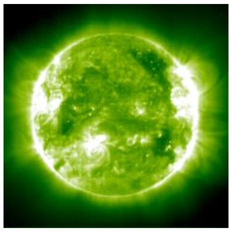
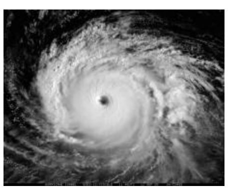
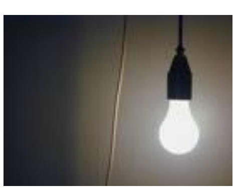
Energy Weekly







Technical Recommendation:-Sell

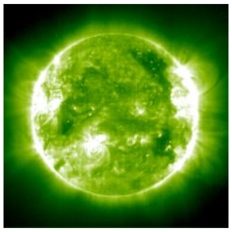
Exchange	S3	S2	S1	R1	R2	R3
Mar- Crude oil - Nymex ($/bbl)	82.9	85.7	87.3	91.8	94.5	96.2
MCX Crude oil – Feb (Rs/bbl)	3819	3937	4011	4203	4321	4395
Nymex crude oil (March)	Sell on break of 88.50 TP 85.5/83 SL 91					
MCX Crude oil (February)	Sell at 4120-30 TP 4000 SL 4175					

Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude ($/bbl)	March	89.97	92.84	88.4	89.03	-0.35%	1766784	-11.51%	375845	-5%
	April	91.99	94.89	90.89	91.85	0.19%	758095	-16.14%	152899	23%
ICE Brent Crude ($/bbl)	March	99.61	103.37	98.5	99.83	0.00%	897831	0.00%	153670	0%
	April	99.91	103.7	98.65	100.25	0.00%	573952	0.00%	193378	0%
MCX WTI Crude	February	4125	4247	4055	4090	-0.66%	946489	48.40%	28372	20%
	March	4246	4363	4196	4233	0.00%	66024	31.86%	7172.00	31%

Review: Crude oil futures traded on a zigzag manner and closed on negative note. Oil futures opened on a higher trend on the back of supply concern due to prevailing riots in Egypt. However, the trend could not continue through out the week, and prices fell near 1% in MCX platform on weekly basis. Oil prices influenced by protest in Egypt and the concern of supply shortage remained through Suez Canal and Sumed pipeline, which carries nearly 3 million barrels of oil and fuel together per day between Middle East and Europe. Thus, on concern of supply disruption, refineries have increased their performance and petroleum products have been increased. As per American petroleum institute, total crude oil inventory have been increased by more than 3 million barrels in the last week. As per DOE, Gasoline stocks have been climbed up by 6 million barrels. Gasoline stocks have piled up to one year high. In Cushing and Oklahoma delivery centre, crude oil stocks have been increased. However, bearish crude oil inventory report did not affect oil prices so much, as production have been increased on expectation of shortage of oil supply due to unrest Egypt.

On economic front, most of the economic releases from the US results positive for their economy. Most importantly, unemployment came down to 9% in January, though payroll additions were less in comparison to December. As per ADP, employment has been increased. US people's, personal consumption and income has been increased. In the last month, vehicle sales have been increased, indicating higher rate of fuel consumption. Dollar index climbed up by more than 0.40% and closed at 78.04 levels. As dollar index strengthened Brent crude oil fell the more in comparison to WTI and the spread declined to $10.8. Brent crude oil traded below



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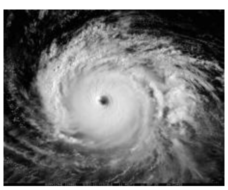
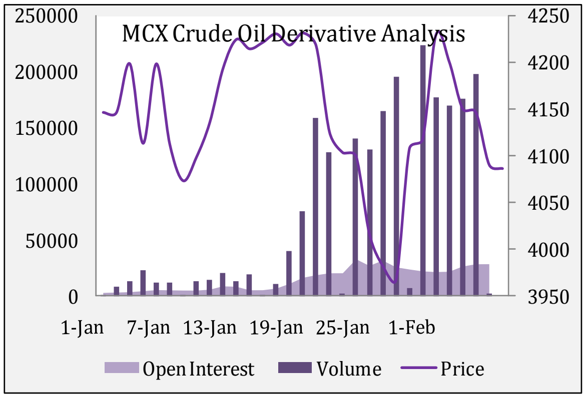
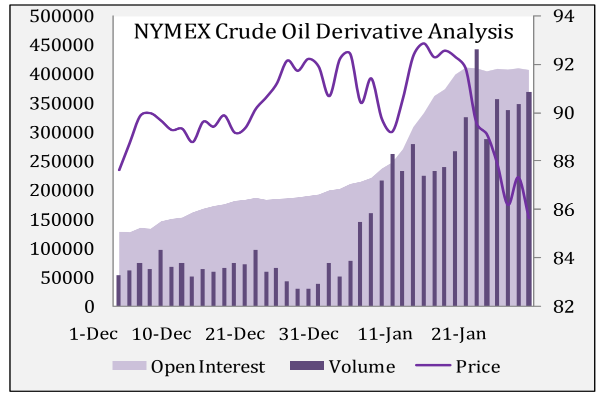


$100 and closed at $99.83 / bbl on Friday. Better economy made equity market to trade on higher side, on other side, manufacturing activities of the Euro-zone and German has been increased. Overall, world equity index closed with gain of more than 2% in the last week.

Derivative Analysis of Crude Oil Future Contracts



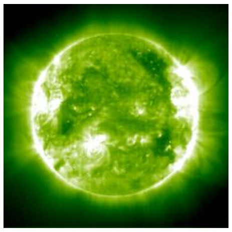


US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	343159	340565	2594
Gasoline	236228	230074	6154
Distillate	164078	165657	-1579
Refinery utilization (%)	84.5	81.8	2.7
EIA Working gas storage (Bcf)			
Natural gas	2353	2542	-189

Outlook

In the coming week, we are expecting oil futures to trade on lower trend, on account of higher storage levels. In the coming week data releases, US consumer credit is expected to increase, supported by improved income and spending of US people. However, economic releases in the form of trade balance of major countries are likely to result negative for economy, so on oil prices. US trade deficit may increase in January; similarly China's trade balance may decline for fourth consecutive month. Thus cooling economy of China, may force oil prices to trade on lower trend. However, export data is likely to increase, whereas import may decline as per the survey report for both German and China. Wholesale inventory is expected to increase, which indicates lower demand from retailers which may have negative impact on prices. On the other hand, industrial production of German is expected to increase, whereas factory orders may decline in January. On fundamental front, inventory levels are at 7 week's high level. WTI crude oil has been piled up in Cushing and Oklahoma centre. Thus, continuous increasing inventory levels are likely to have negative impact on oil futures. On contrary, any major concern from Egypt riots on oil supply may change oil price movement.



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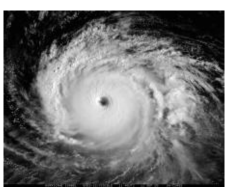
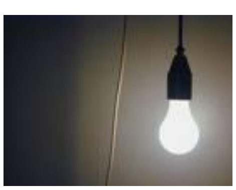
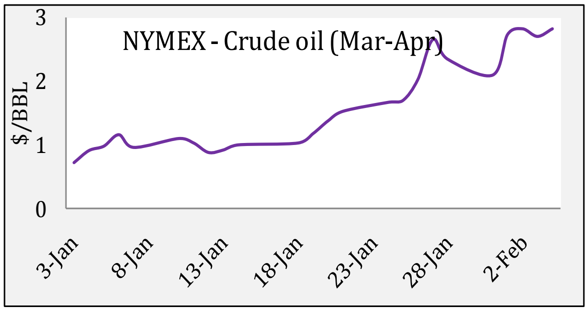


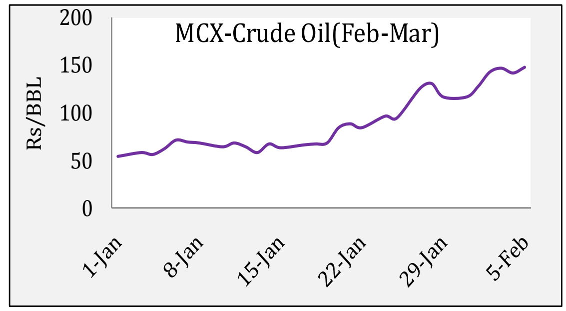


Facts to watch out:

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

Calendar spread



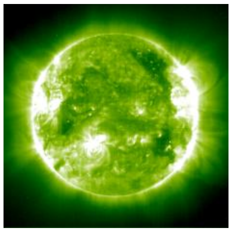


Calendar spread between the consecutive contracts stands at Rs.147.Spread difference had been increased to its life time high at Rs.147 as current month contract declined more in comparison to far month contract in MCX. Similar changes also seen in NYMEX traded oil future contracts. However, we may expect spread to decline in the coming week.

Technical analysis:

CRUDE Oil NYMEX:

March crude oil futures prices traded initially higher and finally closed lower on last week. Crude oil made a high of 92.84 then low of 88.40 levels and settled higher at 89.03 levels. It was down by around 0.35% on last week. Closing of the weekly candle renders downside movements for the coming week. Prices are witnessing crucial resistance at 93-93.50 levels (previous swing highs). On sustained trade below is likely to remain lower. On the lower side crucial ***"Trend Line"*** support is seen at 86 levels. On breach and sustained trade below would lead the prices to further lows. Prices are witnessing ***"TREND CHANNEL"*** formation on the upper side and prices are hovering 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 and immediate support of 88.60 levels which is 23.6% retracement of the range 72.60-93.46 levels. On breach and sustained trade below is likely to remain lower and has potential for the prices to test 85.60 levels which is 38.2% retracement of the above mentioned range. The momentum indicator weekly ***RSI-14*** is treading at 0.546 levels and showing indecisive trend. Hence, we expect prices to trade lower and recommend Selling on break of immediate support levels.



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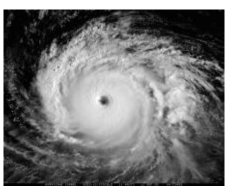
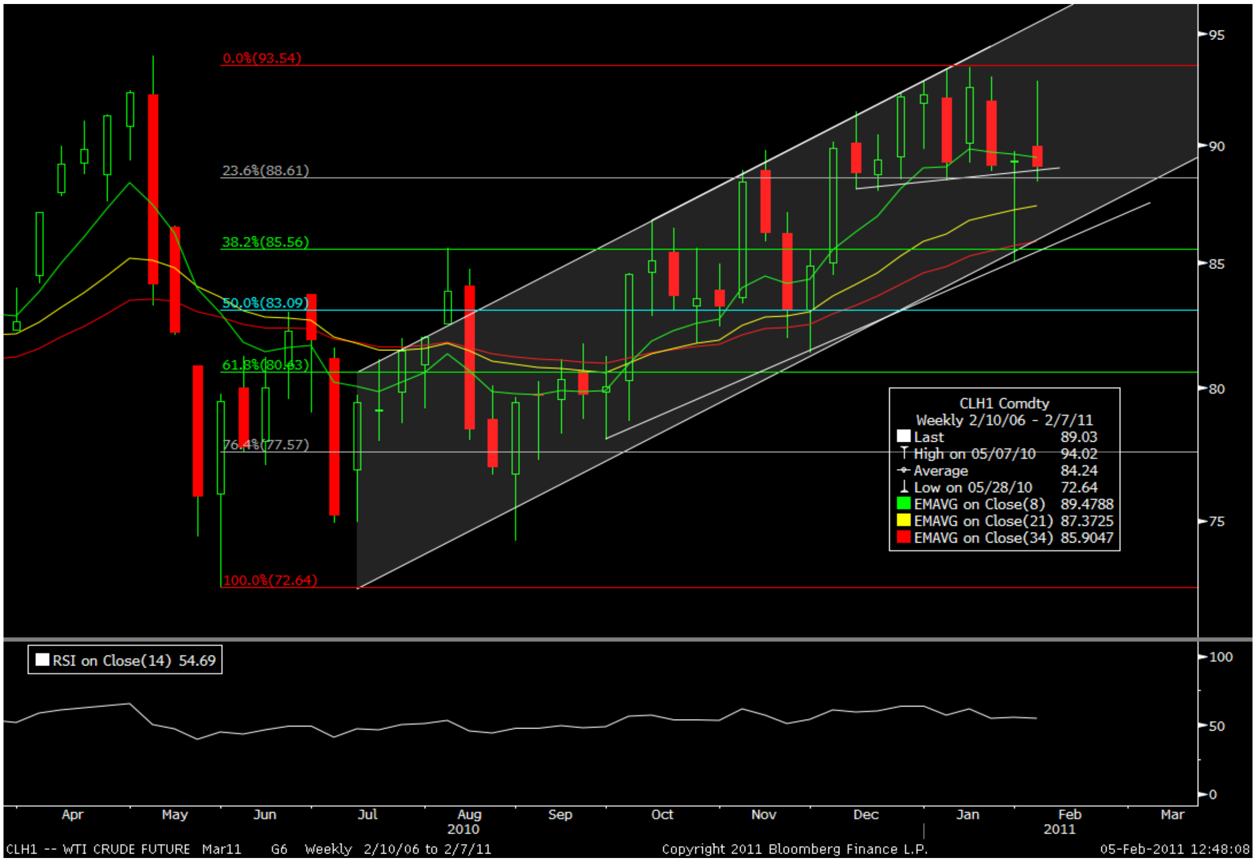
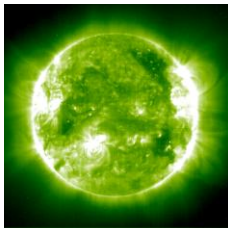




Natural Gas

Technical Recommendation: - Sell

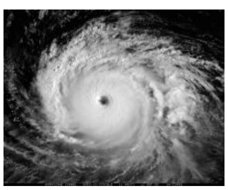
Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas ($/MMBtu)	4.024	4.155	4.233	4.442	4.573	4.651
MCX Natural Gas (Rs./MMBtu)	184.7	190.9	194.3	203.9	210.1	213.5
NYMEX Natural Gas(March)	Sell in the range 4.360-4.370 TP 4.132 then 4.000 with stop loss above 4.500					
MCX Natural Gas(February)	Sell in the range 200-202 targeting 195 then 187 with stop loss above 207					



Energy Weekly

Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX	March	4.32	4.50	4.29	4.31	-0.30	599808	13.379	239945	-5.34
($/MMBtu)	April	4.36	4.51	4.31	4.34	0.05	232504	28.68	115130	8.48
MCX	February	204	207	197	198	-2.37	215991	58.62	19945	13.21
(Rs/MMBtu)	March	209	221	206	221	-2.24	16771	60.23	2857	75.38

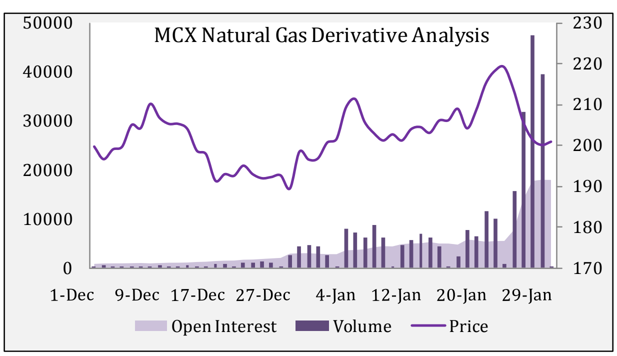


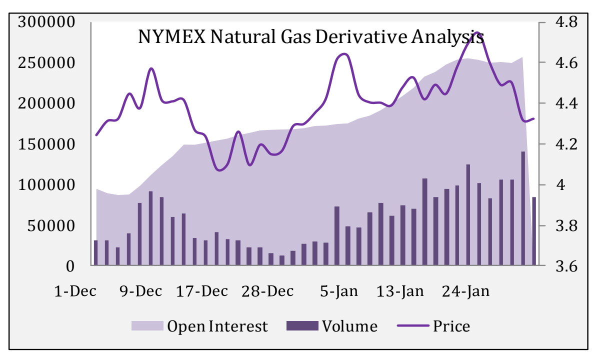
Review

Like crude oil Natural gas futures prices also traded on a zigzag trend and closed on negative note on MCX, and fell by more than 2%. However, NYMEX traded March contract managed to gain some point before closing on weekly basis, though it closed on negative note.

As per National Weather Services, US more than one third of population of the US were expected to under winter blizzard. Thus, on expectation of snowy weather gas futures traded on higher trend in mid of the week. Supported by global economy and equity market, gas futures made a high of Rs.207/ MMBTU. As per EIA natural gas storage data has been declined by more than 189 Bcf, which is higher than expectation. However, gas futures could not take cues as total crude oil inventory has been increased. Rig counts have been increased by seven numbers, which also supported gas prices to take negative cues. As per PVO analysis, volume and prices have declined for February contract, whereas open interest has been increased indicating a bearish trend.

Derivative Analysis of Natural Gas Future Contracts





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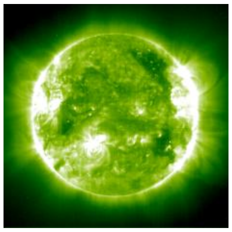
In the coming week, we are expecting Gas prices to trade on positive trend, ahead of storage data releases on Thursday. As per NHC, many states of the US are under heavy winter blanket,



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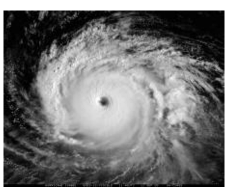
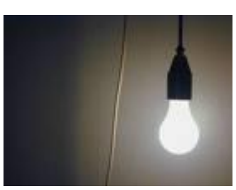
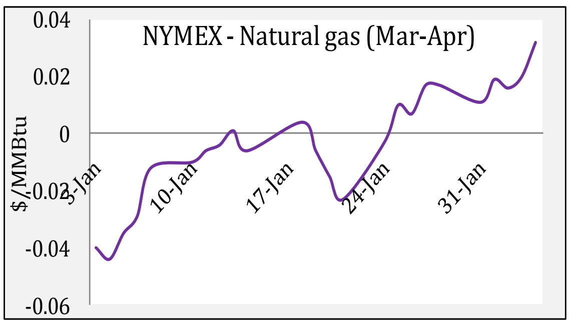
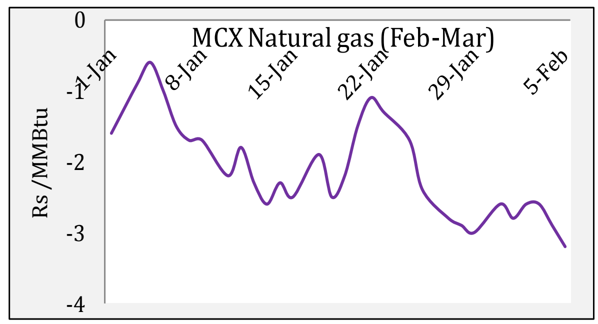


which may support gas futures to take positive cues. For more than 9 countries, winter advisory has been issued by NHC. Egypt's natural gas pipeline has been exploded in EL Arish, which may support gas futures to take positive cues in beginning of the week. As per EIA, natural gas storage level is still at five year average high level. Most of the economic releases in the coming week may have negative impact on gas prices. Thus, we may expect gas prices to trade on positive trend; however there may be some pressure on price movement amid economic releases and inventory data.

Calendar spread



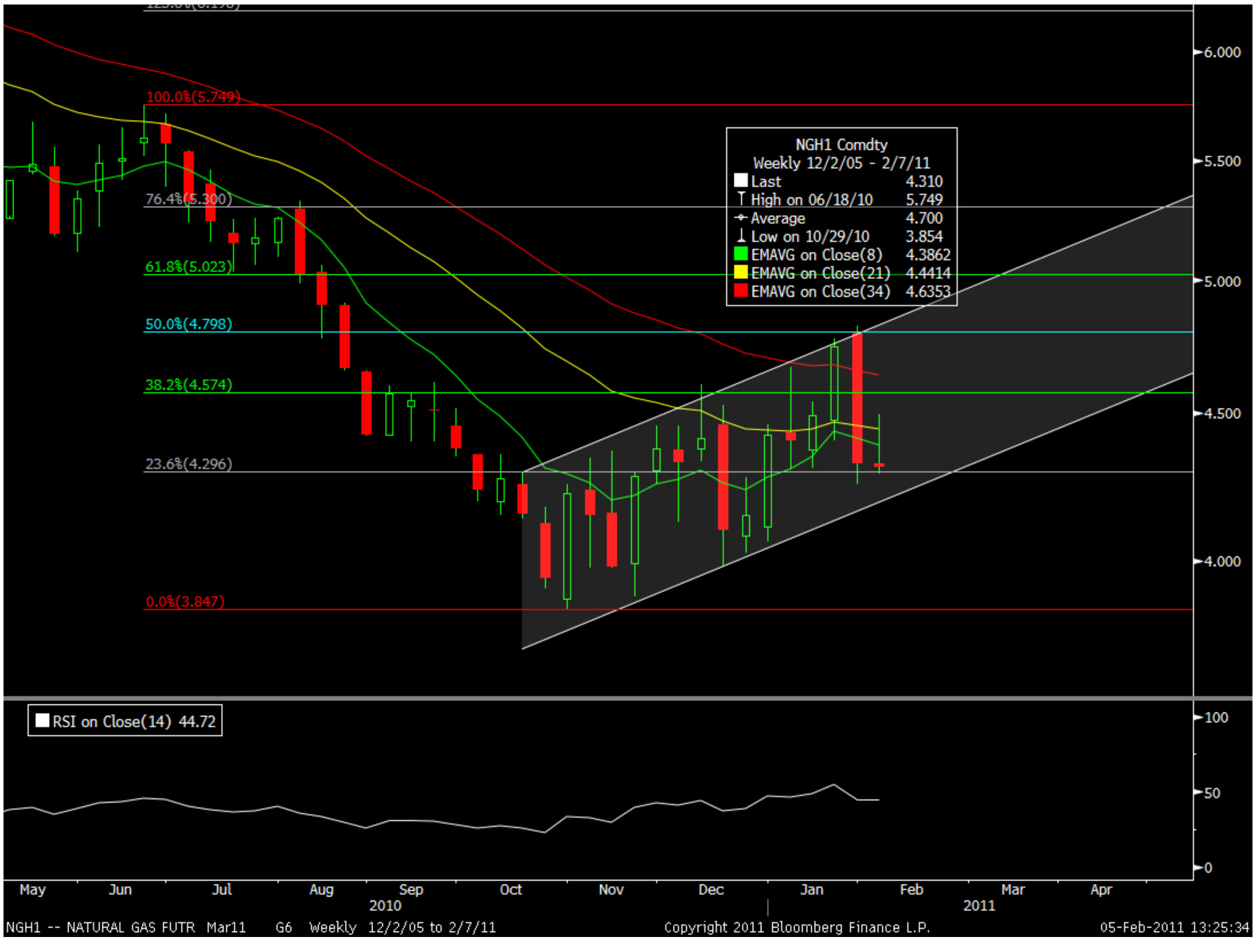


Calendar spread increased to Rs.3 in MCX for February and March contracts. Current month contract declined more than far month contract, which made spread to increase. Similarly, spreads difference declined near 0.017 cents in NYMEX future contracts. However, we may expect the spread to decline in the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

Technical analysis:

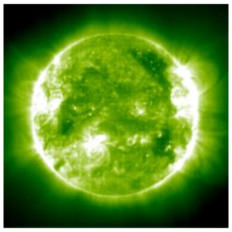
NYMEX Natural gas

Natural gas future prices traded marginally lower on last week's close by continuing the previous trend. It made a high of 4.496 levels then low of 4.287 and settled lower at 4.310 levels. It was down by 0.30% on last week. Closing of the weekly candle renders downside movements for the coming week. Natural gas is witnessing ***"TREND CHANNEL"*** formation on the higher side and this time prices are nearing to witness the lower trend channel. Prices are hovering within the trend channel from the past couple of weeks. Prices are witnessing crucial ***"Trend Line"*** support at 4.200 levels. On sustained trade below would lead the prices to trade further lower side. The principle of ***"Fibonacci Retracement"*** states that Natural gas is witnessing crucial and immediate support at 4.300 levels (23.6% retracement) of the range 3.854-5.749 levels. On breach and sustained trade below is likely to remain on downside. Incase if markets fails to sustain below support levels of 4.300 levels downside movements would be limited. The momentum indicator RSI weekly 14 is treading at 0.447 levels indecisive movements for coming week. We expect price to trade sideways to lower and recommend selling at resistance levels.



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 remains unchanged through out the week as both of the commodities traded on zigzag trend and closed on negative note. As per our weekly view, the ratio may decline slightly from the last week.



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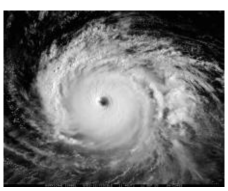
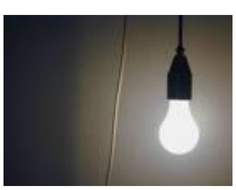
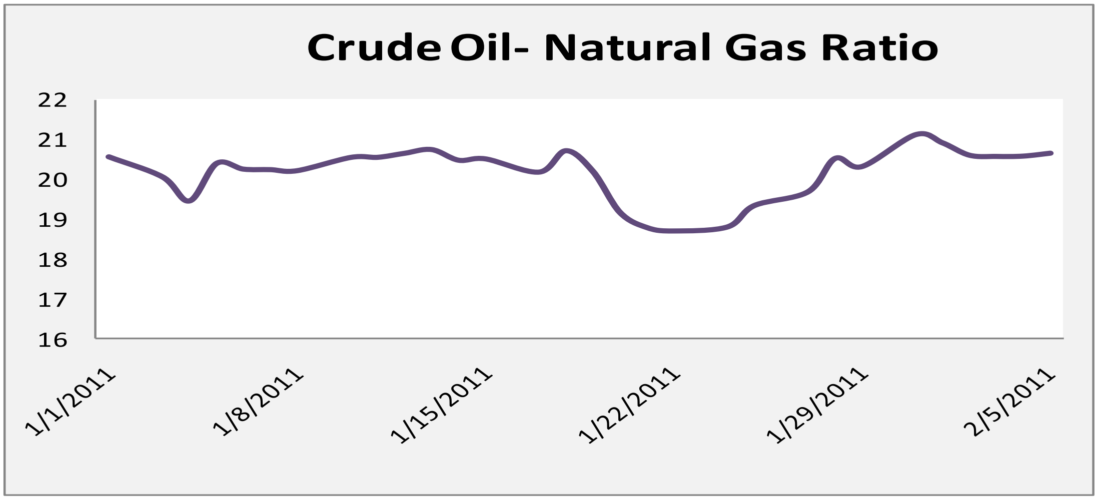
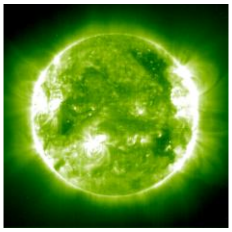






MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Region	Event	Period	Survey	Prior
02/07/2011 16:30	GE	Factory Orders M/M (sa)	DEC	-1.50%	5.20%
02/08/2011 01:30	US	Consumer Credit	DEC	$2.500B	$1.346B
02/08/2011 05:20	JN	Current Account Balance YOY%	DEC	24.20%	-15.70%
02/08/2011 16:30	GE	Industrial Production M/M (sa)	DEC	0.20%	-0.70%
02/09/2011 03:30	US	ABC Consumer Confidence	6-Feb	- -	-41
02/09/2011 08:00	CH	China HSBC Services PMI	JAN	- -	53.1
02/09/2011 10:30	JN	Consumer Confidence	JAN	- -	40.2
02/09/2011 12:30	GE	Exports SA (M/M)	DEC	1.00%	0.50%
02/09/2011 12:30	GE	Imports SA (M/M)	DEC	0.80%	4.10%
02/09/2011 12:30	GE	Current Account (EURO)	DEC	14.0B	12.0B
02/09/2011 12:30	**GE**	**Trade Balance**	**DEC**	**12.0B**	**12.9B**
02/10/2011 07:30	**CH**	**Trade Balance (USD)**	**JAN**	**$10.20B**	**$13.10B**
02/10/2011 07:30	CH	Exports Y/Y%	JAN	22.40%	17.90%
02/10/2011 07:30	CH	Imports Y/Y%	JAN	21.90%	25.60%
02/10/2011 15:00	UK	Industrial Production (M/M)	DEC	0.50%	0.40%



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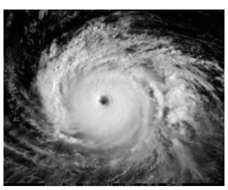

Date Time	Region	Event	Period	Survey	Prior
02/10/2011 15:00	UK	Manufacturing Production (M/M)	DEC	0.40%	0.60%
02/10/2011 19:00	US	Initial Jobless Claims	5-Feb	410K	415K
02/10/2011 19:00	US	Continuing Claims	29-Jan	3900K	3925K
02/10/2011 20:30	US	Wholesale Inventories	DEC	0.80%	-0.20%
02/11/2011 00:30	US	Monthly Budget Statement	JAN	-$60.0B	- -
02/11/2011 11:00	**IN**	**Industrial Production Y/Y**	**DEC**	**1.60%**	**2.70%**
02/11/2011 12:30	GE	Wholesale Price Index (M/M)	JAN	- -	1.80%
02/11/2011 19:00	**US**	**Trade Balance**	**DEC**	**-$40.2B**	**-$38.3B**
02/11/2011 20:25	US	U. of Michigan Confidence	FEB P	75	74.2

Prepared By:

Aurobinda Prasad G: Aurobinda@karvy.com

Smitarani Tripathy: Smitarani.tripathy@karvy.com