

Energy Weekly

Jun 13, 2011

CRUDE OIL:

Technical Recommendation: Sell

Exchange	S3	S2	S1	R1	R2	R3
Jul- Crude oil - Nymex (\$/bbl)	92.5	95.1	97.2	101.9	104.5	106.6
Jun- Crude oil - (Rs/bbl)	4127	4255	4319	4511	4639	4703
Nymex crude oil (Jul)	Sell at \$99.80-100 Target:95.10/92.5 SL above 102.70					
MCX Crude oil (Jun)	Sell at Rs.4460/4480 Target: 4350/60 then 4280 SL above 4545					

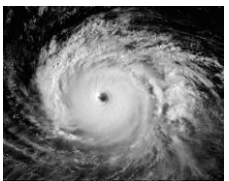
Last week's Price Movement

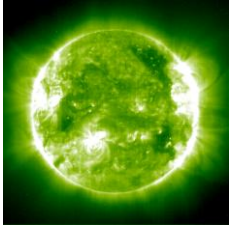
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	Jul	100.42	102.44	97.74	99.29	-0.93%	1885446	31.26%	234479	-29%
	Aug	100.93	102.95	98.35	99.85	-0.94%	631105	63.15%	174688	53%
ICE Brent Crude (\$/bbl)	Jul	114.87	117.49	113.4	115.84	2.54%	1063103	34.52%	137143	-29%
	Aug	115.57	119.6	113.45	118.35	2.50%	661454	88.96%	184607	24%
MCX WTI Crude	Jun	4503	4575	4383	4433	-1.58%	841756	17.10%	15953	10%
	Jul	4544	4624	4437	4485	-1.60%	54981	62.63%	2926.00	86%

Review: Our view on crude oil futures prices went right as prices traded mostly on a bearish pattern. NYMEX traded July contract closed at \$99.22 / BBL by loosing near one percent. Similarly, June contract closed at Rs.4442 /BBL with fall of more than two percent in MCX platform. However, ICE Brent crude oil futures gained more than 2.5 percent on weekly basis. Sluggish growth in Global economy and increasing production concern made oil prices trade on sluggish manner in the last week.

Derivative Analysis of Crude Oil Future Contracts

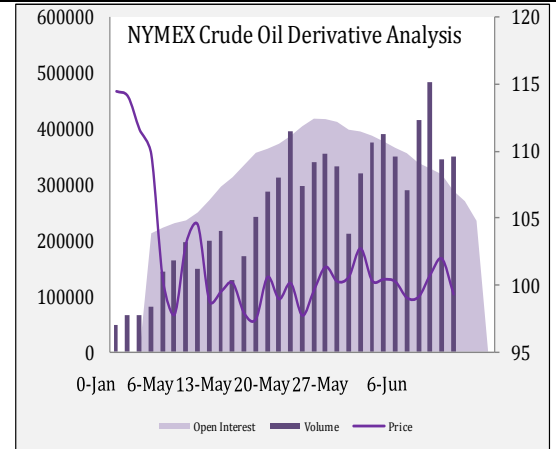
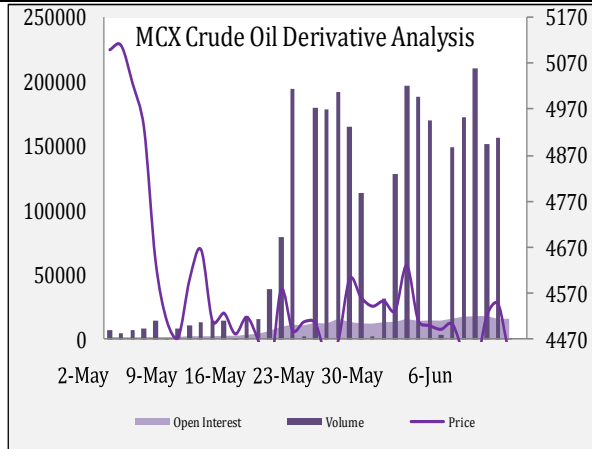
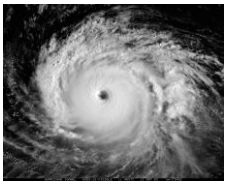
As per PVO, prices have declined along volume and open interest has increased for the June month contract in the last week. Thus down trend in price movement and rising open interest indicates aggressive short selling in the market. This scenario may remain in the coming week also.



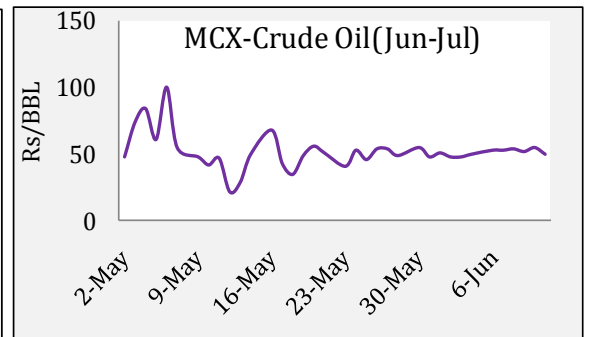
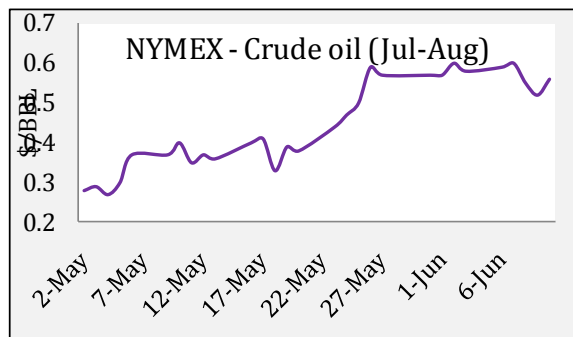


Energy Weekly

Jun 13, 2011



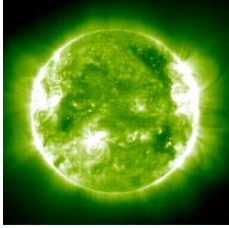
Calendar spread



Calendar spread in MCX platform remained at Rs.50 after making a high of Rs.55 in the last week, which is slightly higher than average spread of prior week. Volatility in the market movement made spread to increase, however it fell before end of the week. We may expect spread to increase more in the coming week as expectation of higher demand in summer season may support far month contract to gain more in comparison to current month contract.

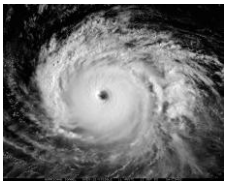
Price Movers and Shakers of the last week:

Increasing production concern, sluggish economic growth which made global equity market to fall has made oil prices to take negative cues. However, disagreement of OPEC members to increase production supported oil prices to recover from earlier losses in the last week. In beginning of the last week, crude oil prices traded on lower trend as world was expecting OPEC to increase the production to meet the future demand and oil prices to come down. Slowdown in global economic growth also reflected on world major equity market. Thus, falling equity market and concern of increasing production pressurized oil prices to trade below \$98/BBL. As per American Petroleum Institute, crude oil inventory have decline along Gasoline and Distillates stocks in the last week. Similarly, as per DOE, refiners have increased their production to meet the future demand. In addition to this in the 159th OPEC meeting, Saudi Arabia the major oil producer of world failed to convince other member countries for higher



Energy Weekly

Jun 13, 2011



production quota. Thus, the concern of increasing production dissipated and oil prices bounce back after the press released the OPEC report in Vienna on 8th June. On the other side, ECB while keeping its interest rate unchanged at 1.25% has signaled a hike in July even as higher borrowing cost may exacerbate the crisis that's threatening to push Greece towards a default. Dollar index gained 1.37 percent and closed at 74.79 levels after making a high of 74.91. Thus, appreciating dollar also pressurized oil prices to trade on lower side. US Jobless claims declined in the last week. However increasing import price index for the last month created a concern of falling demand and oil prices fell more than 2.5 percent on last Friday.

US Crude oil Inventory Data:

As per US Energy department, crude oil inventory have declined the most in last two months of time and currently the storage stands at 36.8 million barrels. Oil refiners have increased their production capacity by 1.2 % in the last week to meet the future demand by keeping an eye on summer driving season along with hurricane season. Cushing and Oklahoma delivery centre stocks stands at 3.8million barrels, down by more than 1000k barrels in the last week. Petroleum products have increased in the storage last week.

US Crude Oil Inventory

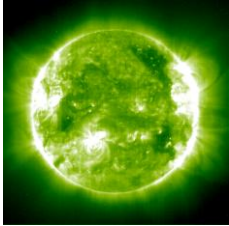
DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	368961	373806	-4845
Gasoline	214492	212283	2209
Distillate	140926	140116	810
Refinery utilization (%)	87.2	86	1.2
EIA Working gas storage (Bcf)			
Natural gas	2187	2107	80

Outlook

In the coming week, we are expecting oil future market to be on volatile trend. After failure of increasing production quota by OPEC, Saudi Arabia is expected to increase production by 13 percent alone which may have some negative impact on oil prices. On the other side, crude oil inventory have declined in the last week as reported by US energy department. On economic front, US economic data expectations are indicating a slow recovery on their economy which may support oil price movement. Similarly, China PPI is likely to decline whereas CPI may increase slightly along little slow growth in industrial production. Overall, we may expect oil futures may show positive trend, however pressure can be seen due to increasing production concern from Saudi Arabia. However, technically we are recommending to be on selling side in the coming week.

Facts to watch out:

- API Inventory data releases on Wednesday 2:00 A.M. IST
- DOE Inventory data releases on Wednesday 8:00 P.M. IST



Energy Weekly

Jun 13, 2011

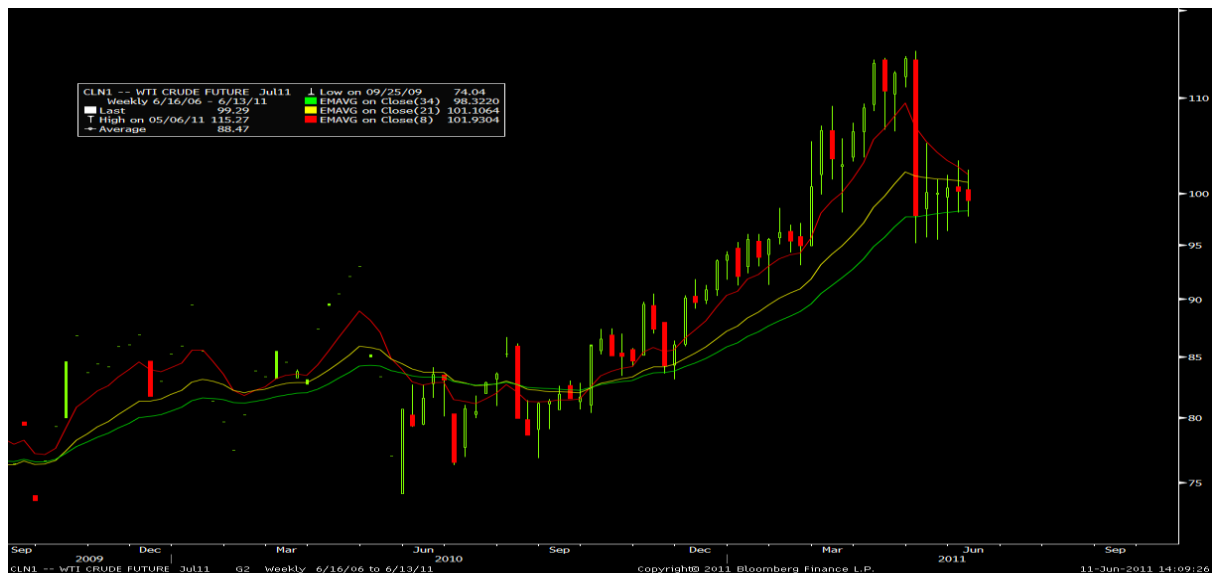
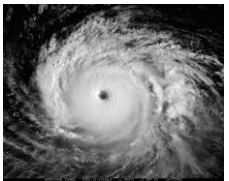
Technical analysis:

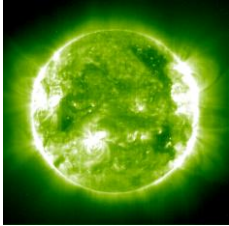
CRUDE Oil NYMEX: Technical Analysis:

Crude oil July Nymex: The week gone by for crude oil was though bearish but volatility was also ruling in the market. The June futures crude oil prices traded in the range of \$102.44 as high with a low of 97.74 and settled the week at 99.29 levels. Such move has made an indecisive Doji pattern in the weekly chart; however it has ended lower from the previous weeks low suggesting market still has potential trade lower. In other word we could say triangle break out.

As we have been seeing, oil market is into a consolidation phase for the past four weeks. Perhaps the week gone by has been the beginning of declining trend as it has broken the triangle area from the apex point. Predominantly, the above study is also supported by the moving average principle as the short term (8, 21 and 34 week EMA) is turning into compression. However, it's too early to project such bearish trend in the market. In this regard we may have to look at the daily chart. In the daily chart market breached all moving average suggesting weakness to perceive in the coming too. However, we could see supports at 97.74 (previous week's low). So, only on break of the support levels may see oil trading further down. The next support can be seen at 95.10(\$1 from pivot analysis) and 92.5 (\$1 from pivot analysis). This is also important to watch out for the pivotal point and the weekly pivotal point is at 99.8 with closing levels of 99.29 levels. Since, we are expecting a bearish trend for oil, our recommendation to go short should be around 99.80-100 for a possible target of 95.10, 92.5.. In the adverse condition the stop loss should be above 102.70

Conclusion: we expect price remain trade downside. We recommend selling at resistance levels.





Energy Weekly

Jun 13, 2011

Natural Gas

Technical Recommendation: - Buy

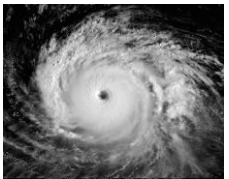
Exchange	S3	S2	S1	R1	R2	R3
NYMEX Natural Gas (\$/MMBtu)	4.044	4.277	4.517	4.990	5.223	5.463
MCX Natural Gas (Rs./MMBtu)	192.0	200.3	207.0	222.0	230.3	237.0
NYMEX Natural Gas(Jul)	Sell at 4.750-4.800 targeting 4.535 stoploss above 4.98 Buy at 4.535-4.500 targeting 4.983 stoploss below 4.468					
MCX Natural Gas(Jun)	Sell at 215 targeting 203 stoploss above 223.5 Buy at 201-203 levels targeting 223 stoploss below 193					

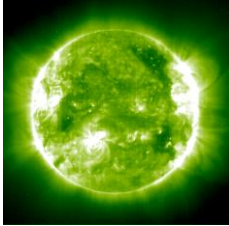
Last week's Price Movement

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	Jun	4.77	4.98	4.51	4.76	1.06	775776	31.865	172582	-21.20
	Jul	4.79	5.00	4.60	4.79	1.06	304763	64.93	93374	14.93
MCX (Rs/MMBtu)	May	212	224	209	214	1.28	176787	33.12	4610	-15.38
	Jun	200	210	199	208	1.31	10632	46.50	1574	46.47

Review:

Natural gas futures prices continued the positive trend for the fourth week and closed on a positive note. June contract have close at Rs. 214/ MMBTU by gaining more than one percent. Similarly, July contract closed with gain of more than one percent in NYMEX platform, after making a high of \$4.98 / MMBTU. As per PVO, Volume has increased the most whereas Open Interest has declined for June contract. However, both Open interest and volume have increased in July contract indicates demand for far month contract is more than current month contract.

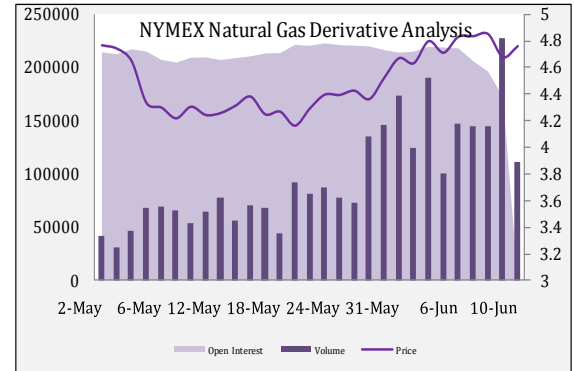
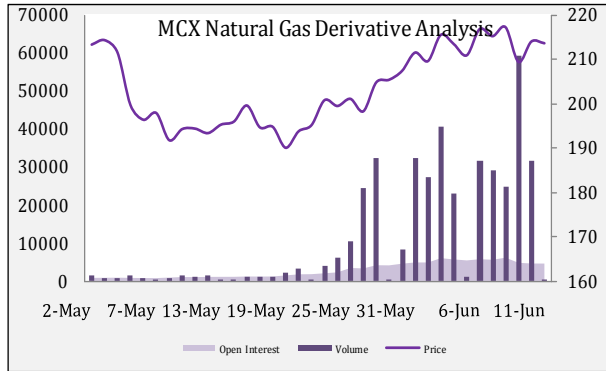
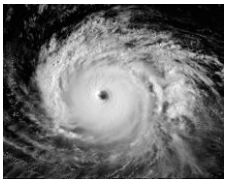




Energy Weekly

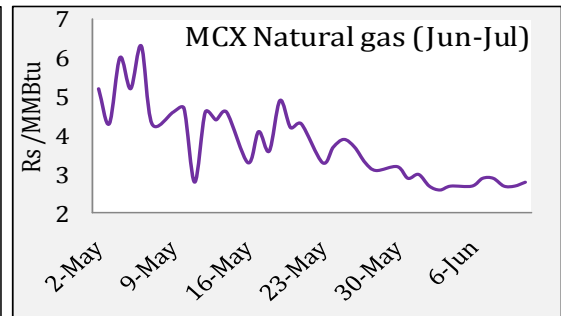
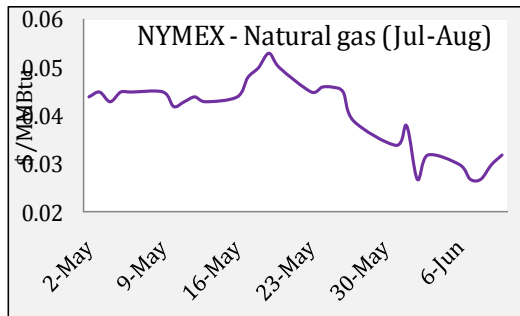
Jun 13, 2011

Derivative Analysis of Natural Gas Future Contracts



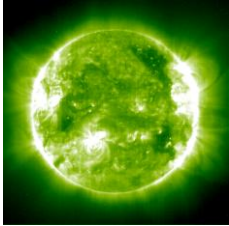
Calendar spread between two contracts fluctuated between 2.7 to 2.9 in the last week. However, we are expecting spread to increase in the coming week, as expectation of higher demand for far month contract is there is market.

Calendar spread



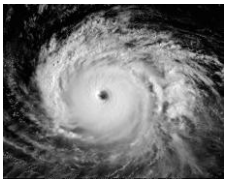
In beginning of the week, natural gas futures prices traded on higher side by taking positive cues from concern of tropical cyclone formation in North Atlantic Basin. National Hurricane centre released advisory for 20% chance of tropical cyclone Adrian formation, which may create production and supply disruption of natural gas. However, the concern dissipated in mid of the week, which pressurized gas prices. Other than this, as per EIA natural gas storage level has increased by 80 Bcf, higher than expectation in the last week. Thus, higher storage level also made gas prices to fall more than three percent on last Thursday night. However, before closing of the week, gas prices recovered from the weekly low on advisory issued by NHC.

Outlook: In the coming week, we are expecting gas prices to trade on positive trend. As per NOAA, US weather condition is likely to remain stormy with sunny condition. Thus, demand for natural gas may demand for consumption of electric power generation for cooling purposes.



Energy Weekly

Jun 13, 2011



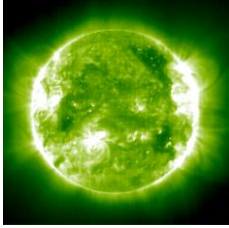
Baker Hughes rig counts have declined by eight numbers in the last week, which may support gas futures to trade on higher side. On the other side, working natural gas storage level currently stands at 2187 BCF in the last week, increased by 80 BCF. On economic front, data releases are likely to have positive impact on US economy. Overall, we may expect gas futures to trade on positive trend in the coming week.

Technical analysis: Natural Gas July Nymex : Beginning of the week future price have continued previous bull rally but formation of the High Wave candle shows that there is a great amount of indecision in the market and even this candle high(4.983) level may act as a initial resistance for the coming week. Prices initially made a low of 4.510 and settled at 4.757 levels.

In last week formation of the High wave candle with long upper shadow indicating prices to trade downside for coming week but where long-term is continuing its bullish rally, initially we may expect correction in natural gas future prices which is supported by above formations of the candlestick . Prices are witnessing trend line support at 4.506. above mention study is supporting short term correction in market so even prices are trading far from the moving averages .moving average levels may act as supports for this short term correction .4.535 levels may act as initial support which is 8 EMS and crucial support is seen at 4.468 which is 21EMA weekly pivotal point is at 4.750 with a closing levels of 4757 levels. Since and crucial support is seen at 4.468 level which is 21 EMA level. Momentum indicator RSI-14 is trading at 0.534 suggesting downside momentums.

Conclusion: overall market is continuing its bull rally but coming week prices may take correction or short term pullback.

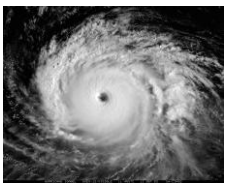




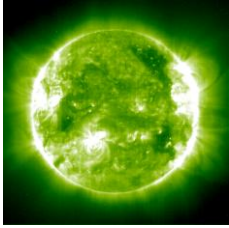
Energy Weekly

Jun 13, 2011

MAJOR ECONOMIC RELEASES IN THE COMING WEEK

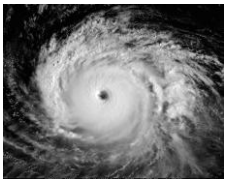


Date /Time	Region	Event	Period	Survey	Prior
06/14/2011 07:30	CH	Producer Price Index (Y/Y)	MAY	6.50%	6.80%
06/14/2011 07:30	CH	Consumer Price Index (Y/Y)	MAY	5.50%	5.30%
06/14/2011 07:30	CH	Retail Sales (Y/Y)	MAY	17.00%	17.10%
06/14/2011 10:00	JN	Industrial Production (M/M)	APR F	--	1.00%
06/14/2011 14:00	UK	CPI (M/M)	MAY	0.20%	1.00%
06/14/2011 18:00	US	Producer Price Index (M/M)	MAY	0.10%	0.80%
06/14/2011 18:00	US	Advance Retail Sales	MAY	-0.50%	0.50%
06/14/2011 19:30	US	Business Inventories	APR	0.90%	1.00%
06/14/2011	JN	BOJ Target Rate	14-Jun	0.10%	0.10%
06/15/2011 14:00	UK	Jobless Claims Change	MAY	6.5K	12.4K
06/15/2011 18:00	US	Consumer Price Index (M/M)	MAY	0.10%	0.40%
06/15/2011 18:00	US	Empire Manufacturing	JUN	12.65	11.88
06/15/2011 18:30	US	Total Net TIC Flows	APR	--	\$116.0B
06/15/2011 18:30	US	Net Long-term TIC Flows	APR	\$35.0B	\$24.0B
06/15/2011 18:45	US	Industrial Production	MAY	0.20%	0.00%
06/15/2011 18:45	US	Capacity Utilization	MAY	77.00%	76.90%
06/15/2011 19:30	US	NAHB Housing Market Index	JUN	16	16
06/16/2011 14:30	EC	Euro-Zone CPI (M/M)	MAY	0.00%	0.60%
06/16/2011 18:00	US	Initial Jobless Claims	11-Jun	420K	427K
06/16/2011 18:00	US	Continuing Claims	4-Jun	3670K	3676K
06/16/2011 18:00	US	Housing Starts	MAY	545K	523K
06/16/2011 18:00	US	Housing Starts MOM%	MAY	4.20%	-10.60%
06/16/2011 18:00	US	Building Permits	MAY	557K	551K
06/16/2011 18:00	US	Building Permits MOM%	MAY	-1.20%	-4.00%
06/16/2011 18:00	US	Current Account Balance	1Q	\$130.0B	-\$113.3B
06/17/2011 14:30	EC	Euro-Zone Trade Balance sa	APR	-2.7B	-0.9B
06/17/2011 19:25	US	U. of Michigan Confidence	JUN P	74	74.3
06/17/2011 19:30	US	Leading Indicators	MAY	0.30%	-0.30%



Energy Weekly

Jun 13, 2011



Prepared By:

Aurobinda Prasad G: Aurobinda@karvy.com

Smitarani Tripathy: Smitarani.tripathy@karvy.com

To unsubscribe please mail us at commodity@karvy.com

Disclaimer

The report contains the opinions of the author, which are not to be construed as investment advice. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of underlying may fluctuate, and as a result, clients may lose entire of their original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by or from Karvy Comtrade that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future performance. Information provided on this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management or investment advisory services. The reports are only for information purpose and not to be construed as investment advices.

For Detailed disclaimer please go to following URL's:

<http://www.karvycomtrade.com/disclaimer.asp>

<http://www.karvycomtrade.com/riskDisclaimer.asp>