

Energy Weekly



Technical Recommendation:-Sell

Exchange	S3	S2	S1	R1	R2	R3
Mar- Crude oil - Nymex (\$/bbl)	79.5	82.3	83.9	88.4	91.2	92.8
MCX Crude oil – Feb (Rs/bbl)	3868	3969	4030	4192	4293	4354
Nymex crude oil (March)	Sell at 86.50-87 TP 83.00 then 81.50 SL 89.6					
MCX Crude oil (February)	Sell at 4130-50 TP 4030 then 4000 SL 4185					



Last week's Price Movement

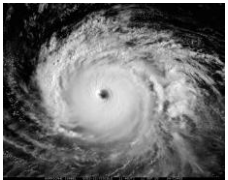
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	March	89.06	89.54	85.1	85.58	-3.88%	1852997	3.39%	221434	-39%
	April	92.01	92.42	88.7	89.13	-2.96%	1065519	38.62%	221746	41%
ICE Brent Crude (\$/bbl)	March	99.83	102.88	97.51	101.43	1.60%	682872	-23.94%	23196	-84%
	April	100.25	103.34	98.12	100.94	0.69%	1031809	79.77%	212693	2%
MCX WTI Crude	February	4085	4085	3896	3910	-4.35%	951117	0.24%	41790	47%
	March	4220	4231	4069	4089	-3.40%	82475	23.95%	11364.00	59%



Review: A bearish trend was witnessed in the last week in crude oil prices movement. MCX traded February futures closed at Rs.3910/bbl on Friday by losing more than 4% on weekly basis. Similarly, NYMEX traded March contract traded below \$86/bbl and closed at \$85.58 on Friday session.

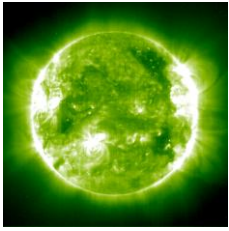


Oil prices fell in the last week by taking negative cues from both fundamental and economical factors. As per US Energy Department, total crude oil inventory has been increased by more than 1.8 million barrels in the last week, though in a lower pace from prior week. Currently, total crude oil inventory is at high from last two month's level. Due to lower demand of Gasoline, stocks have been increased by more than 4 million barrels, however distillates demand for heating oil and gas oil is still there due to winter season. Refineries have declined their production capacity as stocks are at peak level. Thus, refinery utilization increased but very insignificant from prior week. Crude oil inventory in Cushing and Oklahoma has been declined by more than 900 barrels as the supply concern due to Egypt, has diminished in the last week. Pirates have hijacked a ship tanker from Kuwait to US gulf which was containing one fifth of US import of a day. US weather condition was also milder, which made a lower demand sentiment in the market.

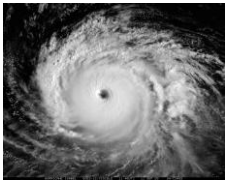


On economic front, most of the economic releases from the US results positive for their economy. Consumer credit of the US citizen has been increased in December, indicating better financial condition. Employment numbers have been increased in the last week. However, wholesale inventories have been increased in the last two months time, making US trade deficit





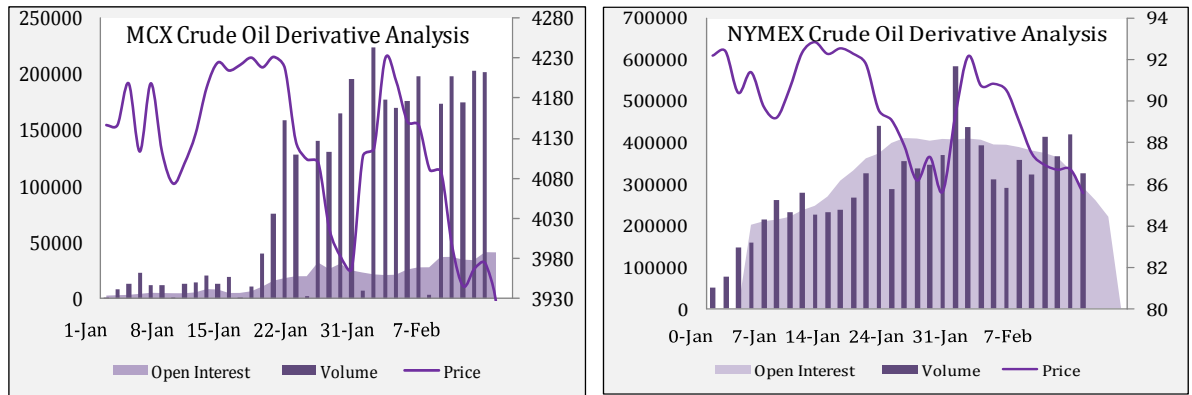
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more widen. Thus, widening trade deficit data had negative impact on oil prices on Friday night, combined with easing concern of supply disruption. Egypt President Hosni Mubarak have resigned and handed over the power to military. Thus, after the news oil prices fell from its day high and closed by losing more than 1.5% from Thursday. However, in mid of the week other factors like increasing interest rate of China to cool their economy also pressurized oil prices. Similarly, declining trade balance of German and falling manufacturing activities in UK had also negative impact on market. In the last week, dollar index managed to regain its prior week losses and closed with a gain of 1% at 78.44 levels. Thus, strengthening dollar index have also supported oil prices to trade on lower trend. World equity market closed with a gain of more than 1%, supported by better performance of US equity market mostly.

As per CFTC, total short positions have been increased whereas long positions have been declined making a bearish sentiment in the market. As per PVO analysis, price have fallen, whereas open interest have increased the most and a slight improvement in volume is witnessed in February contract. Thus, the bearish trend is still continuing from last two weeks.

Derivative Analysis of Crude Oil Future Contracts

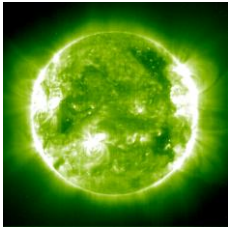


US Crude Oil Inventory

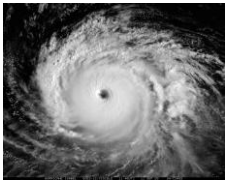
DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	345057	343159	1898
Gasoline	240891	236228	4663
Distillate	164366	164078	288
Refinery utilization (%)	84.7	84.5	0.2
EIA Working gas storage (Bcf)			
Natural gas	2144	2353	-209

Outlook

We would like to continue our view for crude oil future prices on lower side. Crude oil supply concern has been erased with calm down of Egypt on President Mubarak's resignation on last Friday. Thus the speculative rise in prices may not happen in the coming week on the back of



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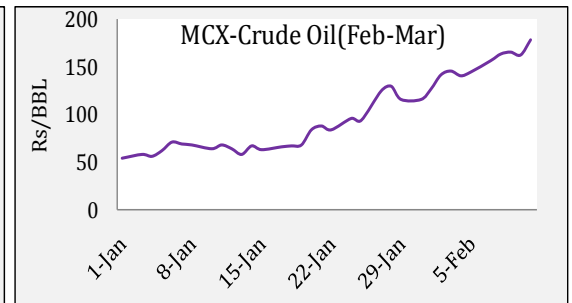
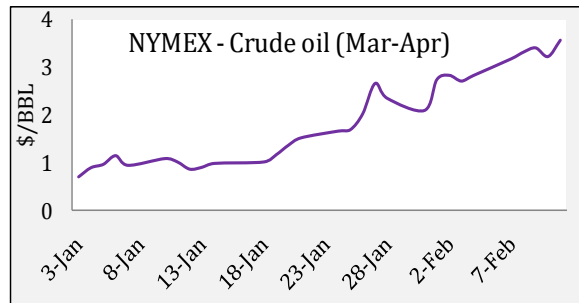


supply disruption. Inventory level is at higher level from last two months as per DOE data released in the last week. However, crude oil inventory have been declined at Cushing and Oklahoma delivery centre. As per commodity weather group, US weather condition is expected to remain mild for couple of weeks, which may pressurize the demand for Distillates. Thus, from fundamental front, we may expect oil prices to continue the bearish trend. However, on other hand some of the economic releases from US are expected to result positive for the economy, which may support oil prices to recover. In the beginning of week, GDP of world's third largest oil consumer; Japan is expected to come in negative. China's trade balance is likely to decline in January. Thus, oil prices may take negative cues from the data releases from this two world's major consumers. Important economic releases from the US in the form of industrial production activities and manufacturing activities are expected to increase in January. However, housing sectors data releases may be slightly mixed for the economy. On the other hand, actual inventory data releases in mid of the week may change the oil price movement. So, overall we may expect oil prices to trade on lower side, though the fall may be limited by expected supportive US economic releases.

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

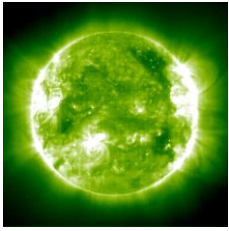


Calendar spread between the consecutive contracts stands at Rs.182. Spread difference had been increased to its life time high at Rs.182 as current month contract declined more in comparison to far month contract in MCX. Similar changes also seen in NYMEX traded oil future contracts. However, we may expect spread to decline in the coming week.

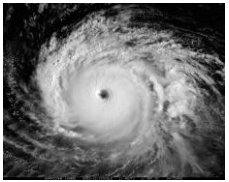
Technical analysis:

CRUDE Oil NYMEX:

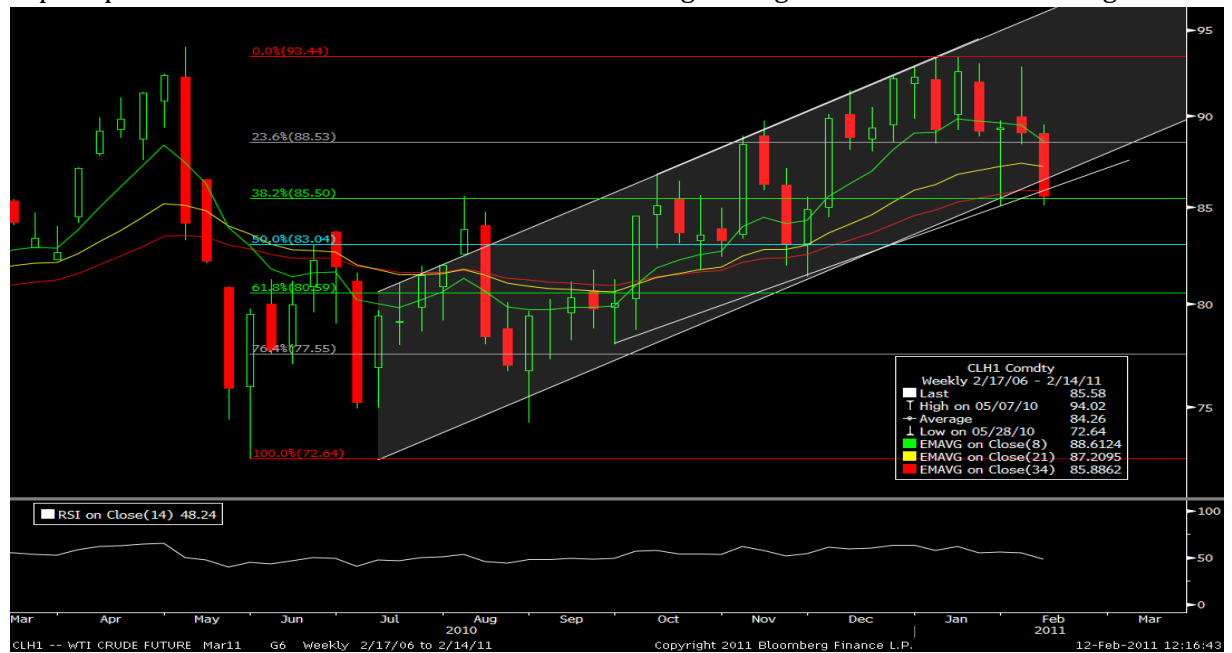
March crude oil futures prices traded completely lower on last week. It made a high of \$89.54 then low of \$85.10 levels and settled lower at \$85.58 levels. It was down by around 4% on last week. Closing of the weekly candle renders downside movements for the coming week. Prices have breached the crucial "**Trend Line**" support at \$85.8 levels. On sustained trade below would continue the prices to further lows. This time prices have breached the much awaited "**TREND CHANNEL**" breakout on the lower side suggesting the bearish trend. On sustained



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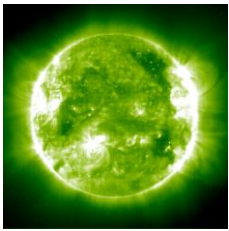
trade below would guide the prices to further downside movements. The principle of **"Fibonacci Retracement"** states that crude oil is witnessing crucial support of \$85.50 levels which is 38.2% retracement of the range \$72.60-93.46 levels. On breach and sustained trade below is likely to remain lower and has potential for the prices to test \$83.00 levels which is 50% retracement of the above mentioned range. Incase market sustains above the same would limit the losses. The **"Moving Average"** principle suggesting downside movements as prices are trading well below the short and medium term EMA's of (8, 21 & 34). The momentum indicator weekly **RSI-14** is trading at 0.482 levels and showing lower potential. However a mild correction on the higher side is expected before resuming its down trend. Hence, we expect prices to trade lower and recommend Selling on higher levels for the coming week.



Natural Gas

Technical Recommendation: - Sell

Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas (\$/MMBtu)	3.4	3.6	3.8	4.2	4.4	4.5
MCX Natural Gas (Rs./MMBtu)	156	169	175	194	207	213
NYMEX Natural Gas(March)	Sell in the range \$4.000-4.100 TP \$3.700 then \$3.354 with stop loss above 4.275.					
MCX Natural Gas(February)	Sell in the range Rs. 187-190 targeting Rs. 179 then Rs.173 with stop loss above Rs. 196.					



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Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	March	4.26	4.27	3.90	3.91	-9.28	879618	42.881	129454	-44.26
	April	4.29	4.31	3.96	3.98	-8.41	532154	117.44	149266	24.67
MCX (Rs/MMBtu)	February	197	197	179	180	-8.81	158099	-27.15	18388	-7.83
	March	222	223	199	206	-8.11	22615	33.35	5195	80.82



Review

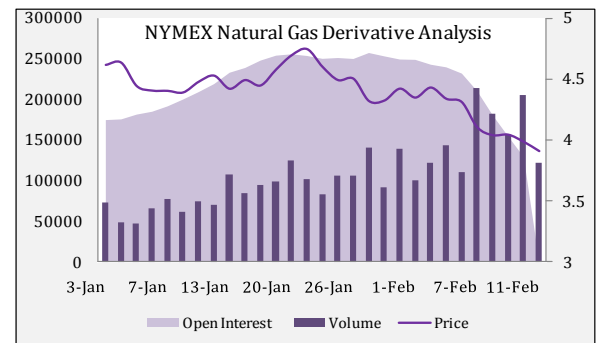
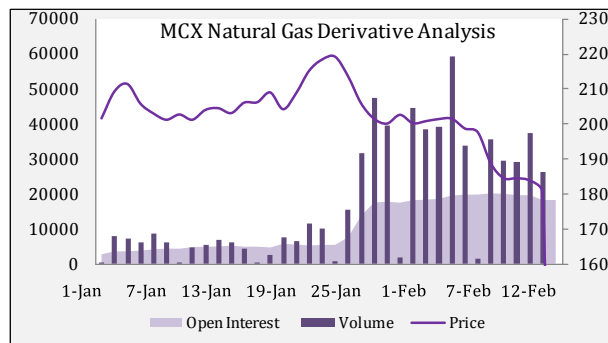
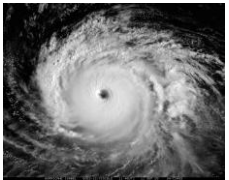
Like crude oil, natural gas future prices also fell in the last week. February contract traded below Rs.180/ MMBTU and closed at Rs.180 by losing near 9% in MCX platform. Similarly March contract have declined by more than 9% and settled at \$3.91 /MMBTU in NYMEX.



Natural gas future prices traded on a bearish trend despite of bullish storage report released in the last week. US weather condition was not so effective to drive gas prices and prices started falling from beginning of the week. Supply issue by Texas pipeline have erased as it resumed working on last Monday itself. As per EIA, natural gas storage level declined by 209 BCF, in the last week. However, the bearish sentiments in the market made gas prices to fall. As per PVO, volume have been declined more with prices, whereas open interest have been increased in February contract. Similarly, as per CFTC short positions have been increased in the last week. Thus, increasing bearish sentiment made gas prices to trade on lower trend.

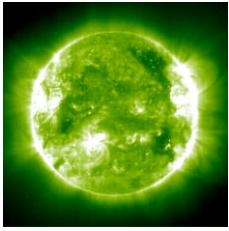


Derivative Analysis of Natural Gas Future Contracts

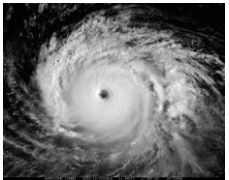


In the coming week, we are expecting Gas prices to trade on lower trend, ahead of storage data releases on Thursday. As per US commodity weather group, weather condition of the US is expected to remain mild for couple of weeks, which may lower demand for gas prices. However, US economic releases may support gas prices and may limit the fall.

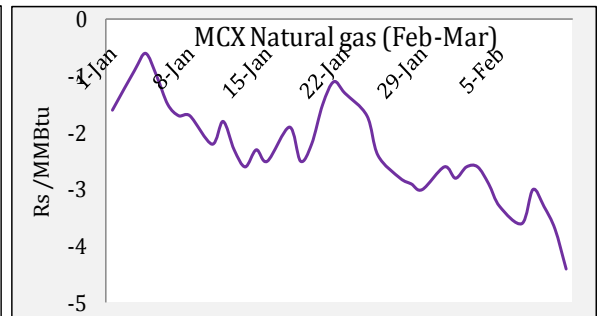
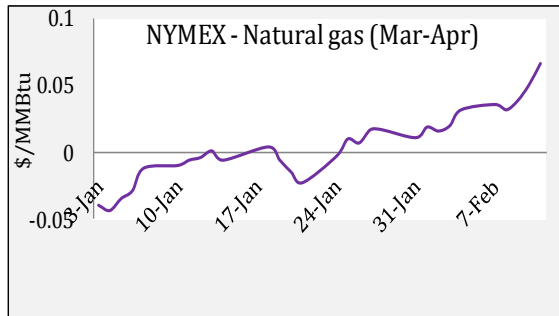




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Calendar spread

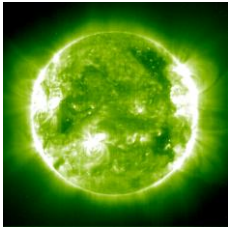


Calendar spread increased to Rs.5.6 in MCX for February and March contracts. Current month contract declined more than far month contract, which made spread to increase. Similarly, spreads difference declined in NYMEX future contracts. However, we may expect the spread to increase in the coming week, as current month contract may trade in a lower trend in comparison to far month contract.

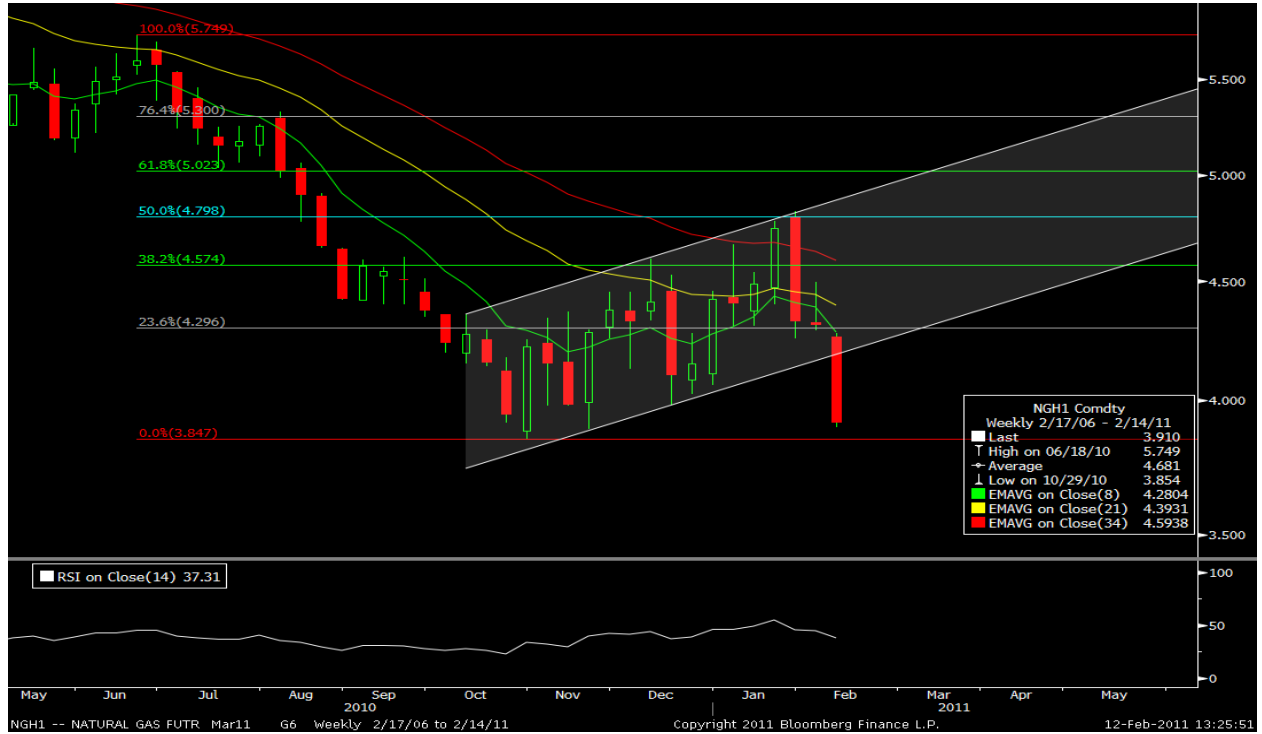
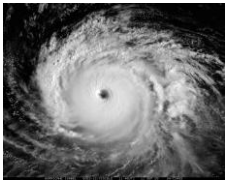
Technical analysis:

NYMEX Natural gas

Natural gas future prices traded completely lower on last week by continuing the previous trend. It made a high of \$4.274 levels then low of \$3.895 before settling lower at \$3.910 levels. It was down by 9 % on last week. Closing of the weekly candle renders downside movements for the coming week. Natural gas has given a **"TREND CHANNEL"** breakout on the lower side suggesting bearish movements for the coming week. Prices have also breached the 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 running towards the origin point of 3.854 levels of the range 3.854-5.749 levels. On breach and sustained trade below would lead the prices to further downside. In case if markets fails to sustain below support levels of 3.854 levels downside movements would be limited. The **"Moving Average"** principle suggesting downside movements as prices are trading well below the short and medium term EMA's of (8, 21 & 34). The momentum indicator **"RSI weekly 14"** is trading at 0.373 levels suggesting downside movements for coming week. We expect price to trade lower and recommend selling at resistance levels.

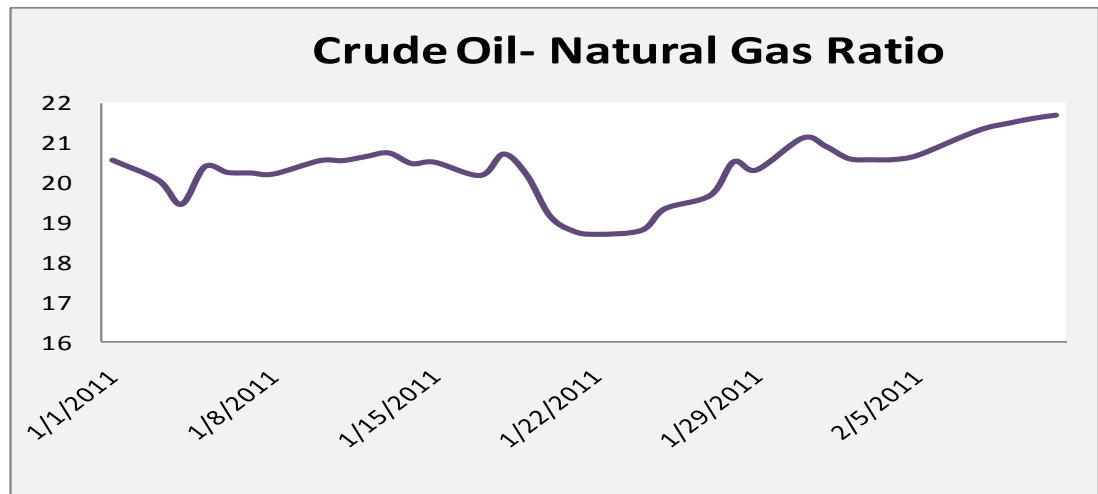


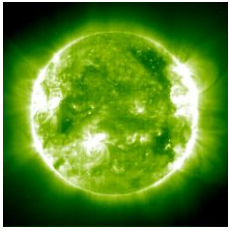
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Crude Oil - Natural Gas Ratio

This week ratio between crude oil and Natural gas stands at 22, which is higher than last week's ratio. Natural gas price have fallen the most in comparison to crude oil prices, which made ratio to increase.

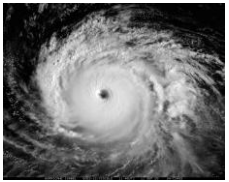


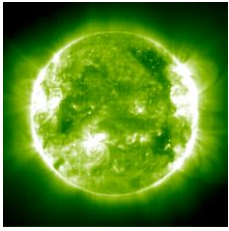


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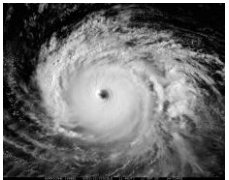
MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Region	Event	Period	Survey	Prior
02/14/2011 05:20	JN	GDP Annualized	4Q P	-0.02	0.045
02/14/2011 05:20	JN	Gross Domestic Product (Q/Q)	4Q P	-0.005	0.011
02/14/2011 07:30	CH	Trade Balance (USD)	JAN	\$11.30B	\$13.10B
02/14/2011 15:30	EC	Euro-Zone Ind. Prod. sa (M/M)	DEC	-0.20%	1.20%
02/15/2011 07:30	CH	Producer Price Index (Y/Y)	JAN	6.2%	5.9%
02/15/2011 10:00	JN	Industrial Production (M/M)	DEC F	--	3%
02/15/2011 10:00	JN	Industrial Production YOY%	DEC F	--	5%
02/15/2011 12:30	GE	GDP s.a. (QOQ)	4Q P	0.50%	0.70%
02/15/2011 15:00	UK	CPI (M/M)	JAN	0.10%	1.00%
02/15/2011 15:00	UK	CPI (Y/Y)	JAN	4.00%	3.70%
02/15/2011 15:30	EC	Euro-Zone GDP s.a. (YY)	4Q A	2.10%	1.90%
02/15/2011 15:30	GE	Zew Survey (Current Situation)	FEB	83	82.8
02/15/2011 15:30	EC	ZEW Survey (Econ. Sentiment)	FEB	--	25.4
02/15/2011 15:30	GE	ZEW Survey (Econ. Sentiment)	FEB	20	15.4
02/15/2011 15:30	EC	Euro-Zone Trade Balance sa	DEC	--	-1.9B
02/15/2011 19:00	US	Empire Manufacturing	FEB	15	11.92
02/15/2011 19:00	US	Import Price Index (M/M)	JAN	0.8%	1.1%
02/15/2011 19:00	US	Import Price Index (Y/Y)	JAN	4.4%	4.8%
02/15/2011 19:00	US	Advance Retail Sales	JAN	0.5%	0.6%
02/15/2011 19:30	US	Total Net TIC Flows	DEC	\$40.0B	\$39.0B
02/15/2011 20:30	US	Business Inventories	DEC	0.007	0.002
02/15/2011 20:30	US	NAHB Housing Market Index	FEB	16	16
02/16/2011 19:00	US	Housing Starts	JAN	537K	529K
02/16/2011 19:00	US	Building Permits	JAN	570K	635K

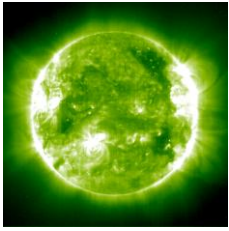




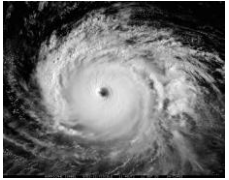
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Date Time	Region	Event	Period	Survey	Prior
02/15/2011 15:30	GE	ZEW Survey (Econ. Sentiment)	FEB	20	15.4
02/15/2011 15:30	EC	Euro-Zone Trade Balance sa	DEC	--	-1.9B
02/15/2011 19:00	US	Empire Manufacturing	FEB	15	11.92
02/15/2011 19:00	US	Import Price Index (M/M)	JAN	0.8%	1.1%
02/15/2011 19:00	US	Import Price Index (Y/Y)	JAN	4.4%	4.8%
02/15/2011 19:00	US	Advance Retail Sales	JAN	0.5%	0.6%
02/15/2011 19:30	US	Total Net TIC Flows	DEC	\$40.0B	\$39.0B
02/15/2011 20:30	US	Business Inventories	DEC	0.007	0.002
02/15/2011 20:30	US	NAHB Housing Market Index	FEB	16	16
02/16/2011 19:00	US	Housing Starts	JAN	537K	529K
02/16/2011 19:00	US	Building Permits	JAN	570K	635K
02/16/2011 19:00	US	Housing Starts MOM%	JAN	1%	-4%
02/16/2011 19:00	US	Building Permits MOM%	JAN	-9%	17%
02/16/2011 19:00	US	Producer Price Index (M/M)	JAN	1%	1%
02/16/2011 19:45	US	Industrial Production	JAN	0.6%	0.8%
02/16/2011 19:45	US	Capacity Utilization	JAN	76.4%	76.0%
02/17/2011 07:30	CH	Actual FDI (Y/Y)	JAN	17.2%	15.6%
02/17/2011 14:30	EC	ECB Euro-Zone Current Account SA	DEC	--	-11.2B
02/17/2011 19:00	US	Consumer Price Index (M/M)	JAN	0.4%	0.5%
02/17/2011 19:00	US	Consumer Price Index (Y/Y)	JAN	1.6%	1.5%
02/17/2011 19:00	US	Initial Jobless Claims	40586	400K	383K
02/17/2011 19:00	US	Continuing Claims	40579	--	3888K
02/17/2011 20:30	EC	Euro-Zone Consumer Confidence	FEB A	-11	-11.2
02/17/2011 20:30	US	Philadelphia Fed.	FEB	20.9	19.3



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Prepared By:

Aurobinda Prasad G: Aurobinda@karvy.com

Smitarani Tripathy: Smitarani.tripathy@karvy.com

To unsubscribe please mail us at commodity@karvy.com

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