



ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas



CRUDE OIL

SYNOPSIS: NYMEX traded Crude oil futures prices climbed above \$94 in the last week, supported by improving US economy and European Bank's acceptance for bailout of European debt. European government agreed on steps to leverage the fund by as much as five times and the French president estimated the region's bailout fund will be worth \$1.4 trillion. On the other side, refiners have increased their capacity to meet expected higher demand. Gasoline and Distillates stocks continue to decline. Hurricane Rina became strengthen in Gulf region creating concern for oil supply. Thus oil prices rallied to 12 week's high, however profit trimmed up after Japan's industrial and manufacturing data fell more than expectation. In the coming week, we are expecting oil futures to continue the positive trend on basis of better economic data releases from US and expectation of higher demand in upcoming winter season in US. However, little pressure can be seen due to uncertain euro-zone economy.

Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX -Crude Oil: Dec	79	82	85	90	93	95	Trading range \$83.80-\$89.90
MCX -Crude Oil: Nov	4070	4153	4262	4454	4537	4646	Trading range Rs. 4170-4490

Major Events of last week:

- Oil prices gained more than 6% , highest weekly gain since last March
- Indian rupee slips more than two percent pressurized by higher euro
- European government agreed on steps to leverage the fund by as much as five times and the French president estimated the region's bailout fund will be worth \$1.4 trillion
- Japan's(World's third largest oil consumer) industrial output declined by 4% in September, highest in last six months
- Hurricane Rina remain strong for couple of days in North Atlantic in the last week



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LAST WEEK PRICE PERFORMANCE

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	Dec	87.05	94.65	87	93.32	6.77%	1967490	33.59%	310497	-12%
	Jan	87.42	94.22	87.14	93.24	6.60%	641414	129.26%	185832	8%
ICE Brent Crude (\$/bbl)	Nov	112.46	113.86	107.31	109.56	0.32%	1076177	-9.55%	202203	-7%
	Dec	108.36	111.98	107.71	109.31	0.87%	534613	0.74%	158637	5%
MCX WTI Crude (Rs/bbl)	Nov	4389	4689	4376	4535	3.52%	892284	24.10%	25570	-1%
	Dec	4417	4694	4398	4551	3.31%	71985	71.18%	3433.00	34%

CURRENCY PERFORMANCE

Currency Pair	Value	Last week change	Prior Week Change
USD/INR	48.7662	-2.52%	2.04%
EUR/USD	1.4147	1.81%	0.10%
USD/JPY	75.8200	-0.62%	-1.20%
AUD/USD	1.0700	3.12%	0.35%
Dollar Index	75.0670	-1.74%	-0.30%

OUTLOOK:

In the coming week, we are expecting oil futures prices to continue the bullish trend supported by better economic condition and expected higher demand. Keeping eye on current economic condition oil price movement looks little dice in the coming week. However, most of the economic data from US are likely to come positive which may support oil prices to trade on higher side. The week ahead, the most important event now would be the FOMC meet on Wednesday, with the expectation to keep the interest rate unchanged. Overall, week ahead the most of the US releases are likely to remain decent while manufacturing sector is still a matter of concern. On fundamental front, US weather condition is forecasted to remain cooler than normal for couple of weeks, as per US weather forecast department. Thus, heating oil demand may increase for space heating purpose. Overall, we may expect oil futures prices to trade on a positive direction, where inventory data must eye on Wednesday.



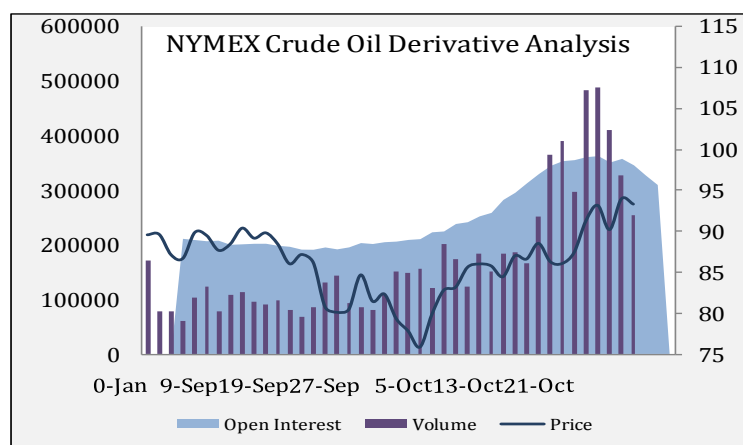
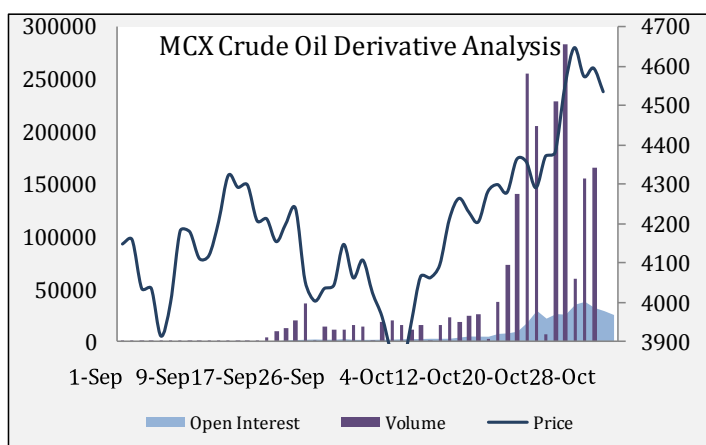
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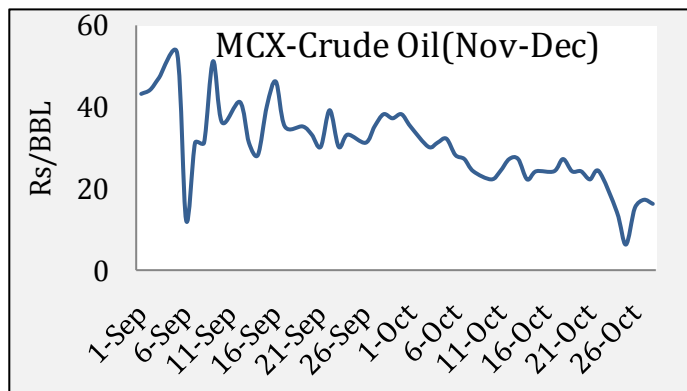
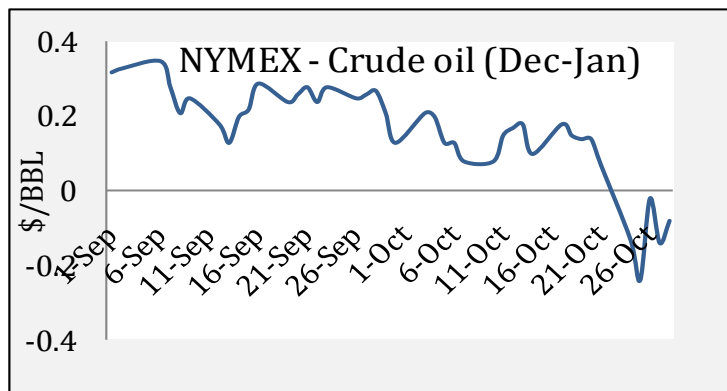


DERIVATIVE ANALYSIS

As per last week PVO-Chart, volume has been increased more in crude oil far month contract, whereas open interest have declined in current month contract. Increasing demand for far month contract is also seen might be due to expected higher winter demand, which is supporting oil futures to trade higher. Trading volume has been increased by more than 70% in December contract in MCX platform. Market has a lot of traders initiating from both sides but larger traders may be liquidating into the higher prices. The market may be vulnerable to large price swings as shorter time frame traders attempt to trade from both sides of the market but liquidating before end of day.



SPREAD CHART



The spread between MCX traded November and December oil futures have declined to 16 from 24. More gain in current month contract have made spread to fall and spread had also made a low of Rs.6 in India market. In NYMEX, oil market was in backwardation in the last week, may be due to large traders liquidating their positions on high levels. However, expectation of higher demand in winter season is creating a positive sentiment in the market. Thus, it's being reflected more on current month contract.



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CRUDE OIL INVENTORY

As per US Energy department, crude oil supplies have increased by 4735K barrels in the last week as most of the oil rigs have resume production after maintenance. Continuous fall in gasoline and distillates inventory is also seen, which indicates higher demand in upcoming winter. Distillates stocks have fallen by more than 4000k barrels. Refiners have also increased their utilization capacity as reported by US energy department. We can interpret the inventory data as a positive sign for crude oil price movement.

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	337634	332899	4735
Gasoline	204918	206271	-1353
Distillate	145464	149739	-4275
Refinery utilization (%)	84.8	83.1	1.7
EIA Working gas storage (Bcf)			
Natural gas	3716	3624	92

MAJOR ECONOMIC DATA RELEASES

Date Time	Region	Event	Period	Survey	Prior
10/31/2011 20:00	US	Dallas Fed Manf. Activity	OCT	-5	-14.4
11/01/2011 06:30	CH	PMI Manufacturing	OCT	51.8	51.2
11/01/2011 15:00	UK	PMI Manufacturing	OCT	50	51.1
11/01/2011 19:30	US	ISM Manufacturing	OCT	52	51.6
11/01/2011 19:30	US	ISM Prices Paid	OCT	55	56
11/02/2011 14:25	GE	PMI Manufacturing	OCT F	48.9	48.9
11/02/2011 14:30	EC	PMI Manufacturing	OCT F	47.3	47.3
11/02/2011 22:00	US	FOMC Rate Decision	02-Nov	0.25%	0.25%
11/03/2011 06:30	CH	China Non-manufacturing PMI	OCT	--	59.3
11/03/2011 18:00	US	Initial Jobless Claims	29-Oct	400K	--
11/03/2011 18:00	US	Continuing Claims	22-Oct	3700K	--
11/03/2011 18:15	EC	ECB Announces Interest Rates	03-Nov	1.50%	1.50%
11/03/2011 19:30	US	ISM Non-Manf. Composite	OCT	53.6	53
11/03/2011 19:30	US	Factory Orders	SEP	-0.10%	-0.20%
11/04/2011 14:30	EC	PMI Composite	OCT F	47.2	47.2
11/04/2011 16:30	GE	Factory Orders M/M (sa)	SEP	0.10%	-1.40%
11/04/2011 18:00	US	Change in Nonfarm Payrolls	OCT	95K	103K
11/04/2011 18:00	US	Change in Private Payrolls	OCT	125K	137K
11/04/2011 18:00	US	Change in Manufacture. Payrolls	OCT	4K	-13K
11/04/2011 18:00	US	Unemployment Rate	OCT	9.10%	9.10%



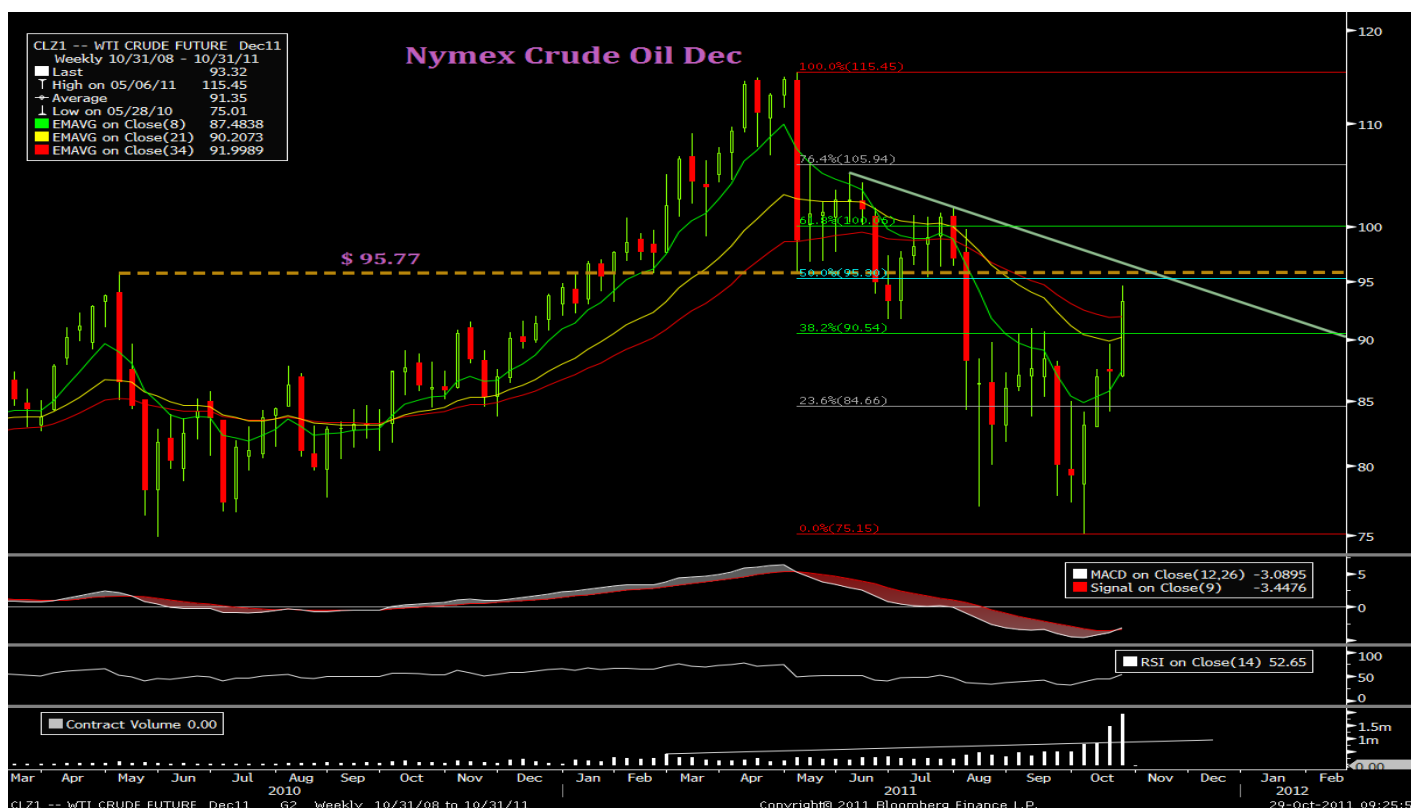
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Technical Analysis:

NYMEX CRUDE OIL: The crude oil prices traded higher last week and closed at \$93.32 a level, which is up by 6.77 per cent from its earlier week close. The principle of Fibonacci retracement states that prices have crucial resistance at \$95.50-\$95.80 levels, which is 50% retracement of the range of \$115.45-\$75.15 levels. The trend analysis also suggests immediate resistance is seen at \$95.80 levels. Only on breaches and sustained trade above is likely to remain higher side and next resistance is seen at \$100 levels, which is 61.8% Fibonacci retracement of the above mention range. The chart shows support zone might be seen at \$90.50-\$91 levels, which is supported by short to medium term EMA 21 & 34 week. The indicator analysis RSI-14 has growing with the price trend, suggesting that prices have room for further upside, which is also supported by higher volumes. Another indicator like MACD has given a signal line crossover, suggesting the upside progress might be continue in coming days. Going by the above analysis we expect a mild correction on the lower side may be expected before resuming its uptrend and recommended buying at support levels for the coming week.





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NATURAL GAS:

Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX -Natural Gas: Dec	3.560	3.640	3.780	4.000	4.080	4.220	Buy at \$3.855-\$3.875 TP \$3.980 / \$4.025 SL \$3.790
MCX -Natural Gas: Nov	176	180	186	196	200	206	Buy at 189.40-189.70 TP 194.80/ 197.50 SL 185.00

LAST WEEK PRICE PERFORMANCE:

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	Dec	3.84	3.94	3.72	3.92	2.54	559241	36.210	170710	9.98
	Jan	3.96	4.07	3.87	4.04	2.33	226738	0.85	244110	1.39
MCX (Rs/MMBtu)	Nov	194	194	184	192	0.00	102910	282.75	7746	249.23
	Dec	199	204	193	202	-0.40	5468	33.37	854	35.06

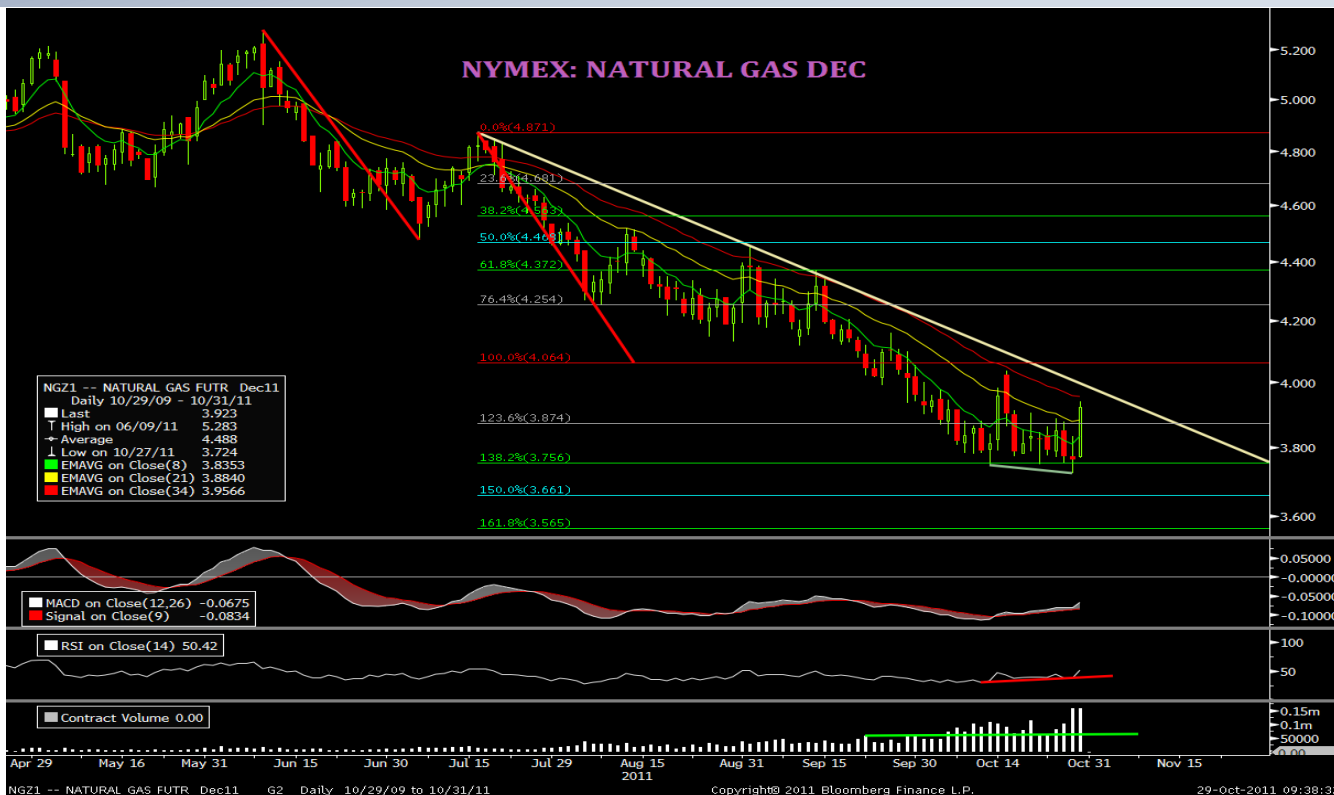
TECHNICAL ANALYSIS

NYMEX Natural Gas: : The daily chart of natural gas is in a down trend from few months. The gas prices traded higher last week and closed at \$3.923 levels with higher volumes. The closing of price candle renders positive divergence with RSI-14, suggesting buyers should be aggressive at a lower levels. The chart shows immediate resistance is seen at 34-day EMA levels, which is also supported by sliding trend line. On breaches and sustained trade above is likely to test next resistance at \$4.064 levels, which is 100% Fibonacci projection of the range of \$5.283-\$4.476-\$4.871 levels. Therefore, it is important to look at the next possible support level. The principle of moving averages suggest that prices have support at \$3.875 levels, which is similar to 123.6% Fibonacci Projection of the range of \$5.283-\$4.476-\$4.871 levels. If prices unable to hold these support (\$3.875) levels, should be re-testing \$3.756 levels, which is act as a crucial support in the near terms. Going by the above analysis we expect prices should be caught with in the range of \$3.760-\$4.060 levels for coming days and recommended to buying at lower levels for high risky traders.



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