCX Crude oil – Jan (Rs/bbl)	3835.7	3920.3	4003.7	4171.7	4256.3	4339.7
Nymex crude oil (February)	Buy at 90.50-90.90 targeting $ 93 then 95 with stop loss below $ 89.					
MCX Crude oil (January)	Buy at 4050-60 TP 4120 then 4180 SL 3999.					

Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude ($/bbl)	January	91.07	92.06	89.02	91.38	0%	684220	-12.91%	312589	0%
	February	91.85	92.85	89.88	92.22	0%	216680	-18.33%	199515	7%
ICE Brent Crude ($/bbl)	February	93.76	95.2	92.18	94.75	1%	333815	-24.81%	213938	-13%
	March	93.5	95.11	92.09	94.67	1%	184731	-12.63%	189639	1%
MCX WTI Crude	January	4155	4173	4005	4089	-2%	450583	3.30%	27294	27%
	February	4037	4094	4005	4088	-3%	25407	29.11%	3008.00	35%

Review: Oil futures traded in a very lower in the last week and managed to gain on weekly loss on International market. NYMEX traded oil futures crossed $91 and closed with a minor gain, whereas MCX traded contract fell by 2%.On account of lower year end volume oil prices could not move, though most of the economic releases from the US were positive. Similarly Dollar index also fell by 1.8% in the last week.

Oil prices opened on a positive note in the last week though closing was not so impressive on weekly basis. However, oil prices climbed to 10% and 15% in MCX and NYMEX respectively on yearly basis. There were very few economic releases from the major regions on the basis of year end holidays. Dallas Fed manufacturing index for the month of December have declined by 12.9 levels. However, manufacturing activities of the US has been climbed the most on December, as Richmond Fed index. Jobless claims data has been improved. Though most of the economic releases positive for the economy, dollar index could not increase in the last week might be on pressure of Fed Quantitative easing solution.



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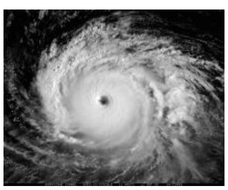
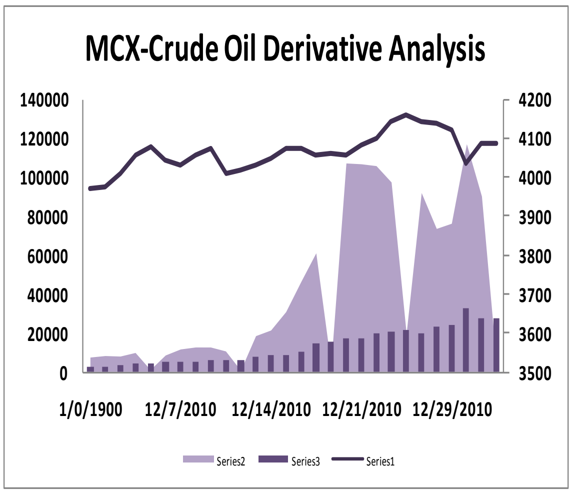
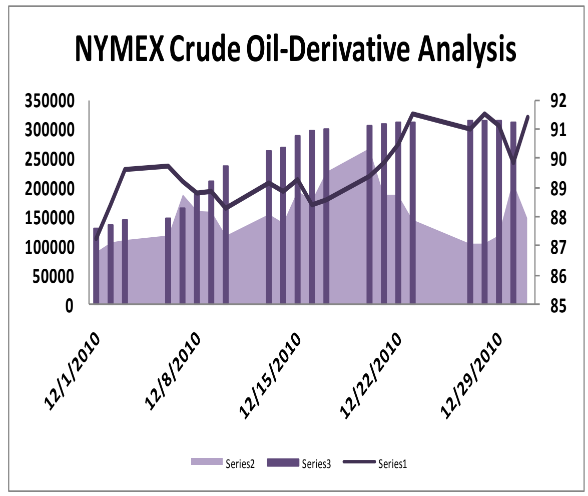


As per American Petroleum Institute, Crude oil inventory has been increased along with Gasoline products. However, DOE energy department released inventory report stating that total crude oil inventory has been declined along with gasoline, whereas distillates stock piles have been increased on a lower pace from the prior week. Refinery utilization activity has been increased from the prior level.

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



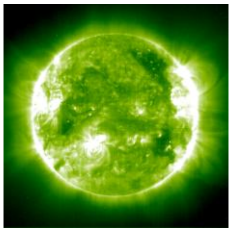


US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	**Latest week**	**Previous week**	**Change**
Crude Oil	339427	340685	-1258
Gasoline	214857	217173	-2316
Distillate	160959	160716	243
Refinery utilization (%)	87.8	87.7	0.1
EIA Working gas storage (Bcf)			
Natural gas	3232	3368	-136

Outlook

We expect crude oil prices to continue the bullish trend in the coming week on account of strengthening economic condition. Economic releases from the US are expected to have positive impact on US economy, which may boost oil prices. Coming week may witness improving payroll data, falling initial jobless claims, rising consumer confidence and Manufacturing Index. These all data may result in the dollar index extending its gains to this week also. Other data from the German and Euro -zone are also expected to improve. Thus, oil prices may trade on positive trend. Fundamentally, total crude oil inventory is in a declining



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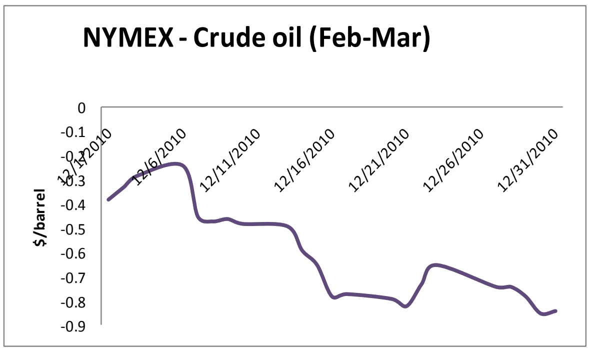
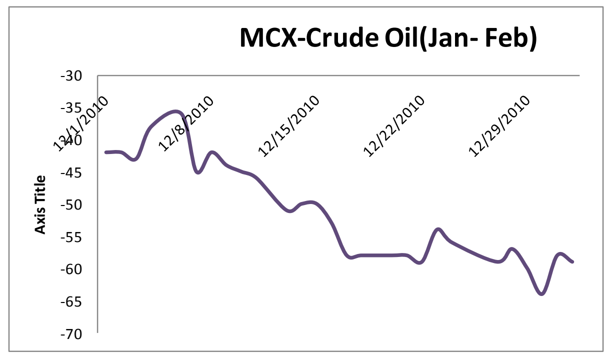
trend, which indicates refining is increasing the utilization to fulfill the forthcoming winter demand. So, overall we may expect oil prices to trade on positive trend on the back of rising winter demand.

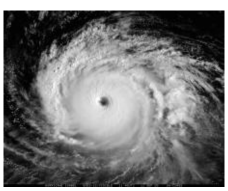
Facts to watch out:

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

Calendar spread



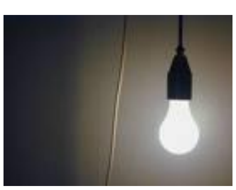




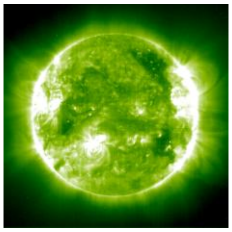
Calendar spread between the consecutive contract stands at higher level from prior week, that Rs.63.Spread difference had been increased as far month contract declined less in comparison to current month contract in MCX. Highest spread climbed to 66 in the last week. Similar changes also seen in NYMEX 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 completely higher by continuing previous week's trend on last week. Crude oil made a high of 91.63 and low of 87.73 levels and settled higher at 91.51 levels. It was only up by 0.10% on last week. Closing of the weekly candle renders upside movements for the coming week. Crude oil is witnessing ***"TREND LINE"*** resistance at 92 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 92 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 88.95 levels which is 76.4% retracement of the range (72.78-93.87) on sustain above the same levels is likely to test the origin point of 93.87 levels.. The momentum indicator weekly RSI-14 is treading at 0.619



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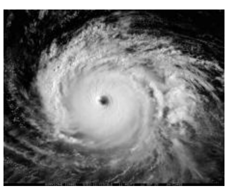


levels and showing potential for the prices to trade on the upper side. As prices are trading well above the Short term and Midterm EMA's of (8, 21, 34) suggesting bullish trend is still intact. Hence, we recommend buying at the support levels for the coming week.

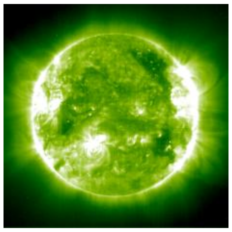
Natural Gas

Technical Recommendation: - Buy

Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas ($/MMBtu)	3.7	3.9	4.1	4.6	4.7	5.0
MCX Natural Gas (Rs./MMBtu)	175.8	180.9	189.8	203.8	208.9	217.8
NYMEX Natural Gas(February)	Buy in the range 4.250-4.300 targeting 4.645 then 4.760 with stop loss below 4.040.					
MCX Natural Gas(January)	Buy in the range 194-195 targeting 208 then 212 with stop loss below 186.					

Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX ($/MMBtu)	January	4.09	4.45	4.04	4.41	6.58	339324	39.181	168465	-1.31
	February	4.11	4.46	4.06	4.42	6.58	113824	20.65	172580	2.80
MCX (Rs/MMBtu)	December	188	200	186	199	5.08	175407	246.16	17710	23.14
	January	207	210	187	193	4.67	18687	288.50	2761	38.40



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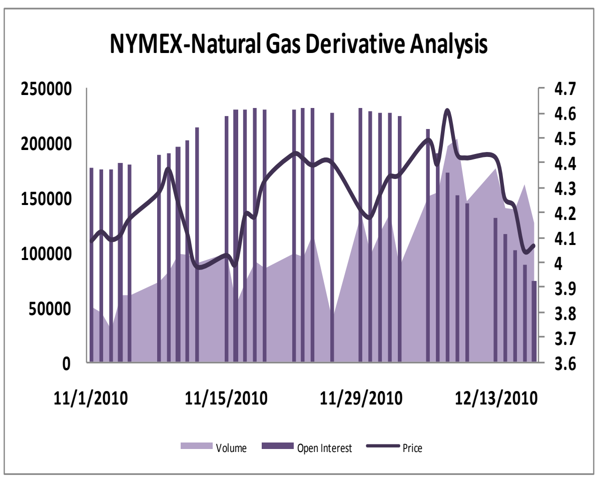
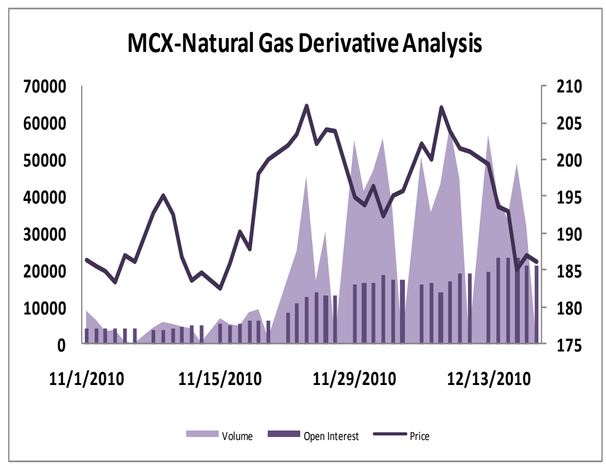
Review

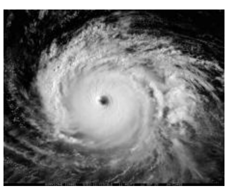
MCX traded Natural gas future prices fell more than 6% in the last week, where as NYMEX prices recovered from the earlier loss and close with 5% gain. Bearish trend continued on first day of the week and thereafter prices recovered. Gas prices climbed near Rs.192 in Multi Commodity Exchange. January contracts increased to $4.41 in Newyork Merchantile Exchange.

Natural gas storage made a fall of 134 bcf in the last week, lower than expectation. Though it is the lowest fall in December, 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. Most of the economic releases from the US were positive for the economy, which might have supported gas prices. Thus a positive impact was also witnessed. According to Baker Hughes's natural gas rig count have declined by the 12 numbers which had positive impact on prices before closing of the week.

Derivative Analysis of Natural Gas Future Contracts

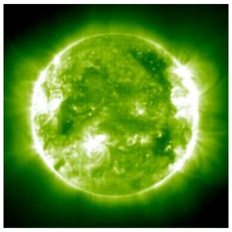






Outlook

Gas prices are expected to trade on positive trend in the coming week supported by improving economy of US. A slight decline in cooler weather is being predicted by US weather forecasters. Thus a slight negative impact on prices can be seen. 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. In KCTL,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.



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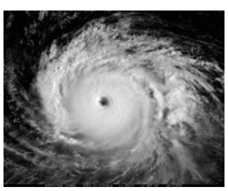
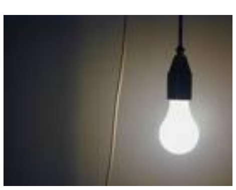
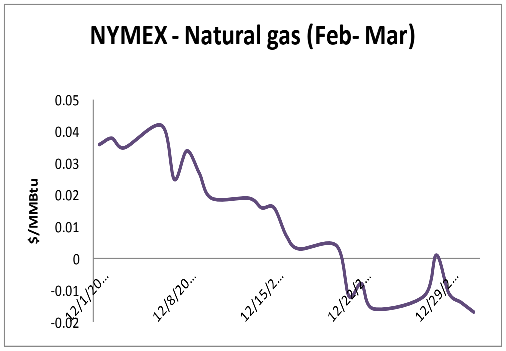
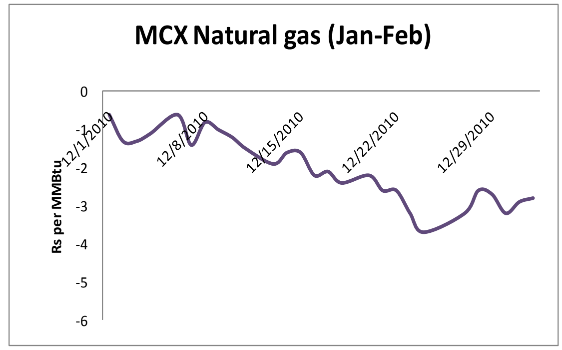




Calendar spread



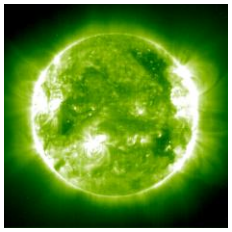


Calendar spread declined more than Rs.2 in MCX for January and February contracts. Current month contract climbed more than far month contract, which made spread to fall. Similarly, spreads difference fell near 0.014 cents in NYMEX future contracts. However, we may expect the spread to decline in the 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 higher on its previous week by continuing previous trend. It made a high of 4.454 levels and low of 4.040 and settled higher at 4.405 levels. It was up by around 6% on last week. Closing of the weekly candle renders continuation of upside movements for the coming week. Prices are witnessing trend line support at 4.005 levels (previous swing lows). Natural gas is witnessing ***"TREND CHANNEL"*** formation on the down side. Prices are heading towards the upper trend channel. Only on significant breakout and sustained trade above the trend channel would lead the prices to trade further highs. The principle of Fibonacci retracement states that Natural gas has breached the crucial resistance of 4.353 levels (23.6% retracement) of the range 3.886-5.867 levels. Only on sustained trade above would lead the prices to trade higher and has potential to test 4.643 levels (38.2% retracement) of the above same range. As prices are trading well below the short term and midterm EMA's of (8, 21 & 34) levels suggesting the downside movements. The momentum indicator RSI weekly 14 is treading at 0.450 levels showing higher potential for the markets to trade on the northward direction. We expect price to trade sideways to higher and recommend buying for the coming week.



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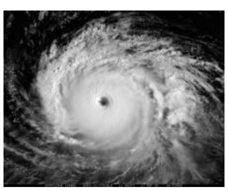
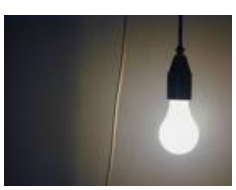
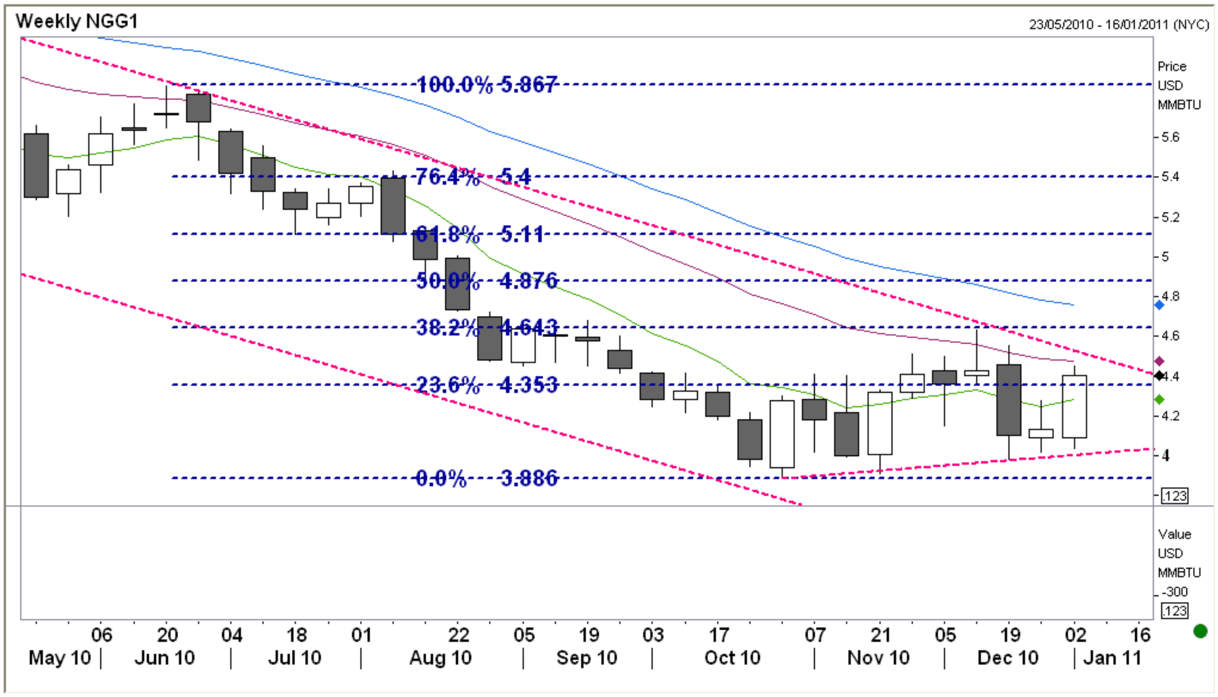
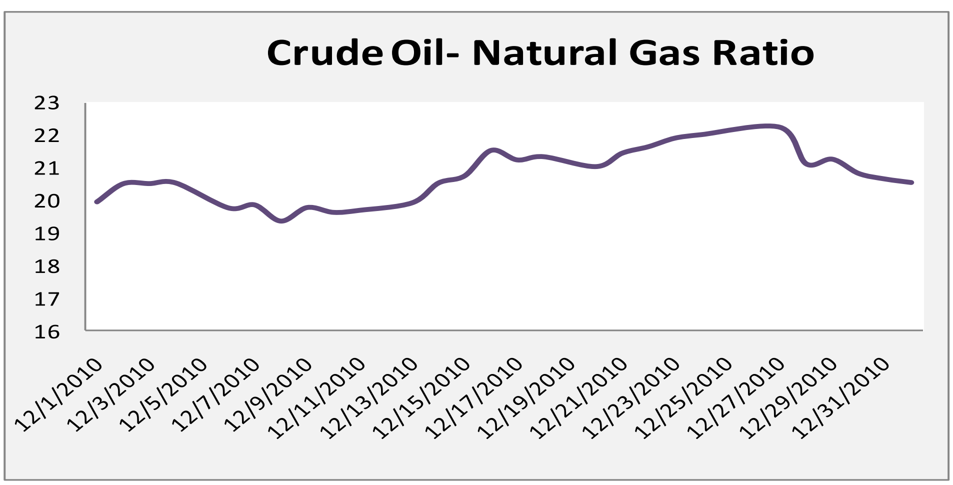


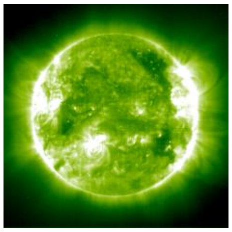




Crude Oil –Natural Gas Ratio

This week ratio between crude oil and Natural gas stands at 21, which is same as last week ratio. Ratio could not rise in the last week as gas prices climbed more than oil prices, and later oil prices managed to recover loss. However, as per weekly view, we may expect the ratio to rise in the coming week.





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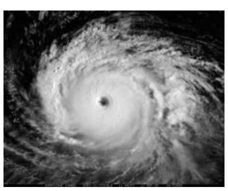
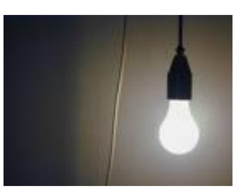
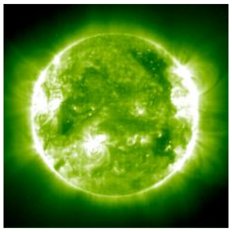




MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Region	Event	Period	Survey	Prior
01/03/2011 06:30	CH	China Non-manufacturing PMI	DEC	- -	- -
01/03/2011 14:25	GE	PMI Manufacturing	DEC F	60.9	60.9
01/03/2011 14:30	EC	PMI Manufacturing	DEC F	56.8	56.8
01/03/2011 20:30	US	ISM Manufacturing	DEC	57	56.6
01/03/2011 20:30	US	ISM Prices Paid	DEC	71.8	69.5
01/03/2011 20:30	US	Construction Spending MoM	NOV	0.20%	0.70%
01/04/2011 14:25	GE	Unemployment Rate (s.a)	DEC	7.50%	7.50%
01/04/2011 15:00	UK	PMI Manufacturing	DEC	57.2	58
01/04/2011 20:30	US	Factory Orders	NOV	-0.20%	-0.90%
01/05/2011 00:30	US	Minutes of FOMC Meeting	4-Jan		
01/05/2011 03:30	US	ABC Consumer Confidence	2-Jan	- -	-44
01/05/2011 03:30	US	Domestic Vehicle Sales	DEC	9.20M	9.27M
01/05/2011 03:30	US	Total Vehicle Sales	DEC	12.30M	12.26M
01/05/2011 08:00	CH	China HSBC Services PMI	DEC	- -	- -
01/05/2011 12:00	IN	Fuel Power Light WPI YoY	24-Dec	- -	- -
01/05/2011 14:25	GE	PMI Services	DEC F	58.3	58.3
01/05/2011 14:30	EC	PMI Composite	DEC F	55	55
01/05/2011 14:30	EC	PMI Services	DEC F	53.7	53.7
01/05/2011 15:30	EC	Industrial New Orders SA (MoM)	OCT	1.50%	-3.80%
01/05/2011 15:30	EC	Euro-Zone PPI (MoM)	NOV	0.30%	0.40%
01/05/2011 15:30	EC	Euro-Zone PPI (YoY)	NOV	4.40%	4.40%
01/05/2011 19:00	US	ADP Employment Change	DEC	100K	93K
01/05/2011 20:30	US	ISM Non-Manf. Composite	DEC	55.5	55



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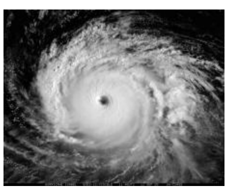
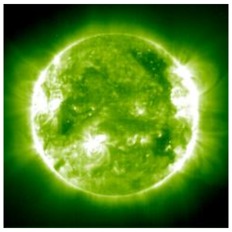


Date Time	Region	Event	Period	Survey	Prior
1/6/2011 12:00	IN	Food Articles WPI YoY	25-Dec	- -	14.44%
01/06/2011 12:00	IN	Fuel Power Light WPI YoY	25-Dec	- -	11.63%
01/06/2011 12:00	IN	Primary Articles WPI YoY	25-Dec	- -	17.24%
01/06/2011 15:00	UK	PMI Services	DEC	52.7	53
01/06/2011 15:30	EC	Business Climate Indicator	DEC	1	0.96
01/06/2011 15:30	EC	Euro-Zone Consumer Confidence	DEC	-11	-9.4
01/06/2011 15:30	EC	Euro-Zone Economic Confidence	DEC	105.8	105.3
01/06/2011 15:30	EC	Euro-Zone Indust. Confidence	DEC	2	0.9
01/06/2011 15:30	EC	Euro-zone Services Confidence	DEC	10.6	10.2
01/06/2011 15:30	EC	Euro-Zone Retail Sales (MoM)	NOV	0.10%	0.50%
01/06/2011 15:30	EC	Euro-Zone Retail Sales (YoY)	NOV	2.10%	1.80%
01/06/2011 16:30	GE	Factory Orders YoY (nsa)	NOV	15.80%	17.90%
01/06/2011 16:30	GE	Factory Orders MoM (sa)	NOV	0.90%	1.60%
01/06/2011 19:00	US	Initial Jobless Claims	1-Jan	400K	388K
01/06/2011 19:00	US	Continuing Claims	25-Dec	4080K	4128K
01/07/2011 12:30	GE	Exports SA (MoM)	NOV	0.90%	-1.10%
01/07/2011 12:30	GE	Imports SA (MoM)	NOV	2.00%	0.30%
01/07/2011 12:30	GE	Current Account (EURO)	NOV	15.5B	11.7B
01/07/2011 12:30	GE	Retail Sales (MoM)	NOV	1.00%	2.30%
01/07/2011 12:30	GE	Retail Sales (YoY)	NOV	2.70%	-0.70%
01/07/2011 12:30	GE	Trade Balance	NOV	15.0B	14.2B
01/07/2011 15:30	EC	Euro-Zone GDP s.a. (QoQ)	3Q F	0.40%	0.40%
01/07/2011 15:30	EC	Euro-Zone GDP s.a. (YoY)	3Q F	1.90%	1.90%



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Date Time	Region	Event	Period	Survey	Prior
01/07/2011 19:00	US	Change in Private Payrolls	DEC	145K	50K
01/07/2011 19:00	US	Change in Nonfarm Payrolls	DEC	135K	39K
01/07/2011 19:00	US	Change in Manufact. Payrolls	DEC	0K	-13K
01/07/2011 19:00	US	Unemployment Rate	DEC	9.70%	9.80%

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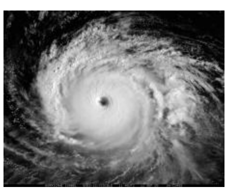

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