

Energy Weekly



Technical Recommendation:-Buy

| Exchange | S3 | S2 | S1 | R1 | R2 | R3 |
|---------------------------------|--|-------|-------|--------|--------|--------|
| Mar- Crude oil - Nymex (\$/bbl) | 76.99 | 83.38 | 90.63 | 104.27 | 110.66 | 117.91 |
| MCX Crude oil – Feb (Rs/bbl) | 3509 | 3797 | 4130 | 4751 | 5039 | 5372 |
| Nymex crude oil (April) | Buy at \$94-95 TP 103 then \$105 SL \$92 | | | | | |
| MCX Crude oil (March) | Buy at 4370-90 TP 4480 then 4 530 SL 4300. | | | | | |



Last week's Price Movement

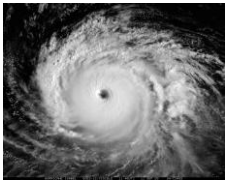
| Exchange | Contract | Open | High | Low | Last | % Change | Volume | % Change | Open Interest | % Change |
|--------------------------|----------|--------|--------|--------|--------|----------|---------|----------|---------------|----------|
| NYMEX WTI Crude (\$/bbl) | April | 90.04 | 103.41 | 89.77 | 97.88 | 9.11% | 1921239 | 39.20% | 298362 | 0% |
| | May | 92.43 | 104.95 | 92.29 | 99.36 | 7.64% | 658226 | -0.65% | 195179 | 9% |
| ICE Brent Crude (\$/bbl) | April | 102.96 | 119.79 | 102.93 | 112.14 | 9.38% | 1120610 | 11.46% | 188528 | -10% |
| | May | 103.32 | 118.4 | 103.3 | 111.92 | 8.81% | 634515 | 42.36% | 144557 | 5% |
| MCX WTI Crude | March | 4086 | 4707 | 4086 | 4434 | 8.89% | 1212304 | 574.16% | 15934 | 15% |
| | April | 4225 | 4804 | 4225 | 4525 | 7.58% | 73512 | 839.21% | 2499.00 | 39% |



Review: As per our weekly view, crude oil futures traded on bullish trend and closed with a gain of more than 9% in NYMEX platform. WTI Oil futures hit the last two and half years' high at \$103.41 and Brent crude near \$120/bbl in the last week. Similar movement was witnessed in MCX traded crude oil March contract, which climbed above 15% at Rs.4707/bbl, from last year's closing. Volume has been increased more than 150% in March contract, however open interest increased near 20%, indicating a bullish trend for oil prices. Trade volume was more in current month contract in comparison to near month, which made calendar spread to decline. However, Brent and WTI spread narrowed down to \$14.26 from last week's closing at \$16.23.

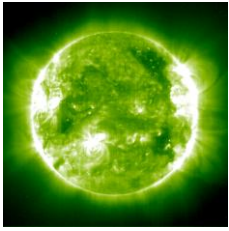


Turmoil in Libya increased the concern of cut in crude oil out put, which boosted oil prices to trade on higher side. Libya is one of the largest oil reservoirs of Africa and Europe's 85% of crude export comes from Libya. News of refinery shut down and production cut in Libya, made the market move on a bullish trend along with lower stock piles as reported by US energy department. As per American Petroleum Institute, total crude oil inventory increased on a lower pace by only 163 K barrels in the last week. Both API and DEO, reported about declining stocks at Cushing and Oklahoma by more than 200K barrels. Gasoline stocks have declined near 3000K barrels after a continuous rise in last two months. Similarly, distillates inventory also declined by more than 1300K barrels as refiners have cut their capacity near by 2%.

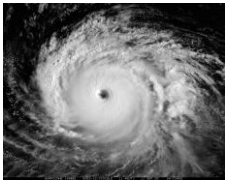


On economic front, increasing manufacturing activities reflected through different manufacturing index, e.g. Richmond Fed Manufacturing index reached 25 levels. Increasing



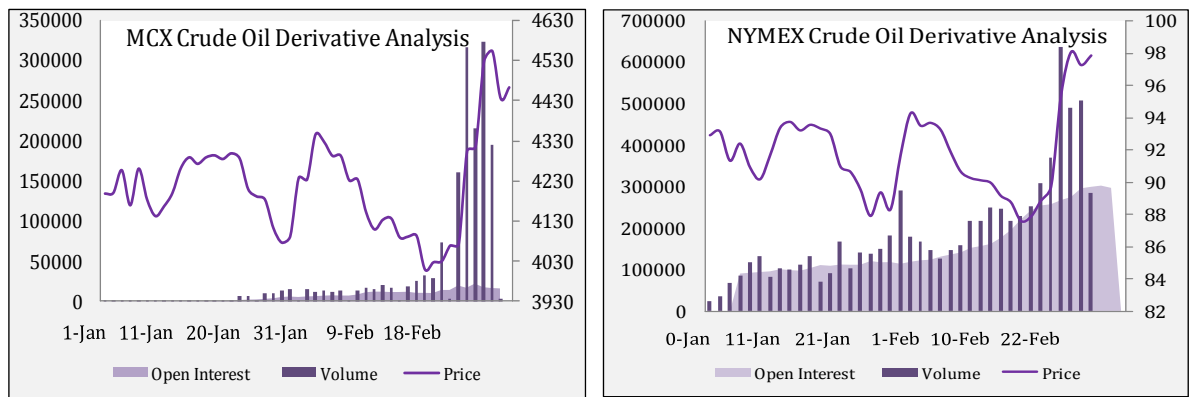


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personal consumption and Personal spending have boosted the confidence level of US citizen. Home sales data increased slightly in January. However, GDP number for the fourth quarter increased on a lower pace at 2.8%. However, different confidence numbers of Euro-zone increased from the last month. German's Capital investment and export has been increased whereas import has been declined. However, fourth quarter GDP remain unchanged at 0.4%. Due to ongoing Middle East concern, world equity market traded on a bearish trend. World equity index closed at 1341 levels by loosing 2% on weekly basis. Volatile movement in dollar index was seen though it closed at 77.27 levels by loosing more than 1%. Depreciating movement in Indian rupee has also crude oil prices.

Derivative Analysis of Crude Oil Future Contracts

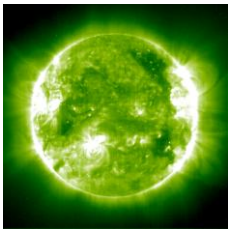


US Crude Oil Inventory

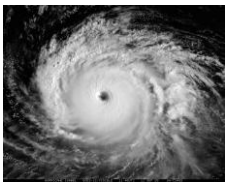
| DOE Warehouse Stocks ('000 barrels) | | | |
|-------------------------------------|-------------|---------------|--------|
| Commodity | Latest week | Previous week | Change |
| Crude Oil | 346739 | 345917 | 822 |
| Gasoline | 238298 | 241096 | -2798 |
| Distillate | 159937 | 161270 | -1333 |
| Refinery utilization (%) | 79.4 | 81.2 | -1.8 |
| EIA Working gas storage (Bcf) | | | |
| Natural gas | 1830 | 1911 | -81 |

Outlook

In the coming week, we may expect oil prices to continue the positive trend; however some consolidation on price level can be seen. On fundamental front, US weather condition is expected to remain snowy and cloudy which may create increasing demand scenario. As per inventory data released on last week, stock level is in declining order in Cushing and Oklahoma delivery centre. However, to meet the supply shortage from Libya, OPEC has announced to increase their production. As Europe is the largest importer from Libya, Brent crude oil prices



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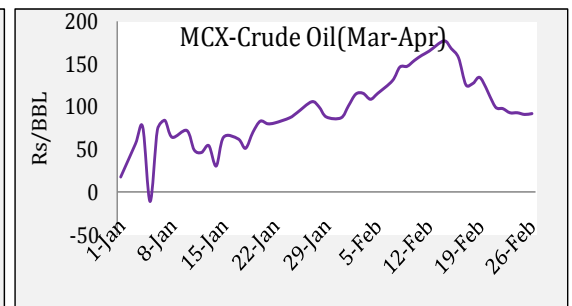
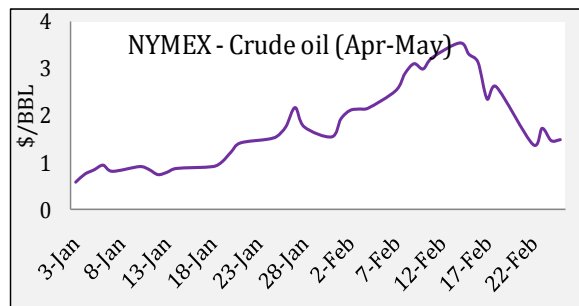


is expected to pressurize. On the other hand, data releases from US are expected to result mostly positive. Payroll numbers of US is expected to increase more in February. Increasing ADP numbers may support continuing claim to decline. Vehicle sales are likely to increase more in February, which may have some positive impact on oil prices. However, China's manufacturing activities which are expected to continue the declining trend may pressurize oil prices. GDP number of Euro-zone is expected to remain unchanged in fourth quarter. On another side, any peak news in Middle east concern may change oil prices movement.

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

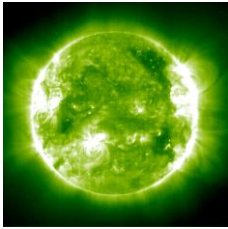


Calendar spread between the consecutive contracts declined and closed at Rs.91 after making a low of Rs.83 in the last week. Increasing trade volume in March contract supported spread to decline from prior week. In the coming week, we are expecting spread to increase slightly, as more movement can be seen in April contract than March.

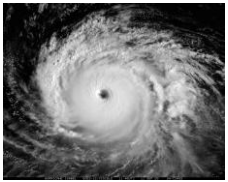
Technical analysis:

CRUDE Oil NYMEX:

April crude oil futures prices traded completely higher on last week by continuing the previous trend. It made a low of \$89.77 then high of \$103.41 levels before settling at \$97.88 levels. It was up by 9.11% on last week. Closing of the weekly candle renders bullish trend is still intact for the coming week. Prices have made a **"Trend Channel"** breakout on the higher side allowing the prices to trade higher. On sustained trade above would lead the prices to further higher. Prices have breached the **"Trend Line"** resistance on the higher side. On sustained trade above is likely to remain higher. The principle of **"Fibonacci Projections"** states that crude oil is witnessing crucial resistance of \$103.25 levels which is 123.6% projections of the range \$81.81-94.89-87.09 levels. On breach and sustained trade above is likely to remain higher and has potential for the prices to test \$105.4 levels which 138.2% projections of the above mentioned range. The **"Moving Average"** principle suggesting upside movements as prices are trading well above the short and medium term EMA's of (8,21&34) weeks. The momentum indicator weekly **RSI-14** is trading at 0.652 levels and showing higher potential.



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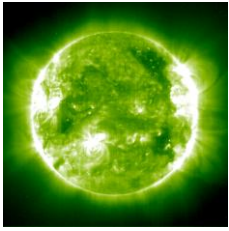
However a mild correction on the lower side is expected before resuming its up trend. The **"Volume"** indicator analysis also suggesting uptrend as volumes has increased from 1.380M to 1.921M contracts. It means volumes have increased on upside movement. Hence, we expect prices to trade higher and recommend buying at support levels for the coming week.



Natural Gas

Technical Recommendation: - Sell

| Exchange | S3 | S2 | S1 | R1 | R2 | R3 |
|------------------------------|---|-------|-------|-------|-------|-------|
| NYMEX Natural Gas (\$/MMBtu) | 3.648 | 3.735 | 3.870 | 4.092 | 4.179 | 4.314 |
| MCX Natural Gas (Rs./MMBtu) | 168.2 | 171.7 | 177.6 | 187.0 | 190.5 | 196.4 |
| NYMEX Natural Gas(April) | Buy in the range \$3.900-3.950 TP \$4.175 then \$4.414 with stop loss below 3.780 | | | | | |
| MCX Natural Gas(March) | Buy in the range Rs. 180-181 targeting Rs. 186 then Rs. 194with below Rs. 175. | | | | | |



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Last week's Price Movement

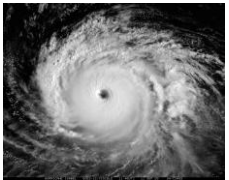
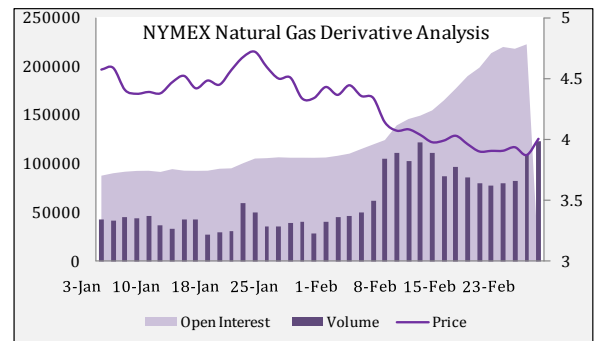
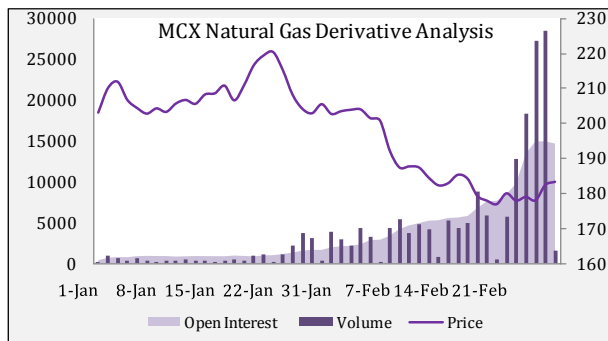
| Exchange | Contract | Open | High | Low | Last | % Change | Volume | % Change | Open Interest | % Change |
|---------------------|----------|------|------|------|------|----------|--------|----------|---------------|----------|
| NYMEX (\$/MMBtu) | April | 3.91 | 4.04 | 3.82 | 4.01 | 2.53 | 395607 | -7.460 | 222232 | 4.25 |
| | May | 3.97 | 4.11 | 3.89 | 4.07 | 2.44 | 121937 | -23.76 | 220333 | 3.57 |
| MCX (Rs/MMBtu) | March | 178 | 185 | 175 | 183 | 3.11 | 92565 | 211.29 | 14844 | 94.70 |
| | April | 203 | 204 | 187 | 188 | 2.91 | 6157 | 7.23 | 1145 | 37.52 |

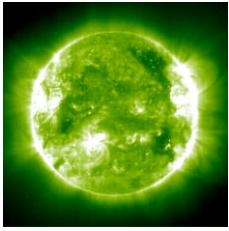
Review

Natural gas futures traded on a bearish trend through out the week, however closed on a positive note. March contract closed at Rs.183/ MMBTU, with a gain of more than 3% in the last week. Similarly April contract bounced back from its weekly low and gained more than 2.5%. Current month contract have increased more than near month contract, which made spread to decline.

Very sluggish movement was witnessed during beginning of the week on concern of lower demand. Weather condition in US was snowy; however prices could not take cues. On going Middle East concern have supported gas prices to take some cues in mid of the week. Natural gas storage has declined by 81 Bcf, slightly lower than market expectation. Currently, storage level stands at 1830BCF. As per Baker Hughes rig counts, number have declined by 14 in the last week. Thus the huge decline in rig counts supported gas prices to take cues before closing of the week.

Derivative Analysis of Natural Gas Future Contracts





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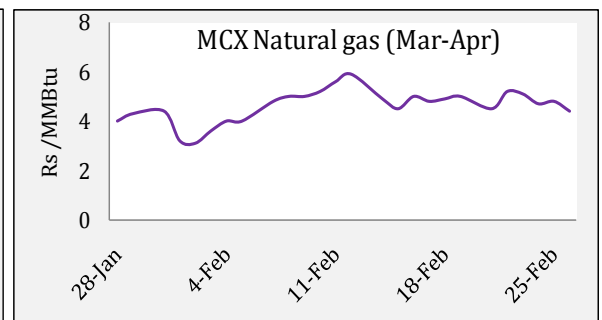
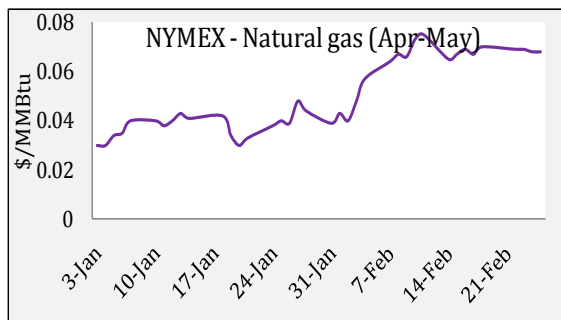


Outlook:

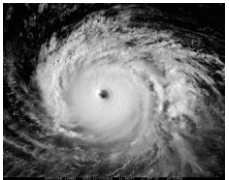
In the coming week, we are expecting Gas prices to trade on higher side, supported by declining supply. Rig counts have declined as per Baker Hughes indicates fall in supply. On going concern of production out put cut in Libya may support gas prices. One third of Natural gas production of Libya gets consumed by their citizen itself. As per Weather group, US weather condition is expected to remain cloudy and rainy, which may support gas prices to take cues. However, inventory report releases may change the price movement.



Calendar spread



Calendar spread declined to Rs.4.7 in MCX for March and April contracts. Current month contract decline less than far month contract, which made spread to decline. Similarly, spreads difference declined in NYMEX future contracts. We may expect the spread to decline in the coming week, as March month contract may trade on a positive trend in comparison to April month contract.



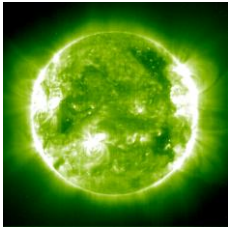
Technical analysis:



NYMEX Natural gas

Natural gas future prices traded initially lower and recovered all the losses at the end of the week and closed in green by reversing the previous trend. It made a low of \$3.822 levels then high of \$4.044 before settling higher at \$4.005 levels. It was up by 2.56% on last week. Closing of the weekly candle renders upside movements for the coming week. The principle of Fibonacci Projections states that Natural gas is witnessing crucial support at 3.787 levels which is 61.8% projections of the range (5.484-3.848-4.800) levels. On sustained trade above would lead the prices to trade further higher and has potential for the prices and test 4.175 which is 38.2% projections of the above mentioned range. Incase if markets fails to sustain above the levels of 3.787 upside movements would be limited. The Moving Average principle

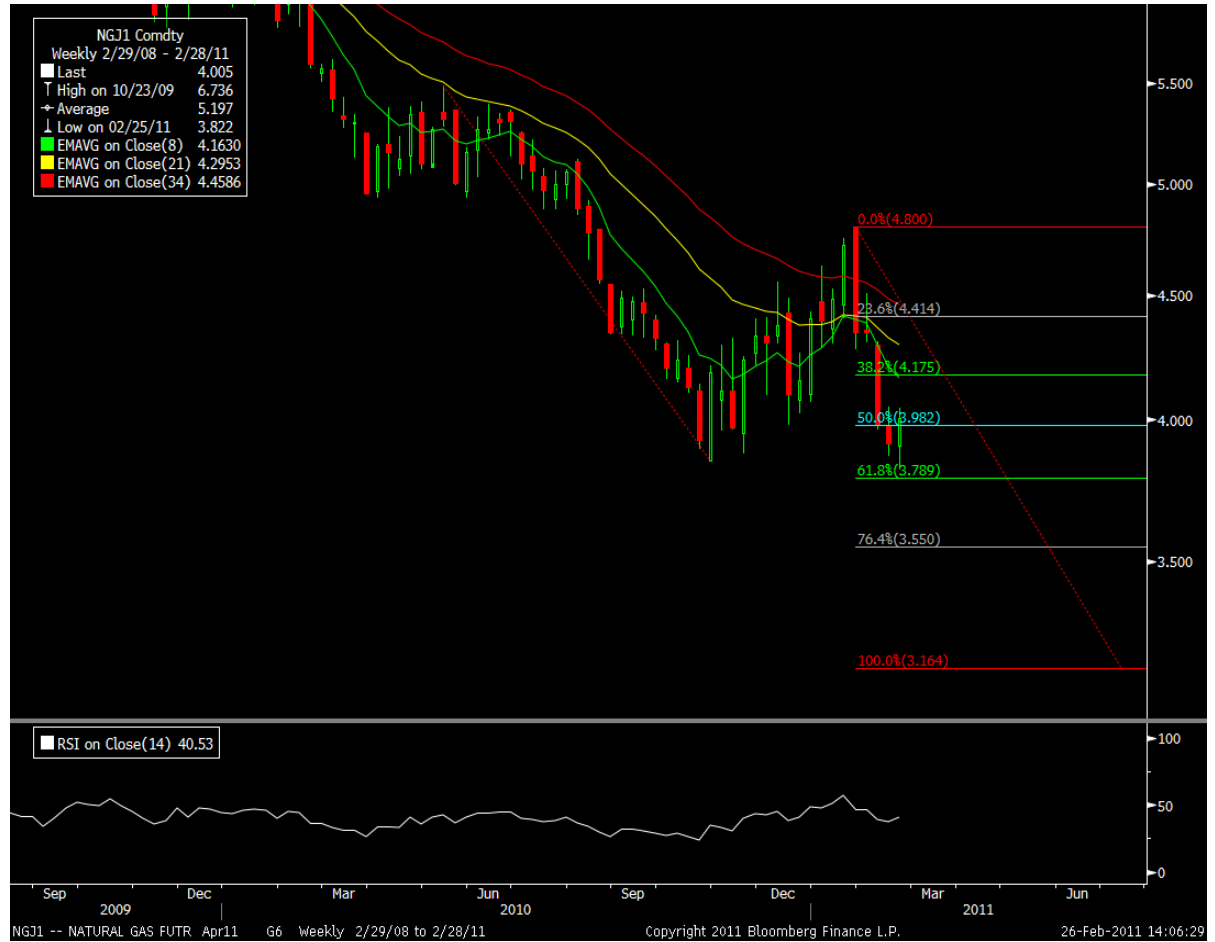
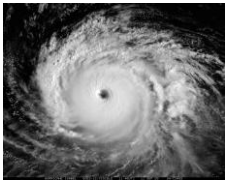




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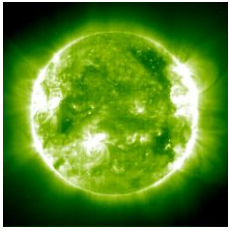


suggesting downside movements as prices are trading well below the short and medium term EMA's of (8, 21 & 34). The momentum indicator RSI weekly 14 is trading at 0.405 levels suggesting upside movements for the coming week. However a mild correction on the lower side may be expected before resuming its uptrend. We expect price to trade higher and recommend buying at lower levels.

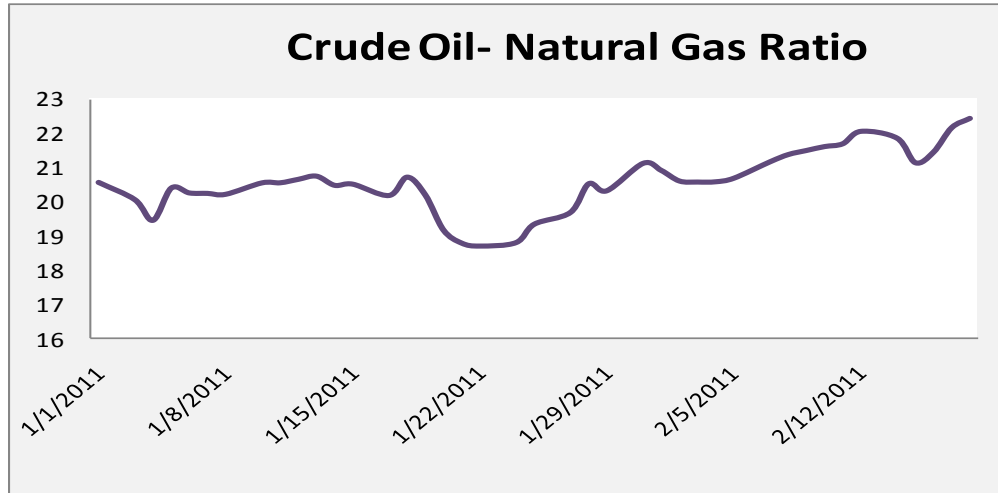
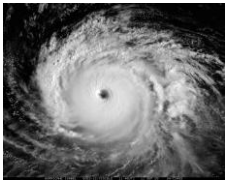


Crude Oil - Natural Gas Ratio

This week ratio between crude oil and Natural gas stands at 24, after making high of 26. Increasing crude oil prices and volatile natural gas prices made the ratio to reach at its two and half year high. However, in the coming week we may expect ratio to fluctuate from its high level to down side.

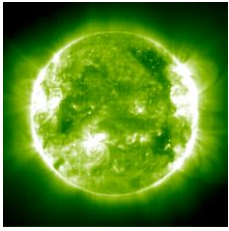


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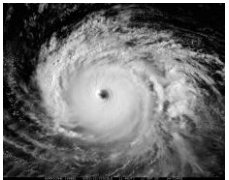


Economic Data releases in the Coming Week

| Date Time | Country | Event | Month | Survey | Prior |
|------------------|---------|------------------------------|-------|--------|--------|
| 02/28/2011 12:30 | GE | Import Price Index (MOM) | JAN | 1.00% | 2.30% |
| 02/28/2011 12:30 | GE | Import Price Index (YOY) | JAN | 11.20% | 12.00% |
| 02/28/2011 15:30 | EC | Euro-Zone CPI (MOM) | JAN | -0.60% | 0.60% |
| 02/28/2011 15:30 | EC | Euro-Zone CPI (YOY) | JAN | 2.40% | 2.40% |
| 02/28/2011 19:00 | US | Personal Income | JAN | 0.40% | 0.40% |
| 02/28/2011 19:00 | US | Personal Spending | JAN | 0.40% | 0.70% |
| 02/28/2011 20:30 | US | Pending Home Sales MOM | JAN | -2.50% | 2.00% |
| 02/28/2011 20:30 | US | Pending Home Sales YOY | JAN | -- | -3.60% |
| 02/28/2011 21:00 | US | Dallas Fed Manf. Activity | FEB | 14.1 | 10.9 |
| 03/01/2011 06:30 | CH | PMI Manufacturing | FEB | 52.1 | 52.9 |
| 03/01/2011 08:00 | CH | HSBC Manufacturing PMI | FEB | 52.5 | 54.5 |
| 03/01/2011 14:25 | GE | PMI Manufacturing | FEB F | 62.6 | 62.6 |
| 03/01/2011 14:30 | EC | PMI Manufacturing | FEB F | 59 | 59 |
| 03/01/2011 15:00 | UK | PMI Manufacturing | FEB | 61 | 62 |
| 03/01/2011 15:00 | UK | Net Consumer Credit | JAN | 0.2B | 0.2B |
| 03/01/2011 15:00 | UK | Mortgage Approvals | JAN | 42.9K | 42.6K |
| 03/01/2011 15:30 | EC | Euro-Zone CPI Estimate (YOY) | FEB | 2.40% | 2.40% |
| 03/01/2011 15:30 | EC | Euro-Zone Unemployment Rate | JAN | 10.00% | 10.00% |
| 03/01/2011 20:30 | US | Construction Spending MOM | JAN | -0.50% | -2.50% |
| 03/01/2011 20:30 | US | ISM Manufacturing | FEB | 60.5 | 60.8 |



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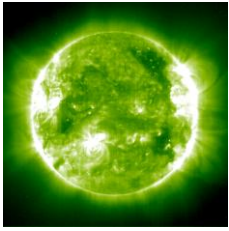


| | | | | | |
|------------------|----|---------------------------------|--------|--------|--------|
| 03/02/2011 03:30 | US | Domestic Vehicle Sales | FEB | 9.70M | 9.59M |
| 03/02/2011 03:30 | US | Total Vehicle Sales | FEB | 12.67M | 12.53M |
| 03/02/2011 15:30 | EC | Euro-Zone PPI (MOM) | JAN | 1.00% | 0.80% |
| 03/02/2011 15:30 | EC | Euro-Zone PPI (YOY) | JAN | 5.70% | 5.30% |
| 03/02/2011 18:45 | US | ADP Employment Change | FEB | 185K | 187K |
| 03/03/2011 06:30 | CH | China Non-manufacturing PMI | FEB | -- | 56.4 |
| 03/03/2011 14:25 | GE | PMI Services | FEB F | 59.5 | 59.5 |
| 03/03/2011 14:30 | EC | PMI Composite | FEB F | 58.4 | 58.4 |
| 03/03/2011 14:30 | EC | PMI Services | FEB F | 57.2 | 57.2 |
| 03/03/2011 15:30 | EC | Euro-Zone GDP s/a. (QOQ) | 4Q P | 0.30% | 0.30% |
| 03/03/2011 15:30 | EC | Euro-Zone GDP s/a. (YOY) | 4Q P | 2.00% | 2.00% |
| 03/03/2011 15:30 | EC | Euro-Zone Retail Sales (MOM) | JAN | 0.40% | -0.60% |
| 03/03/2011 15:30 | EC | Euro-Zone Retail Sales (YOY) | JAN | 0.00% | -0.90% |
| 03/03/2011 18:15 | EC | ECB Announces Interest Rates | 3-Mar | 1.00% | 1.00% |
| 03/03/2011 19:00 | US | Initial Jobless Claims | 26-Feb | -- | 391K |
| 03/03/2011 19:00 | US | Continuing Claims | 19-Feb | -- | 3790K |
| 03/03/2011 19:00 | US | Nonfarm Productivity | 4Q F | 2.60% | 2.60% |
| 03/04/2011 19:00 | US | Change in Nonfarm Payrolls | FEB | 174K | 36K |
| 03/04/2011 19:00 | US | Change in Private Payrolls | FEB | 175K | 50K |
| 03/04/2011 19:00 | US | Change in Manufacture. Payrolls | FEB | 28K | 49K |
| 03/04/2011 19:00 | US | Unemployment Rate | FEB | 9.10% | 9.00% |
| 03/04/2011 20:30 | US | Factory Orders | JAN | 2.20% | 0.20% |

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