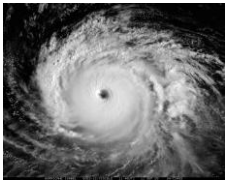


Energy Weekly



Energy Overview- Crude oil future prices traded on a bearish trend tracking falling equity market and increasing inventory levels. However, better economic condition of the US, along with protest in Egypt made future prices to take positive cues in the weekend. Increasing consumption of the US, highest in the last four years has made the confidence level to increase. On the other side, gas futures declined the most in last five months of time. Positive inventory data releases in the EIA report could not support gas prices as higher profit booking might have taken place due to speculation of warmer weather in coming week. However, we may expect oil prices to trade on positive trend, supported by better economic releases though some pressure can be seen due to increasing inventory concern. Similarly, we are expecting gas futures to trade on positive trend supported by expected better fundamentals.

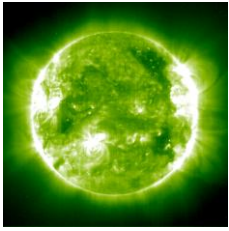
Technical Recommendation:-Buy

Exchange	S3	S2	S1	R1	R2	R3
Mar- Crude oil - Nymex (\$/bbl)	81.8	83.4	86.4	91.0	92.7	95.6
MCX Crude oil – Feb (Rs/bbl)	3769	3846	3982	4195	4272	4408
Nymex crude oil (March)	Buy in the range 87-88 TP 91 then 93 SL 85.					
MCX Crude oil (February)	Buy in the range 4060-4080 TP 4150 then 4200 SL 4000					

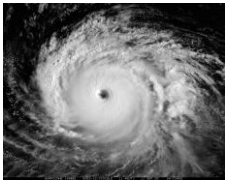
Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	March	89.26	89.73	85.11	89.34	0%	1965177	48.65%	407802	1%
	April	90.8	91.97	87.83	91.68	1%	887448	104.27%	122679	4%
ICE Brent Crude (\$/bbl)	March	97.59	99.74	94.75	99.42	0%	1065244	0.00%	240305	0%
	April	97.56	99.85	94.88	99.57	0%	586622	0.00%	174329	0%
MCX WTI Crude	February	4097	4137	3924	4129	1%	631923	52.22%	25386	25%
	March	4181	4255	4050	4243	1%	49156	198.58%	5882.00	135%

Review: Bearish trend in oil futures continued in the last week and prices have fall for the second week consecutively till Thursday. Then prices recovered on Friday night and closed with a gain of more than 4% in NYMEX and 3% in MCX. Oil price traded on a sluggish manner on the back of falling equity market and increasing inventory levels. Most of the economic releases from the Euro-zone were mixed for the economy. Industrial new orders of the Euro-zone in November have climbed by 2.1% against 1.4% on October. Different confidence index of the Euro-zone came mixed, whereas PMI manufacturing numbers for both Euro-zone and German declined from the prior releases. Falling GDP of the UK had also negative impact on market movement. Fourth quarter GDP of the UK, increased by 1.7%, in contrast to 2.7% on third



Energy Weekly

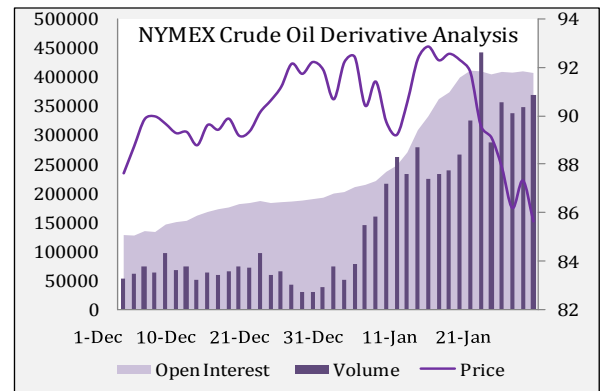
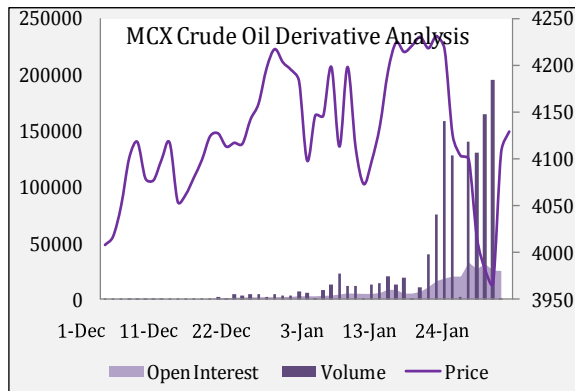


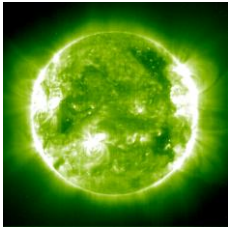
quarter. On the other hand, most of the economic releases from the US were positive for the economy. Consumer confidence level in US has been improved in January. Home sales data in the last month improved from prior month. Interest rate remains unchanged as per FOMC decision. Economic recovery is continuing, whereas constraint on employment data is seen. Major impact was seen before weekend, as S&P have down graded Japan credit rating from AA to -AA. Global equity market traded on lower trend, thus negative impact on oil prices was witnessed. However commodity market recovered in the Friday night after protests in Egypt. Crushing poverty, unemployment and corruption poured out in Egypt leading to a biggest challenge for 30 years rule of President Hosni Mubarak.

On the other hand intrinsic fundamentals of crude oil also did not support oil prices. Total crude oil inventory climbed up by more than 2100K barrels in the last week, as per inventory released by American Petroleum Institute. However, Distillate inventory have declined by more than 5000K barrels. Similarly, as per US energy department released bearish report. Total crude oil stock piles climbed up by more than 4.8million barrels in the last week. Gasoline climbed up by more than 2400barrels in the last week. However, refinery utilization has been declined by 1.2%. Though inventory report was bearish for prices, oil prices didn't fell on Wednesday in NYMEX as other economic releases in the form of new home sales data were improved more than expectation.

In the last week, both volume and open interest have been increased, whereas prices have increased slightly. Market might have attracted investors to keep open long positions in the market followed by major economical changes.

Derivative Analysis of Crude Oil Future Contracts





Energy Weekly

US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	340565	335729	4836
Gasoline	230074	227670	2404
Distillate	165657	165797	-140
Refinery utilization (%)	81.8	83	-1.2
EIA Working gas storage (Bcf)			
Natural gas	2542	2716	-174

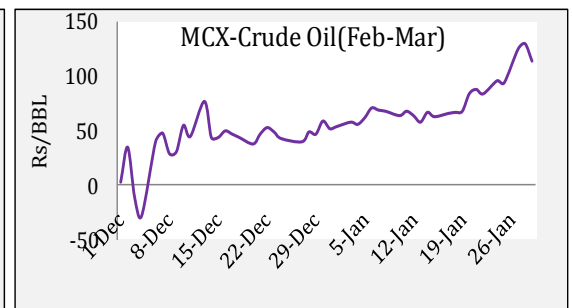
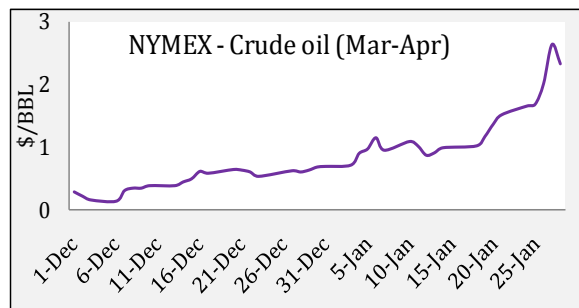
Outlook

In the coming week, we are expecting crude oil future prices to trade on positive trend supported by better US economic condition. However, increasing inventory concern may have some negative impact on prices. Personal consumption of the US have improved in the last month, which indicates better income and spending of the US citizens. Thus, vehicle sales of the country are expected to increase in January. The most important data releases in the form of employment data is expected to come positive, supported by better payrolls data expectation. However, total unemployment figure may come in negative number. China's PMI numbers for January must be eye in the coming week. On the other hand, pressure from climbing stock piles will be there on oil prices. However, overall trend is expected to remain on buying side.

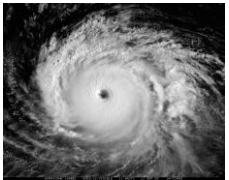
Facts to watch out:

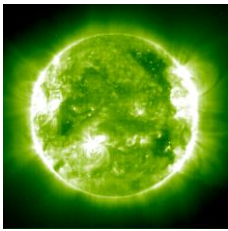
- API Inventory data releases on Wednesday 2:00 A.M. IST
- DOE Inventory data releases on Wednesday 9:00 P.M. IST

Calendar spread

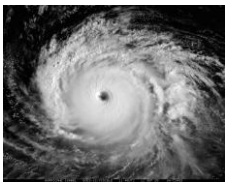


Calendar spread between the consecutive contracts stands at Rs.116. Spread difference had been increased to its life time high at Rs.146 as current month contract declined more in comparison to far month contract in MCX. Similar changes also seen in NYMEX traded oil future contracts. However, we may expect spread to decline in the coming week.





Energy Weekly

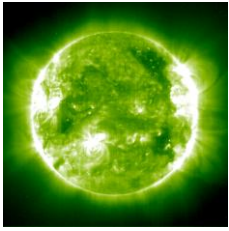


Technical analysis:

CRUDE Oil NYMEX:

March crude oil futures prices traded initially lower and recovered all the losses and closed higher on last week. Crude oil made a low of 85.11 and high of 89.73 levels and settled higher at 89.34 levels. It was up by around 1% on last week. Closing of the weekly candle renders **"DOJI"** with a long tail indicating bullish movements for the coming week. Crude oil prices rose after witnessing the crucial **"Trend Line"** support at 85.00 levels. On sustain above is likely to remain higher. Prices are witnessing **"TREND CHANNEL"** formation on the upper side and after witnessing support of the lower trend channel prices are moving in towards the northward direction. The prices are trading within the upper band and the lower band from the past several weeks suggesting a range bound movements. The principle of **"Fibonacci Retracement"** states that crude oil is witnessing crucial support of 85.40 levels which is 38.2% retracement of the range 72.60-93.46 levels. On sustained trade above is likely to remain higher. Incase if markets fails to sustain above 85.40 levels, prices are likely to remain lower for the short term. The momentum indicator weekly **RSI-14** is trading at 0.553 levels and showing potential for the prices to trade on higher side. Hence, we expect prices to trade to higher and recommend buying at the lower levels.





Energy Weekly

Natural Gas



Technical Recommendation: - Buy



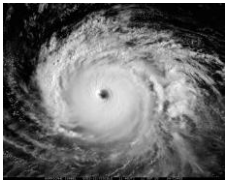
Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas (\$/MMBtu)	3.5	3.9	4.1	4.7	5.0	5.3
MCX Natural Gas (Rs./MMBtu)	166	181	192	217	232	243
NYMEX Natural Gas(March)	Buy in the range 4.120-4.180 targeting 4.575 then 4.800 with stop loss below 3.880.					
MCX Natural Gas(February)	Buy in the range 197-199 targeting 208 then 214 with stop loss below 192.					



Last week's Price Movement



Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	February	4.80	4.82	4.25	4.32	-8.86	521784	24.209	257651	1.45
	March	4.80	4.80	4.27	4.34	-8.05	178134	3.77	106183	0.81
MCX (Rs/MMBtu)	January	220	222	196	201	-8.35	134412	243.28	17859	227.57
	February	204	210	201	209	-7.53	10141	208.89	1626	65.24



Review

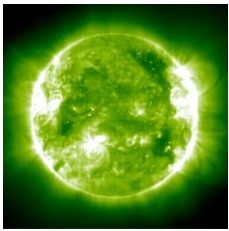


A bearish trend was witnessed on gas future prices in the last week. Gas futures have fallen from five month's high in the last week. January futures expired on last Tuesday at Rs.201/MMBTU. Similarly, on Thursday February contract got expired and closed at 4.32/MMBTU, declined by more than 4%. On weekly basis, gas prices have fallen more than 8% in NYMEX and in MCX, highest in last six week time.

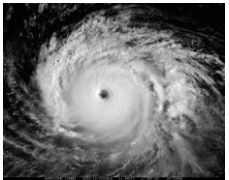


Gas future prices opened on a positive note but the rally could not continue in the last week. Global equity market and other economic releases were not so supportive for gas future prices. Depressed sentiment of the investors might have made gas futures to fall in spite of falling inventory level. As per EIA, natural gas storage has declined by 174 Bcf in the last week, higher than expectation. The supply and demand fundamentals remain uninspiring for the gas market. Profit booking might have taken place which pressurized gas prices. Similarly, due to rollover of contracts also January and February contracts have fallen more before their expiry.

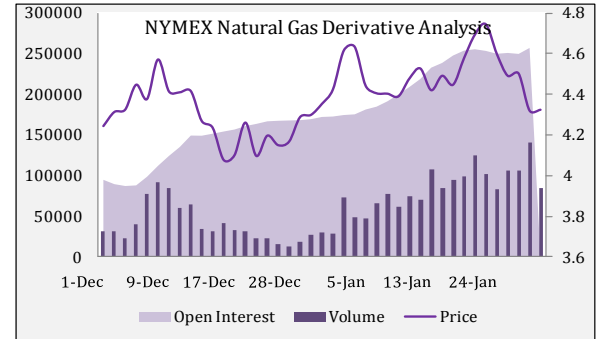
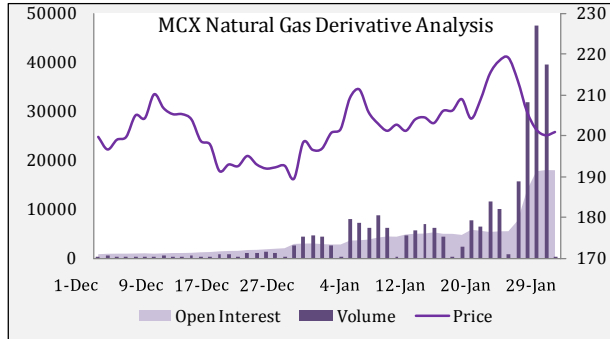




Energy Weekly

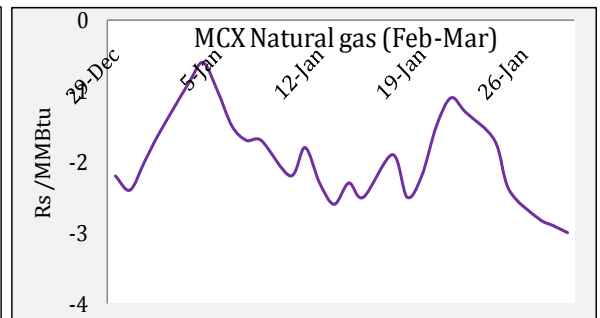
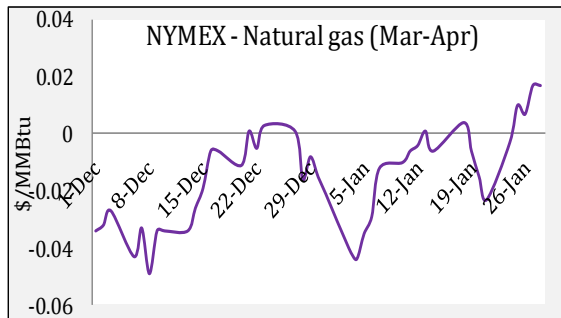


Derivative Analysis of Natural Gas Future Contracts

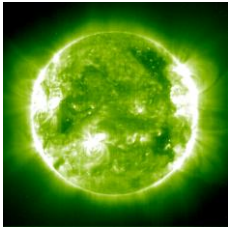


In the coming week, we are expecting Gas prices to trade on positive trend in the coming week supported by falling inventory level and improving economy of US. Storage level of the natural gas is also in a declining trend, which may support gas prices to take cues. Meanwhile, the rig counts have been 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 positive range, whereas actual storage report may have some pressure on gas prices in mid of the week.

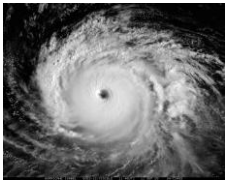
Calendar spread



Calendar spread increased to Rs.3 in MCX for February and March contracts. Current month contract declined more than far month contract, which made spread to increase. Similarly, spreads difference declined near 0.017 cents in NYMEX future contracts. However, we may expect the spread to decline in the coming week, as current month contract may trade in a higher trend in comparison to far month contract.



Energy Weekly

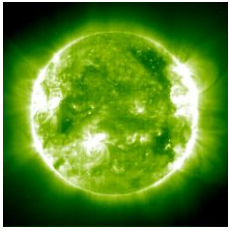


Technical analysis:

NYMEX Natural gas

Natural gas future prices traded completely lower on last week by reversing the previous trend. It made a high of 4.823 levels and low of 4.252 and settled lower at 4.323 levels. It was down by more than 8.3% on last week. Closing of the weekly candle renders indecisive movements for the coming week. Natural gas is witnessing **"TREND CHANNEL"** formation on the higher side and prices are trading at lower levels after witnessing resistance of the upper trend channel. Prices are hovering within the trend channel from the past couple of weeks. Prices are witnessing **"Trend Line"** support at 4.250 levels. On sustained trade above is likely to trade higher. In case if market breaches and sustains below would lead the prices to further downside. The principle of **"Fibonacci Retracement"** states that Natural gas is witnessing crucial support at 4.300 levels (23.6% retracement) of the range 3.854-5.749 levels. On sustained trade above would lead the prices to remain higher. In case if markets fails to sustain above is likely to test its origin point of 3.854 levels on the down side. The momentum indicator RSI weekly 14 is trading at 0.449 levels showing potential for the markets to trade positive. We expect price to trade sideways to higher and recommend buying at the lower levels for the coming week.



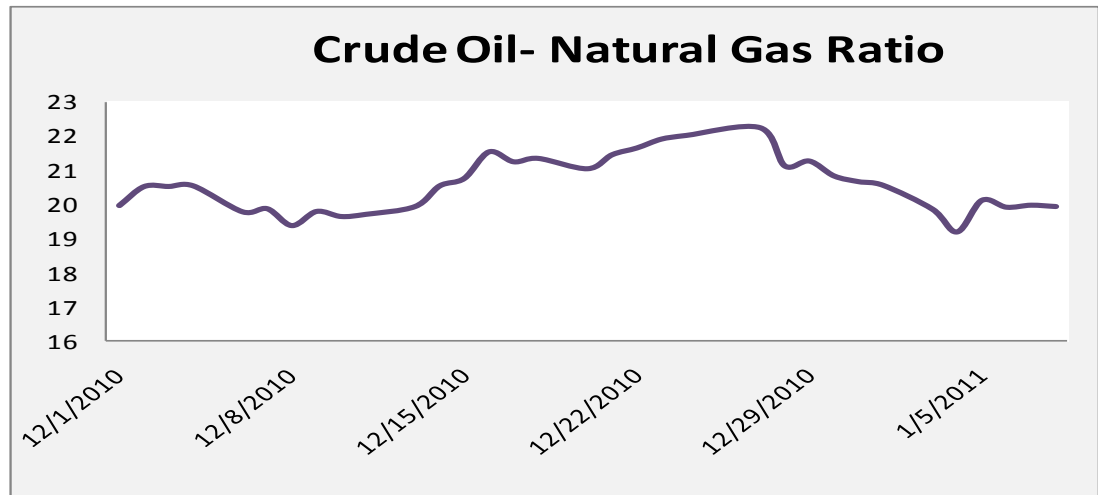


Energy Weekly



Crude Oil –Natural Gas Ratio

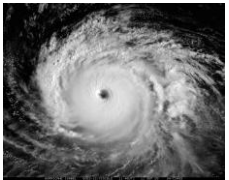
This week ratio between crude oil and Natural gas stands at 21, which is higher than last week ratio. Ratio declined in beginning of the week; however it recovered before weekend. Oil prices managed to recover from the losses, whereas natural gas prices fell by more than 8%. However, as per weekly view, we may expect the ratio to remain in the same range in the coming week.

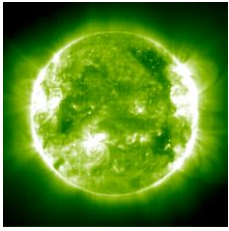


MAJOR ECONOMIC RELEASES IN THE COMING WEEK

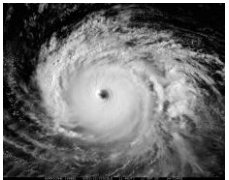


Date Time	Region	Event	Period	Survey	Prior
1/31/2011 19:00	US	Personal Income	DEC	0.40%	0.30%
01/31/2011 19:00	US	Personal Spending	DEC	0.50%	0.40%
01/31/2011 20:15	US	Chicago Purchasing Manager	JAN	65	66.8
01/31/2011 21:00	US	Dallas Fed Manf. Activity	JAN	15	12.8
02/01/2011 06:30	CH	PMI Manufacturing	JAN	53.5	53.9
02/01/2011 08:00	CH	HSBC Manufacturing PMI	JAN	--	54.4
02/01/2011 11:00	IN	Exports Y/Y%	DEC	--	26.50%
02/01/2011 11:00	IN	Imports Y/Y%	DEC	--	11.20%
02/01/2011 14:25	GE	Unemployment Rate (s.a)	JAN	7.50%	7.50%
02/01/2011 14:25	GE	PMI Manufacturing	JAN F	60.2	60.2

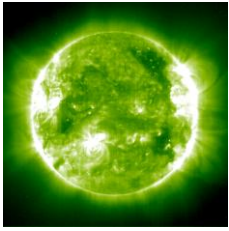




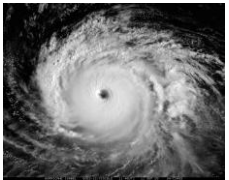
Energy Weekly



Date Time	Region	Event	Period	Survey	Prior
02/01/2011 14:30	EC	PMI Manufacturing	JAN F	56.9	--
02/01/2011 15:00	UK	PMI Manufacturing	JAN	57.9	58.3
02/01/2011 15:30	EC	Euro-Zone Unemployment Rate	DEC	10.10%	10.10%
02/01/2011 20:30	US	Construction Spending M/M	DEC	0.10%	0.40%
02/01/2011 20:30	US	ISM Manufacturing	JAN	57.5	57
02/01/2011 20:30	US	ISM Prices Paid	JAN	73.5	72.5
02/02/2011 03:30	US	ABC Consumer Confidence	30-Jan	--	-44
02/02/2011 03:30	US	Domestic Vehicle Sales	JAN	9.60M	9.46M
02/02/2011 03:30	US	Total Vehicle Sales	JAN	12.70M	12.53M
02/02/2011 15:00	UK	PMI Construction	JAN	48.9	49.1
02/02/2011 15:30	EC	Euro-Zone PPI (M/M)	DEC	0.80%	0.30%
02/02/2011 15:30	EC	Euro-Zone PPI (Y/Y)	DEC	5.40%	4.50%
02/02/2011 17:30	US	MBA Mortgage Applications	28-Jan	--	-12.90%
02/02/2011 18:45	US	ADP Employment Change	JAN	150K	297K
02/03/2011 06:30	CH	China Non-manufacturing PMI	JAN	--	56.5
02/03/2011 12:00	IN	Food Articles WPI Y/Y	22-Jan	--	15.57%
02/03/2011 12:00	IN	Fuel Power Light WPI Y/Y	22-Jan	--	10.87%
02/03/2011 12:00	IN	Primary Articles WPI Y/Y	22-Jan	--	17.26%
02/03/2011 14:25	GE	PMI Services	JAN F	60	60
02/03/2011 14:30	EC	PMI Composite	JAN F	--	56.3
02/03/2011 14:30	EC	PMI Services	JAN F	55.2	--
02/03/2011 15:00	UK	PMI Services	JAN	50.5	49.7
02/03/2011 15:30	EC	Euro-Zone Retail Sales (M/M)	DEC	0.50%	-0.80%
02/03/2011 15:30	EC	Euro-Zone Retail Sales (Y/Y)	DEC	0.20%	0.10%
02/03/2011 18:15	EC	ECB Announces Interest Rates	3-Feb	1.00%	1.00%



Energy Weekly



Date Time	Region	Event	Period	Survey	Prior
02/03/2011 19:00	US	Initial Jobless Claims	29-Jan	--	454K
02/03/2011 19:00	US	Continuing Claims	22-Jan	--	3991K
02/03/2011 20:30	US	ISM Non-Manf. Composite	JAN	57	57.1
02/03/2011 20:30	US	Factory Orders	DEC	1.30%	0.70%
02/04/2011 19:00	US	Change in Nonfarm Payrolls	JAN	130K	103K
02/04/2011 19:00	US	Change in Private Payrolls	JAN	150K	113K
02/04/2011 19:00	US	Change in Manu fact. Payrolls	JAN	10K	10K
02/04/2011 19:00	US	Unemployment Rate	JAN	9.50%	9.40%

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