



ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas



CRUDE OIL

REVIEW: Crude oil futures prices continued the bullish trend for the fifth week and closed with a gain of more than sixteen percent from prior month. Last week began with Japan's intervention in currency market and closed with G-20 summit. Yen dropped the most at 79.39/dollar. Increasing unemployment of Euro-zone weigh on market and equity market fell on opening of the last week. Farce of voting for Greece bailout created and speculation of Greece may scrap referendum created volatility in the market. Recent FOMC meet on 2nd November stated US economic growth strengthens somewhat in third quarter. However, weakness in overall labor market is seen and unemployment rate remains elevated. The committee anticipates that inflation will settle over coming quarter. The same reflected on unemployment data released on last Friday which declined to 9% from 9.1%. ECB's cut in interest by 0.25% which might have raised the risk appetite and is supportive for the market. On fundamental front, crude oil inventories climbed up whereas distillates continued falling, as reported by US energy department. Oil rig counts have increased as reported by Baker Hughes. Overall week have gone by ups and downs driven by major economic news.

Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX -Crude Oil: Dec	84.88	87.03	90.64	96.40	98.55	102.16	BUY AT 91.50-92.00 TP 95.30/97 SL 88.80
MCX -Crude Oil: Nov	4255	4338	4479	4703	4786	4927	BUY AT 4510-4535 TP 4635/4700 SL 4410

Major Events of last week:

- The yen dropped from a post-World War II record against the dollar after Japan intervened in currency markets. The Yen dropped by 4.7 percent at 79.39 per dollar, after climbing a record of 75.35 in end of the month
- Oil futures prices traded above \$94.65 and gained more than 16% which is highest monthly gain since January 2009
- World equity market indices gained more than 11% and 5% on October month and last week respectively
- EU leaders pressured Italy to accept tighter monitoring its finances
- PMI manufacturing index of China declined to 50.2, lowest in last two and half years



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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	1.07%	1989163	-37.99%	299137	-5%
	Jan	87.42	94.22	87.14	93.24	1.04%	648581	-53.88%	189385	11%
ICE Brent Crude (\$/bbl)	Nov	112.46	113.86	107.31	109.56	1.26%	1076177	-10.68%	193131	-25%
	Dec	108.36	111.98	107.71	109.31	0.78%	534613	8.27%	163063	3%
MCX WTI Crude (Rs/bbl)	Nov	4389	4689	4376	4541	3.65%	895057	24.48%	25258	-2%
	Dec	4417	4694	4398	4557	3.45%	72339	72.02%	3387.00	32%

CURRENCY PERFORMANCE

Currency Pair	Value	Last week change	Prior Week Change
USD/INR	49.1113	0.71%	-2.52%
EUR/USD	1.3776	-2.62%	1.81%
USD/JPY	78.1200	3.03%	-0.62%
AUD/USD	1.0382	-2.97%	3.12%
Dollar Index	77.0600	2.65%	-1.74%

OUTLOOK:

In the coming week, we are expecting oil futures to trade on a volatile trend due to ongoing Greece debt crisis. However, improvement in price can be seen due to some of the expected positive economic releases from China and US. Inflation in China seems under control as CPI appears to have peaked in September. From the US part, the trade deficit is likely to expand as the import price index might rise. Monthly budget this time may see lessening deficit after the labor sector saw better growth since last month and unemployment level fell. This might raise the confidence level of consumers. However, from the Europe, it is Germany who is still expected to remain weak in terms of exports. Euro zone retail sales might contract along with investors' confidence after the policy makers failed to fix the new aid for Greece. Spread of Greek contagion to Italy and the EC growth forecasting will be the focal point of matter in the coming week. Euro therefore might remain weak against the dollar for the week ahead. On fundamental front, US weather condition is likely to remain snowy in the coming week which may create higher demand for heating oil. However, inventory data must eye on Wednesday.



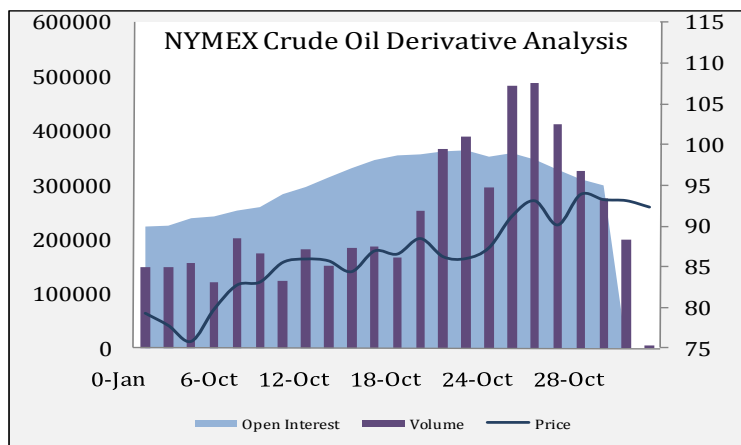
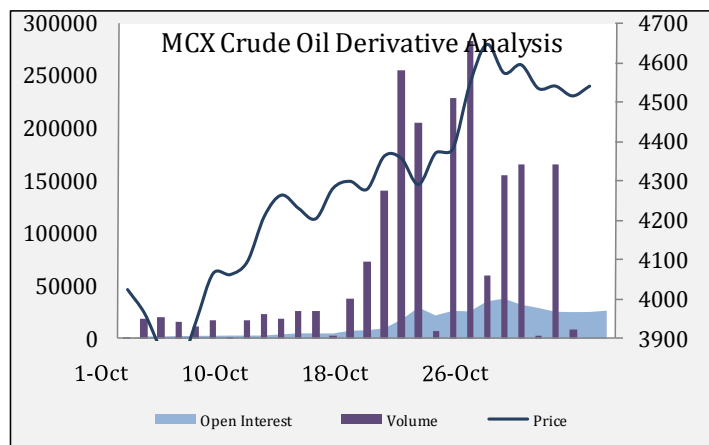
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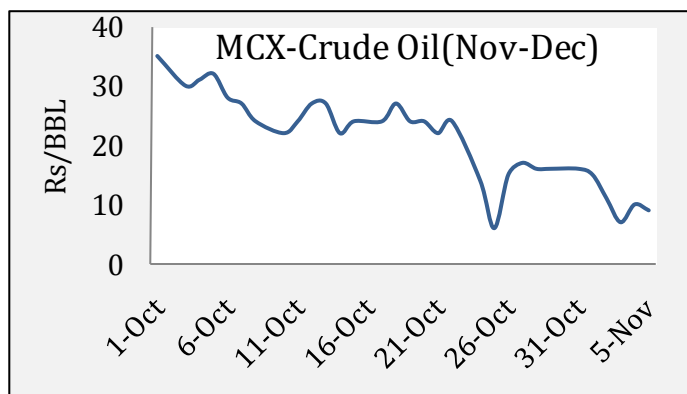
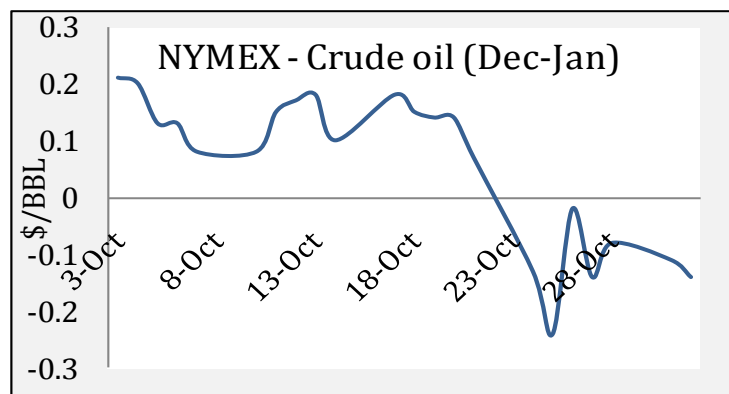


DERIVATIVE ANALYSIS

As per last week PVO-Chart, volume has been declined more in crude oil far month contract, whereas open interest have declined in current month contract. Declining demand for far month contract is also seen might be due to uncertain global economy, which is making oil futures to gain on a slower pace. Trading volume has been declined by more than 50% in January contract in NYMEX platform. Market is running out of traders willing to open or hold an open long/buy. Traders are liquidating both losing short positions & closing winning long positions.



SPREAD CHART



The spread between MCX traded November and December oil futures have declined to 9 from 16. 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 1826K barrels in the last week as most of the oil rigs have resume production after maintenance. As per Baker Hughes Oil rig counts have increased by thirty four numbers in the last week and currently stands at 1112. It is the highest increase in numbers since April this year. Continuous fall in distillates inventory is also seen, which indicates higher demand in upcoming winter. Distillates stocks have fallen by more than 3575k 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	339460	337634	1826
Gasoline	206274	204918	1356
Distillate	141889	145464	-3575
Refinery utilization (%)	85.3	84.8	0.5
EIA Working gas storage (Bcf)			
Natural gas	3794	3716	78

MAJOR ECONOMIC DATA RELEASES

Date Time	Region	Event	Period	Survey	Prior
11/07/2011 15:30	EC	Euro-Zone Retail Sales (M/M)	SEP	-0.10%	-0.30%
11/07/2011 16:30	GE	Industrial Production M/M (sa)	SEP	-0.90%	-1.00%
11/08/2011 01:30	US	Consumer Credit	SEP	\$5.200B	-\$9.501B
11/08/2011 12:30	GE	Exports SA (M/M)	SEP	-0.80%	3.50%
11/08/2011 12:30	GE	Imports SA (M/M)	SEP	0.40%	0.00%
11/08/2011 12:30	GE	Current Account (EURO)	SEP	12.3B	7.0B
11/08/2011 12:30	GE	Trade Balance	SEP	12.5B	11.8B
11/08/2011 15:00	UK	Industrial Production (M/M)	SEP	0.10%	0.20%
11/08/2011 15:00	UK	Manufacturing Production (M/M)	SEP	0.10%	-0.30%
11/09/2011 07:30	CH	Consumer Price Index (Y/Y)	OCT	5.40%	6.10%
11/09/2011 07:30	CH	Producer Price Index (Y/Y)	OCT	5.80%	6.50%
11/09/2011 15:00	UK	Total Trade Balance (GBP/Mln)	SEP	-£2100	-£1877
11/09/2011 20:30	US	Wholesale Inventories	SEP	0.50%	0.40%
11/09/2011	CH	Industrial Production (Y/Y)	OCT	13.40%	13.80%
11/09/2011	CH	Retail Sales (Y/Y)	OCT	17.60%	17.70%
11/10/2011 12:30	GE	Consumer Price Index (M/M)	OCT F	0.00%	0.00%
11/10/2011 12:30	GE	Wholesale Price Index (M/M)	OCT	--	0.30%
11/10/2011 17:30	UK	BOE ANNOUNCES RATES	10-Nov	0.50%	0.50%
11/10/2011 19:00	US	Import Price Index (M/M)	OCT	0.10%	0.30%
11/10/2011 19:00	US	Trade Balance	SEP	-\$46.2B	-\$45.6B



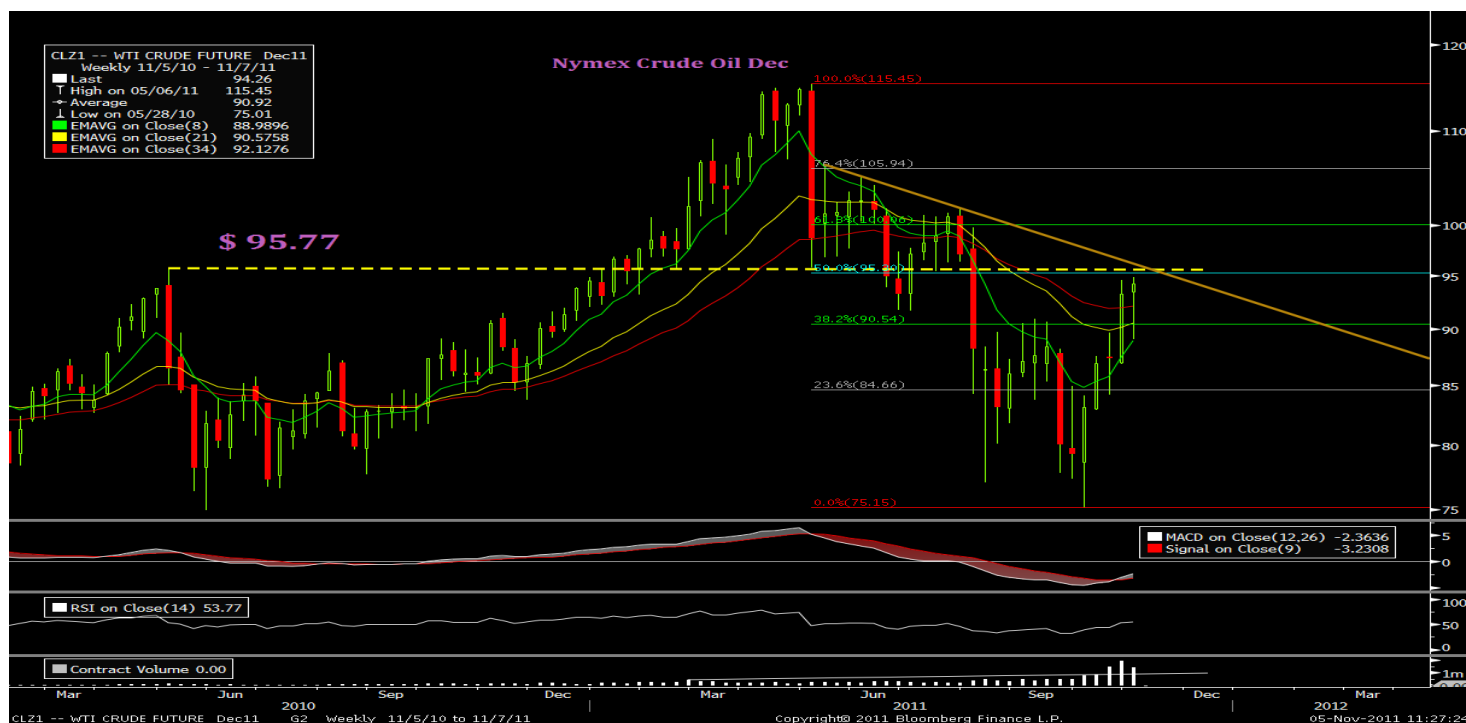
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Technical Analysis:

NYMEX CRUDE OIL: The crude oil prices traded range bound last week and closed at \$94.26 levels, which are up by 1.00 per cent from its earlier week close. The principle of Fibonacci retracement states that prices have crucial resistance at \$95.30-\$95.50 levels, which are 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 further higher side up to next resistance zone are \$98-\$100 levels, which are 61.8% Fibonacci retracement of the above mention range. The chart shows support zone might be seen at \$90.50-\$92 levels, which is supported by the short to medium term EMA 21 & 34 week. The daily chart shows prices are traded well above the short to medium term EMA 8,21&34 days, which is supported the current trend. The indicator analysis MACD weekly has given a signal line crossover and it is move towards the zero line, suggesting the upside progress might be continue in coming days. Another indicator like RSI-14 weekly has growing with the price trend and sustained above the center line 50 levels, suggesting that prices have room for further upside, which is also supported by higher volumes. 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 days.





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NATURAL GAS:

Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX -Natural Gas: Dec	3.430	3.580	3.680	3.930	4.080	4.180	SELL AT 3.870-3.895 TP 3.670 SL 3.955
MCX -Natural Gas: Nov	172.33	178.67	182.33	192.33	198.67	202.33	SELL AT 189.70-190.20 TP 182.50 SL 193

LAST WEEK PRICE PERFORMANCE:

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	Nov	3.93	3.98	3.73	3.78	-1.00	572922	0.972	141555	-6.79
	Dec	4.06	4.10	3.87	3.89	-1.00	238332	2.65	248742	2.19
MCX (Rs/MMBtu)	Oct	191	195	185	186	-0.02	272657	154.89	8906	39.57
	Nov	204	204	195	200	-1.93	14586	63.25	1172	48.86

TECHNICAL ANALYSIS

NYMEX Natural Gas: : The daily chart of natural gas is in a down trend from few months. The gas prices traded lower last week and closed at \$3.783 levels, which are down by 3.57 per cent. The chart shows immediate resistance is seen at 34-day EMA levels, which is also supported by sliding trend line. The principle of fibonacci projection states that prices have next resistance is seen at \$3.874 levels, which is 123.6% 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 chart shows supports are seen at \$3.661 and \$3.565 levels, which are 150% and 161.8% Fibonacci projection of the range of \$5.283-\$4.476-\$4.871 levels. The indicator analysis RSI-14 has resistance by sliding trend line and it is not supported the price trend, might be reflects as a divergence. Going by the above analysis we expect prices should be caught with in the range of \$3.660-\$3.890 levels for coming days and recommended to selling at resistance levels for high risky traders.



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