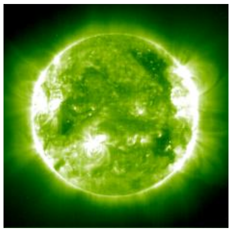

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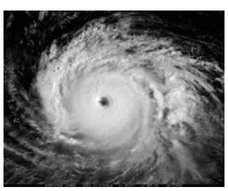
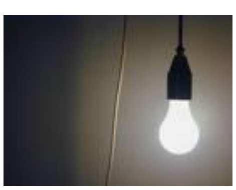




Overview:

Oil prices headed for its fourth weekly gain on account of prevailing supply concern from Libya, which may spread over to other Middle East countries. Declining inventory report and improving US economic data releases also boosted oil prices, to take cues in the last week. Spread between WTI and Brent declined to $11.55. However, in Natural gas prices very sluggish movement was witnessed during beginning of the week on concern of lower demand and increasing shell gas production. Weather condition in US was snowy; however prices could not take cues. In the coming week, we may expect oil prices to continue the positive trend; however some consolidation on price level can be seen. Declining Inventory and supply concern is likely to support oil prices to trade higher. On the other hand, economic releases from major economy of the world are expected to support oil prices. However, Natural gas prices are likely to continue the bearish trend in the coming week, though some correction can be witnessed.

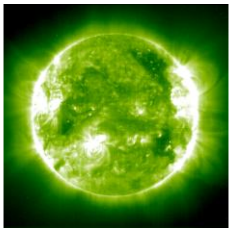
Technical Recommendation:-Buy

Exchange	S3	S2	S1	R1	R2	R3
Apr- Crude oil - Nymex ($/bbl)	90.0	93.2	98.8	107.6	110.8	116.4
MCX Crude oil – Mar (Rs/bbl)	4119	4245	4488	4857	4983	5226
Nymex crude oil (April)	Buy at $101-102 TP 106.5 then $108.2 SL $99					
MCX Crude oil (March)	Buy at 4610-30 TP 4735 SL 4550					

Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude ($/bbl)	April	98.5	105.17	96.37	104.42	6.68%	1759568	-9.45%	280646	-3%
	May	100.17	106.24	98.07	105.61	6.29%	607769	-8.94%	215691	9%
ICE Brent Crude ($/bbl)	April	112.5	117.81	111.25	115.97	3.42%	956951	-14.60%	158556	-15%
	May	112.14	117.56	111.02	115.89	3.55%	549032	-13.47%	144802	2%
MCX WTI Crude	March	4485	4709	4370	4698	5.29%	946466	-22.16%	20516	30%
	April	4584	4777	4474	4770	4.74%	63238	-14.39%	3660.00	48%

Review: As per our weekly view, crude oil futures traded on bullish trend and closed with a gain of more than 6% in NYMEX platform. Similarly, MCX traded March contract made a high of Rs.4709/bbl and closed with a gain of more than 5.29%. Oil prices headed for its fourth weekly gain on account of prevailing supply concern from Libya, which may spread over to other Middle East countries. Declining inventory report and improving US economic data releases also boosted oil prices, to take cues in the last week. Spread between WTI and Brent declined to $11.55.



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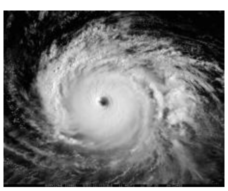
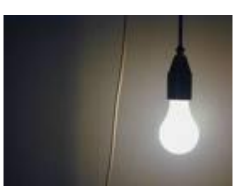
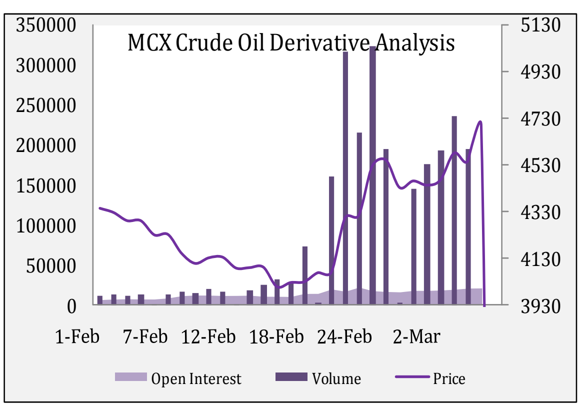


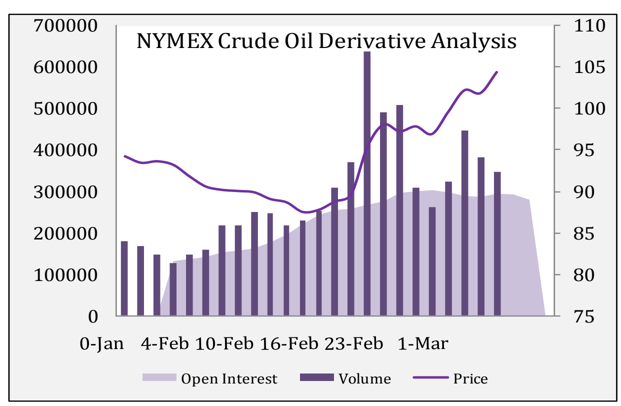


Libya is one of the largest oil reservoirs of Africa, producing more than 1.6 million barrels of crude oil per day. Thus, supply disruption from Libya; have supported oil prices to take cues. Oil prices fell from its two and half year high at $104.25/bbl, on account of peace plan declared by - Both Libyan leader Muammar Gaddafi and the president of the Arab League on 3rd March. Thereafter, prices recovered as there is no concrete implication of the announced plan. On the other hand, crude oil inventories have declined in the last week, as report released by US energy department. Total crude oil inventories declined by 364K barrels in the last week. Gasoline stocks declined by near 4000K barrels in the last week, which is the highest withdrawal in last four months. Distillates stock level stands at 1.59million barrels, lowest since last three months. However, inventory levels in Cushing and Oklahoma has increased by more than 1000K barrels, as per weekly inventory report released by DOE. Thus, inventory report released by US energy department had bullish impact on oil price movement.

On economic front, US economic data releases were mostly positive for their economy. Personal income increased by 1%, which the highest increment since May, 2009.Chicago Purchasing manager index touched its 20 years high. Increasing manufacturing activities reflected through increasing levels in Dallas Fed manufacturing index. Vehicle sales has also boosted in February, indicating more uses of petroleum products. The most important data released in the form of increasing Payrolls data and declining unemployment. US unemployment fell from 9.00% to 8.9%, supported by increasing payrolls data in service and manufacturing sectors. However, due to cooling economy of China, manufacturing activities have declined in the last month. On the other side, German unemployment declined slightly and retail sales increased. Global equity market performed well in the last week, than prior week. Dollar index settled at 76.40 levels, by declining more than 1.1% in the last week. Similarly, INR has also appreciated by 1% against Dollar, which might have limited the gains in crude oil prices in India market. As per PVO analysis, Prices and open Interest has increased in the last week, whereas volume has declined slightly. Thus, market is attracting late buyers & early shorts; market is vulnerable to a sharp correction but likely that that correction will be bought creating a buy point for uptrend.

Derivative Analysis of Crude Oil Future Contracts





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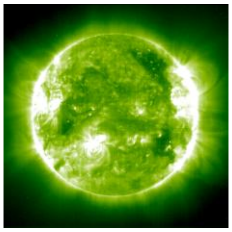

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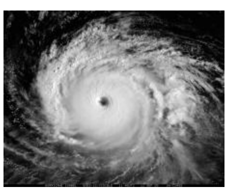
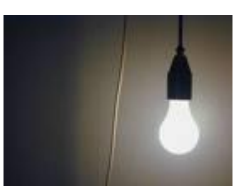


US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	**Latest week**	**Previous week**	**Change**
Crude Oil	346375	346739	-364
Gasoline	234708	238298	-3590
Distillate	159186	159937	-751
Refinery utilization (%)	80.9	79.4	1.5
EIA Working gas storage (Bcf)			
Natural gas	1745	1830	-85

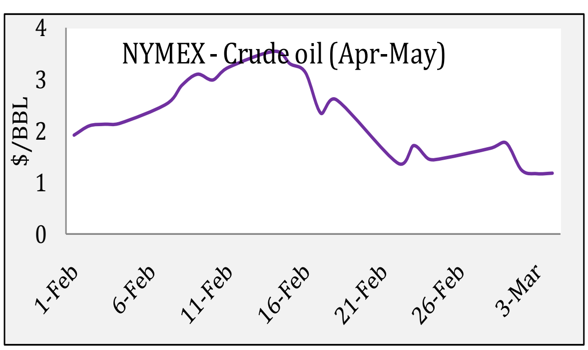
Outlook

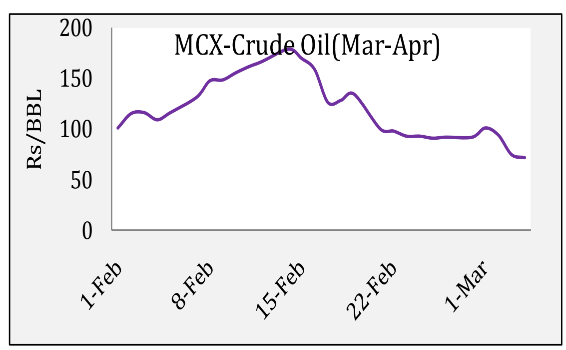
In the coming week, we may expect oil prices to continue the positive trend; however some consolidation on price level can be seen. Peace plan declared by Libyan leader Muammar Gaddafi and the president of the Arab League on 3rd March has not yet worked out. Thus supply concern is still there, which may spread to other oil producing countries like Iran and Oman. Declining Inventory and supply concern is likely to support oil prices to trade higher. On the other hand, economic releases from major economy of the world is expected to support oil prices, however, some negative impact can be seen after data releases from China. Increasing income of US citizen may lead to rise in retail sales, which may cut consumer credit. Wholesale inventories are likely to decline as factory orders have boosted. However, trade deficit in January may decline further. On contrary, trade balance of German is expected to increase, supported by increasing industrial production and factory orders. China's trade balance data is expected to decline. Producer price index of China may increase further, which may have negative impact on equity market. Overall, we may expect oil prices to trade on higher side; however some pressure can be witnessed on account of China's data releases. Actual inventory data releases must be eye. Above all any changes in peace plan or spread over of protest in Middle East in near future may change the direction of crude oil prices.

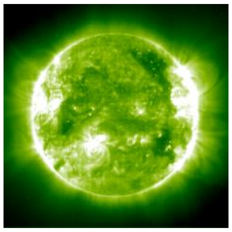
Facts to watch out:

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

Calendar spread







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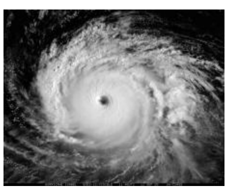
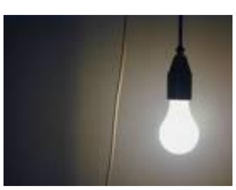
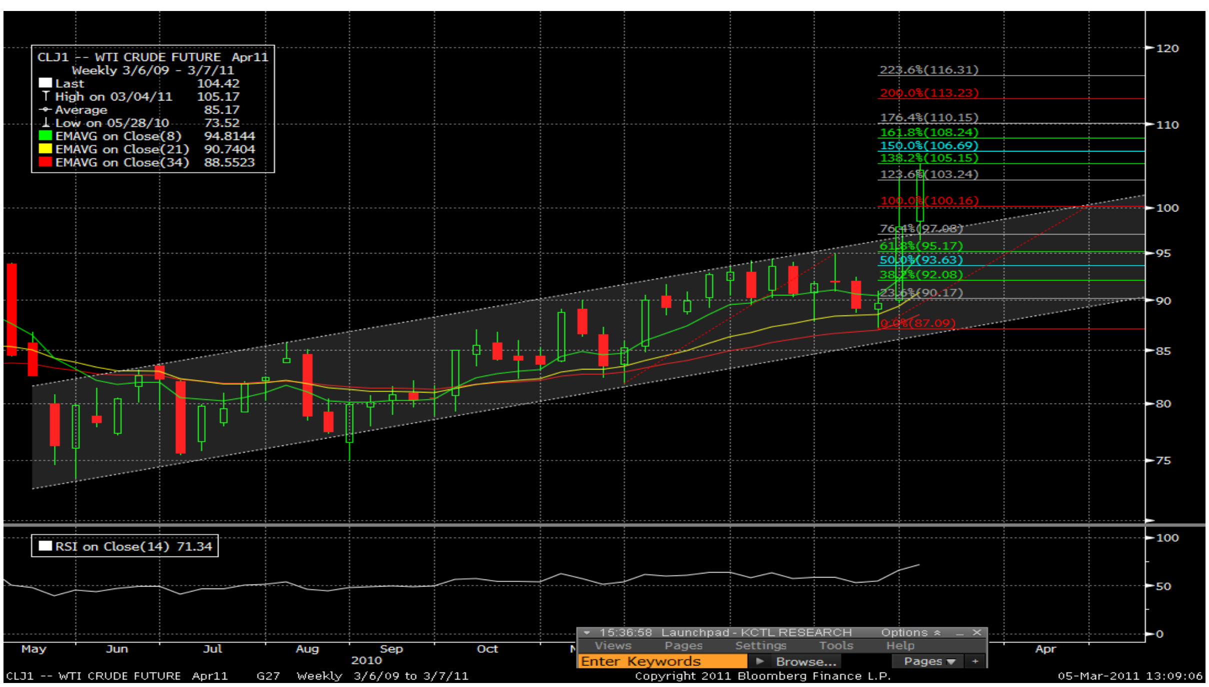




Calendar spread between the consecutive contracts declined and closed at Rs.72 in the last week. Increasing trade volume in March contract supported spread to decline from prior week. In the coming week, we are expecting spread to decline slightly, as more movement can be seen in April contract than March.

Technical analysis:

CRUDE Oil NYMEX:April crude oil futures prices traded higher on last week by continuing the previous trend. It made a low of $96.37 then high of $105.17levels before settling higher at $104.42 levels. It was up by 6.68% on last week. Closing of the weekly candle renders bullish trend is still intact for the coming week. Prices have breached the crucial resistance of $103.41 levels (previous week's high). On sustained trade above would lead the prices to further higher. Prices are witnessing the "Trend Line" support at 97.00 levels. On sustained trade above is likely to remain higher. This time prices have moved up after witnessing upper trend channel support at 97.00 levels which indicates further bullish trend. The principle of "Fibonacci Projections" states that crude oil prices are witnessing crucial resistance of $105.15 levels which is 138.2% projections of the range $81.81-94.89-87.09 levels. On sustained trade above is likely to remain higher and has potential for the prices to test $106.7 then 108.25 levels which are 150% and 161.8%projections respectively 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 treading at 0.713 levels and showing higher potential. However a mild correction on the lower side is expected before resuming its uptrend. Hence, we expect prices to trade higher and recommend buying at support levels for the coming week.



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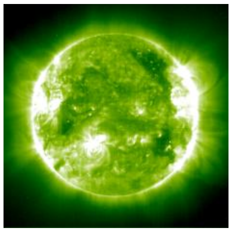
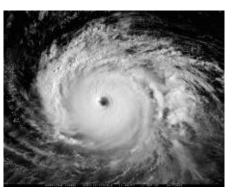
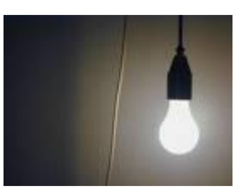




Natural Gas

Technical Recommendation: - Sell

Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas ($/MMBtu)	**3.291**	**3.511**	**3.660**	**4.029**	**4.249**	**4.398**
MCX Natural Gas (Rs./MMBtu)	**147.2**	**158.2**	**164.9**	**182.6**	**193.6**	**200.3**
NYMEX Natural Gas(April)	**Sell in the range $3.880-3.910 TP $3.532 with stop loss above 4.100**					
MCX Natural Gas(March)	**Sell in the range Rs. 175-177 targeting Rs. 169 then Rs. 164with stop loss above Rs. 183**					

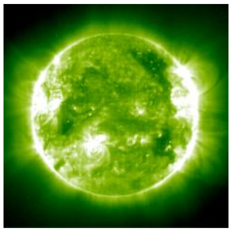
Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX ($/MMBtu)	April	4.01	4.10	3.73	3.81	-4.89	531994	32.035	214269	-2.18
	May	4.07	4.17	3.81	3.89	-4.57	203446	61.41	223432	0.24
MCX (Rs/MMBtu)	March	184	187	169	172	-6.16	171654	82.28	17363	18.82
	April	188	191	182	182	-5.48	14210	75.29	2297	47.36

Review

Natural gas futures traded on a bearish trend through out the week and closed at $3.81 / Bcf in the NYMEX platform. Similarly, MCX traded March contract have fallen more than 6% and closed at Rs.172 /Bcf. Gas futures are trading on a bearish trend on account of lower withdrawal of storage.

Very sluggish movement was witnessed during beginning of the week on concern of lower demand and increasing shell gas production. Weather condition in US was snowy; however prices could not take cues. Natural gas storage has declined by 85 Bcf, same as market expectation. Currently, storage level stands at 1745 BCF. As per Baker Hughes rig counts, number have declined by 7 in the last week. Thus the decline in rig counts supported gas prices to take cues before closing of the week.



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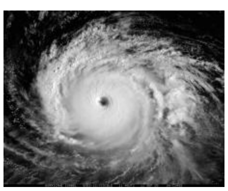
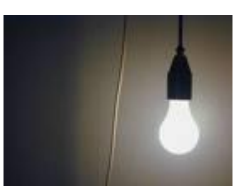
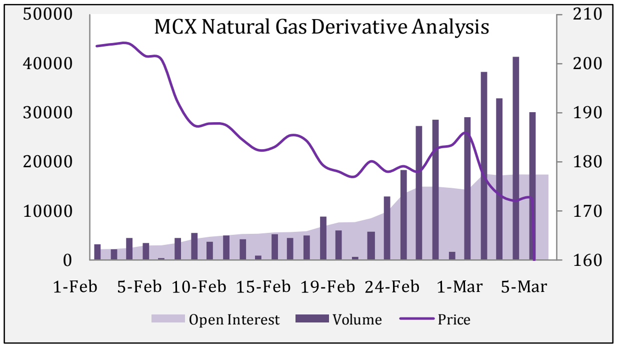
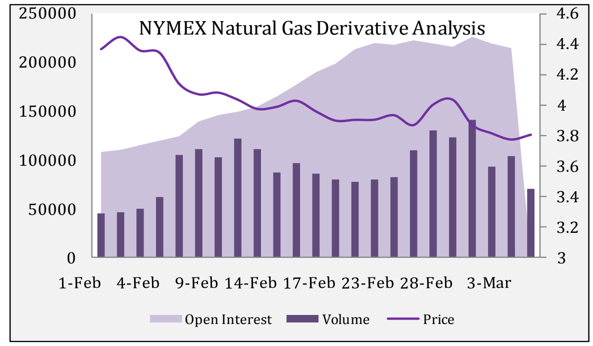




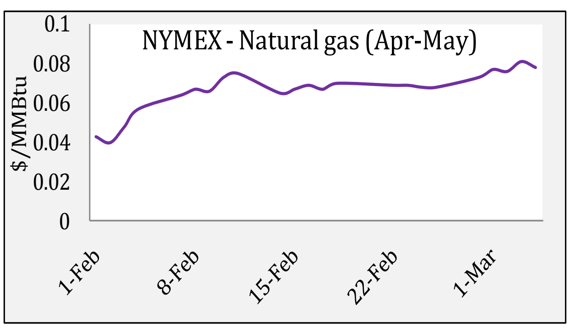
Derivative Analysis of Natural Gas Future Contracts

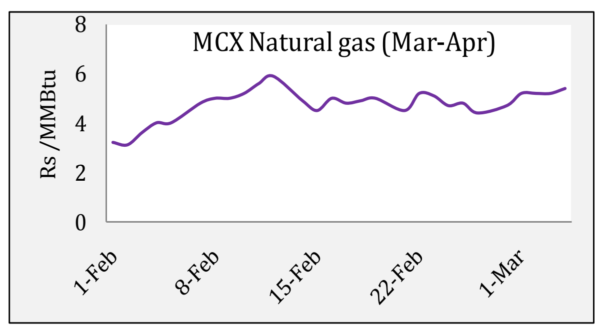




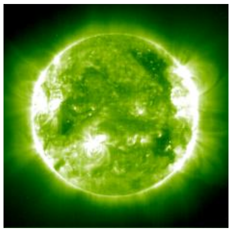
In the coming week, we are expecting Gas prices to trade on lower side, on account of lower withdrawal of storage level and absence of any fresh cues in the market. However, rig counts have declined as per Baker Hughes indicates fall in supply. Thus, on going concern of production out put cut in Libya combined with falling rig counts, 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. Fall in prices, along with increasing volume and open interest have supported for a bearish trend. So, if the bearish sentiment exists in the market gas prices may continue to fall further. However, inventory report releases may change the price movement.

Calendar spread





Calendar spread increased to Rs.5.4 in MCX for March and April contracts. Near month contract decline more than current contract, which made spread to increase. Similarly, spreads difference increased 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.



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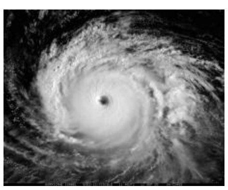


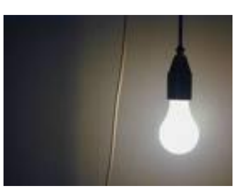

Technical analysis:

NYMEX Natural gas: Natural gas future prices traded lower on last week by reversing the previous trend. It made a high of $4.100 levels then low of $3.731 before settling lower at $3.809 levels. It was down by 4.87% on last week. Closing of the weekly candle renders downside movements for the coming week. Prices have breached the key support at 3.848 levels (previous swing lows). On sustained trade below is likely to remain lower. The principle of Fibonacci Projections states that Natural gas has breached the key support at 3.831 levels which is 76.4% projections of the range (5.116-3.848-4.800) levels. On sustained trade below would lead the prices to trade further lower side and has potential for the prices and test 3.532 which is 100% projections of the above mentioned range. 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 treading at 0.367 levels and suggesting downside movements for the coming week. However a mild correction on the higher side may be expected before resuming its downtrend. We expect price to trade lower and recommend selling at higher levels.

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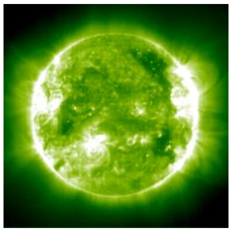
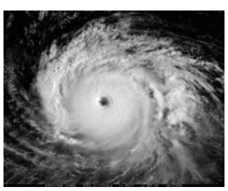
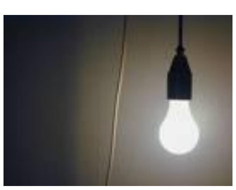




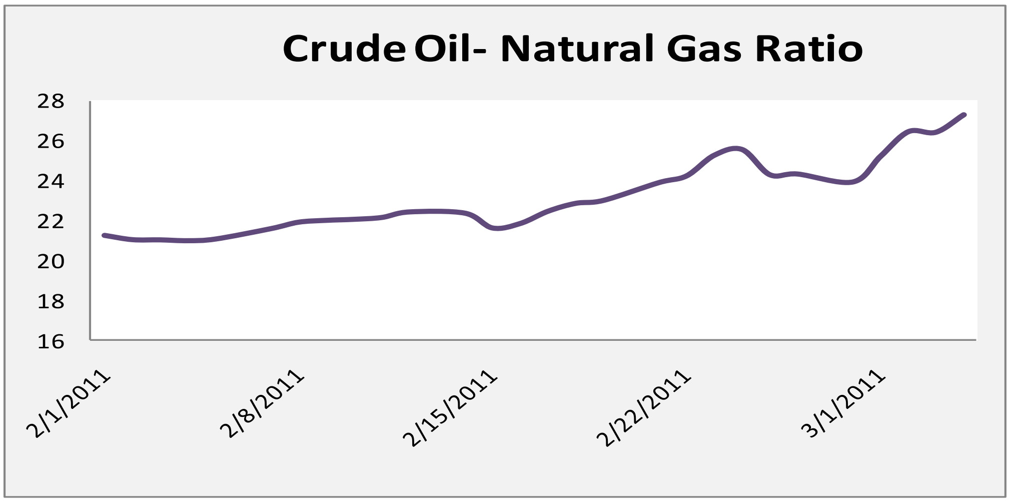



Energy Weekly

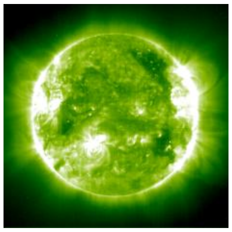
Crude Oil –Natural Gas Ratio

This week ratio between crude oil and Natural gas stands at 27. Increasing crude oil prices and falling 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.



Economic Data releases in the Coming Week

Date Time	Country	Event	Month	Survey	Prior
03/08/2011	US	Consumer Credit	JAN	$3.400B	$6.099B
03/08/2011	GE	Factory Orders M/M (sa)	JAN	2.50%	-3.40%
03/09/2011	JN	Machine Orders (M/M)	JAN	3.00%	1.70%
03/09/2011	GE	Industrial Production M/M (sa)	JAN	1.70%	-1.50%
03/09/2011	US	Wholesale Inventories	JAN	0.90%	1.00%
03/10/2011	JN	GDP Annualized	4Q F	-1.20%	-1.10%
03/10/2011	JN	Gross Domestic Product (Q/Q)	4Q F	-0.30%	-0.30%
03/10/2011	CH	Trade Balance (USD)	FEB	$4.90B	$6.45B
03/10/2011	CH	Exports Y/Y%	FEB	27.10%	37.70%
03/10/2011	CH	Imports Y/Y%	FEB	32.60%	51.00%
03/10/2011	IN	Food Articles WPI Y/Y	26-Feb	- -	10.39%
03/10/2011	IN	Fuel Power Light WPI Y/Y	26-Feb	- -	12.56%
03/10/2011	IN	Primary Articles WPI Y/Y	26-Feb	- -	14.85%
03/10/2011	GE	Exports SA (M/M)	JAN	0.70%	0.50%
03/10/2011	GE	Imports SA (M/M)	JAN	1.50%	-2.30%



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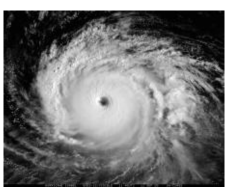

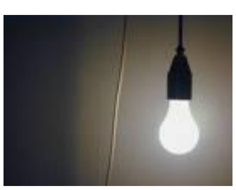

03/10/2011	GE	Current Account (EURO)	JAN	10.5B	17.6B
03/10/2011	GE	Trade Balance	JAN	13.0B	11.9B
03/10/2011	US	Initial Jobless Claims	5-Mar	378K	368K
03/10/2011	US	Continuing Claims	26-Feb	3750K	3774K
03/10/2011	US	Trade Balance	JAN	-$41.5B	-$40.6B
03/11/2011	US	Monthly Budget Statement	FEB	-$227.5B	- -
03/11/2011	CH	Producer Price Index (Y/Y)	FEB	7.00%	6.60%
03/11/2011	CH	Industrial Production (Y/Y)	FEB	13.00%	- -
03/11/2011	CH	Consumer Price Index (Y/Y)	FEB	4.80%	4.90%
03/11/2011	CH	Retail Sales (Y/Y)	FEB	19.00%	- -
03/11/2011	IN	Industrial Production Y/Y	JAN	- -	1.60%
03/11/2011	GE	Wholesale Price Index (M/M)	FEB	- -	1.20%
03/11/2011	GE	Consumer Price Index (M/M)	FEB F	0.50%	- -
03/11/2011	US	Advance Retail Sales	FEB	1.00%	0.30%
03/11/2011	US	U. of Michigan Confidence	MAR P	76.5	77.5
03/11/2011	US	Business Inventories	JAN	0.80%	0.80%

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