



ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas



CRUDE OIL

REVIEW: Oil futures prices could not continue the bullish trend and closed on a lower note with fall of more than 2.6% in NYMEX in the last week. Ongoing Euro-zone debt concern and unexpected rise in crude oil stock levels pressurized oil futures prices to fall from its two week's high. Last week started with announcement from Italy president Mario Monti for 30 billion Euros of austerity measures. However, the main focus was on ECB meet where France President and German Chancellor stated about the comprehensive plan. Before ECB meet it cut the interest rate by 25 bps and kept rate at 1%, a historic low. On last Friday, German Chancellor Angela Merkel said the leaders of the 17 euro nations reached an accord to tighten budget controls and add 200 billion Euros (\$267 billion) to their crisis-fighting war chest. They also sought to get the ECB to step up its rescue operations and outlined a new fiscal agreement to prevent future debt run-ups, accelerated the start of a planned 500 billion-euro rescue fund and watered down bondholder loss-sharing provisions. However, British Prime Minister David Cameron said early Friday that he had decided not to participate in a deal proposed by Germany and France to amend the European Union treaty and bind the 27 EU members into a closer fiscal union. Euro regained from its weekly lo and closed at 1.3356 levels, down by 0.29% against Dollar. Other than this S&P put 15 European nations on watch for potential downgrade. Trade balance of German and Japan declined. US trade deficit dropped to \$43.5 billion, its lowest level of the year, as imports fell - almost entirely because of a plunge in demand for oil. Exports to China and Latin America reached records, indicating demand from developing nations may cushion the U.S. economy from a slowdown in Europe. China inflation cooled down as CPI and PPI numbers declined more than expectation. World equity market traded mostly on lower side and MSCI World equity index closed with fall more than one percent. On fundamental front, crude oil stocks have climbed up in the last week, along other petroleum products. Sanctions on Syria and Iran supported oil prices to take some positive cues in between.

OUTLOOK:

In the coming week, we are expecting oil future prices to trade on a dicey trend driven by unsupportive fundamentals like higher increase in crude oil inventory level and uncertain global economy. First of all, on economic front data releases from US are expected to be slightly positive whereas Euro-zone and German releases are likely to remain fragile, which ultimately reflect on market and so on oil prices. The week ahead includes several important economic data releases from US are notably on retail sales, inflation, and conditions in the factory sector. The most important is FOMC meeting on 14 December, which is likely to keep the interest rate same as 0.25%. We are expecting industrial production and capacity utilization to remain consistent with very modest gains in manufacturing. The data on inflation may result slight negative for the US economy. However, euro-zone concerns will remain on the market that how deeply the crisis in the euro zone will impact the growth in the U.S. and financial markets. Economic data from Euro-zone are likely to come slight negative as PMI numbers are likely to decline in December month. Trade balance of Euro-zone may also fall as no majors have taken for ongoing debt concern.



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On fundamental front, U.S. commercial crude oil inventories increased by 1.3 million barrels from the previous week. At 336.1 million barrels, U.S. crude oil inventories are in the upper limit of the average range for this time of year. Total motor gasoline inventories increased by 5.1 million barrels last week and are in the upper limit of the average range. However, Distillate fuel inventories increased by 2.5 million barrels last week and are in the lower limit of the average range for this time of year. Thus, if the piling up of inventory continues further, it may pressurize oil prices further in the coming week. As per National Oceanic Atmospheric Administration, weather condition is likely to remain mild or normal in the coming week, which may not boost demand of petroleum. However, actual DOE report in Wednesday night must eye which may change the price direction.

Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX CRUDE	93.86	95.49	98.23	102.60	104.23	106.97	Sell on break of \$96.75 targeting 92.75 with stop loss above \$100
MCX CRUDE	4865	4966	5071	5277	5378	5483	Sell in the range of 5180-5200 targeting 5090 then 5000 with stop loss above 5280

LAST WEEK PRICE PERFORMANCE

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	Jan	97.5	101.75	97.13	100.96	-2.61%	1457229	-23.24%	283789	-18%
	Feb	97.5	101.81	97.3	101.09	4.31%	340949	-10.93%	117874	19%
ICE Brent Crude (\$/bbl)	Jan	107.46	109.45	105.65	106.4	3.33%	1007411	27.97%	150157	-14%
	Feb	105.98	111.33	105.98	109.68	3.71%	595269	61.96%	153989	4%
MCX WTI Crude (Rs/bbl)	Dec	5074	5274	5068	5175	2.11%	1178363	15.75%	33277	10%
	Jan	5088	5280	5082	5185	2.13%	109974	26.23%	5515.00	23%

Major Events of last week:

- Oil futures fell from its two week's high and closed at \$98.32/bbl in the last week
- Indian rupee depreciated by 2.00% against US dollar



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- ECB came up with short-term measure to address the crisis, the euro-area and other European states will aim to make an extra 200 billion Euros available to the International Monetary Fund
- ECB kept the interest rate at 1%, by cutting 25 bps
- Refiners have increased their capacity utilization by more than three percent in the last week

CURRENCY PERFORMANCE

Currency Pair	Value	Last week change	Prior Week Change
USD/INR	52.2300	2.00%	-2.01%
EUR/USD	1.3356	-0.26%	1.15%
USD/JPY	77.7300	-0.33%	0.33%
AUD/USD	1.0124	-0.89%	5.19%
Dollar Index	78.8130	0.24%	-1.33%

TECHNICAL ANALYSIS

NYMEX oil prices made a high of \$102.44 and a low of \$97.36 while it settled at \$99.41 down by 1.54 per cent from its previous weekly close. Oil prices have been correcting from the levels of \$103.37 (recently made high) and now trading around \$99.41 at the NYMEX platform. While applying Fibonacci principles, it is observed that the Fibonacci retracement levels that Crude has a major support at \$ 96.76 and if that is broken then the second support could be seen at \$92.67 which is 38.20% retracement of the price range of \$75.36 to \$103.37. However, if market takes support from \$96.76 (23.6%) then possibly it may bounce higher having the immediate resistances at \$11.60 (average point) and then \$103.37 (recent high). Looking at the analysis it is observed that oil prices could trade in the range of \$96 to \$103.37 levels. The momentum indicator RSI_14 days chart is treads at 57.246 levels which are finding the support of the center line 50 levels, if it will cross below 50 levels then crude may shows some weakness. Another study which is subtly indicating that oil could continue to retreat is trend line where in prices has already broken down. Along with the GANN study in the daily chart suggests prices are hovering much above 45 degree angle so a correction could be inevitable. Last but important, volumes have been trading in line with the price direction and by any means if market breaches the defined support of \$96.75 then correction could extend towards \$92.67 levels. Since, prime indicators are suggesting a bearish move we would recommend selling only on break of \$96.75.

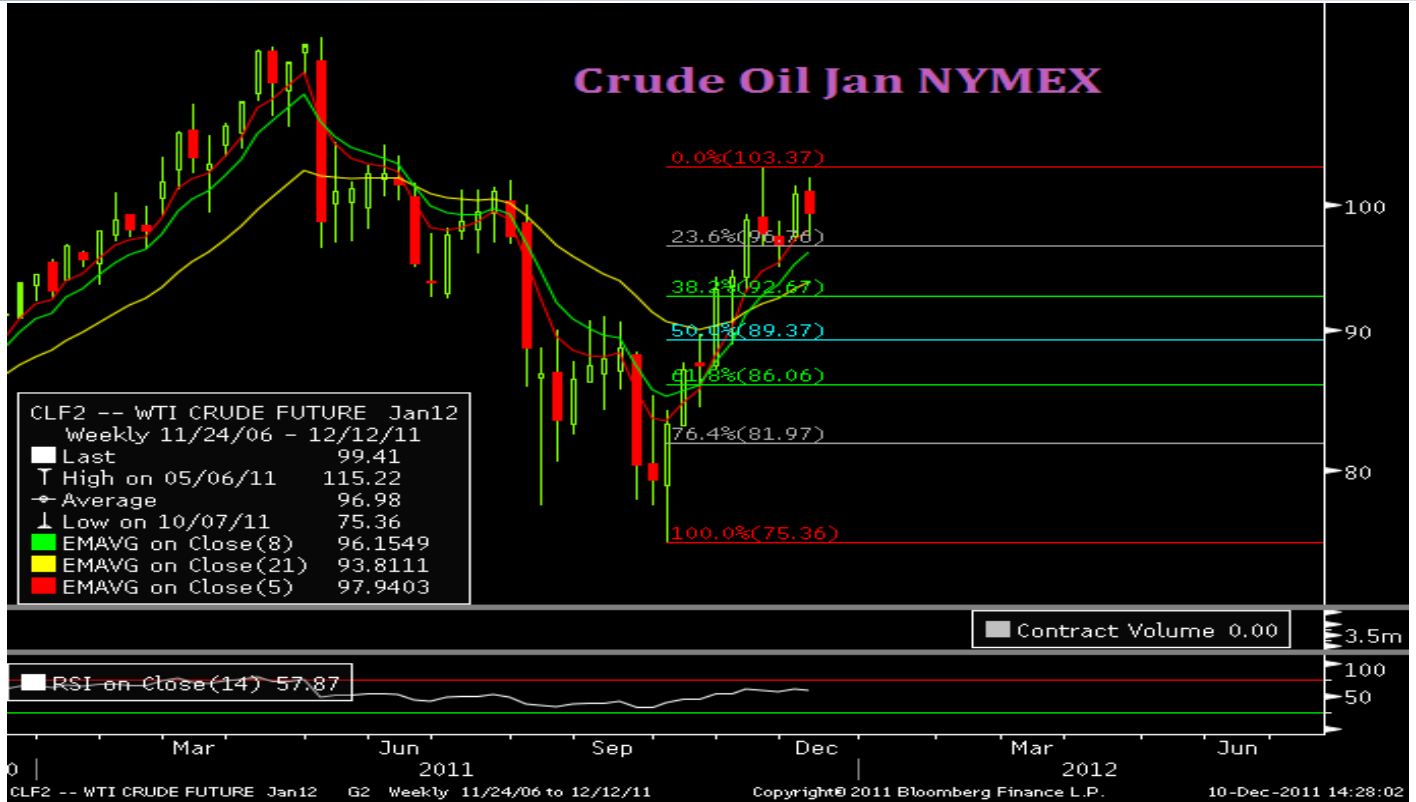
Recommendation: Sell on break of \$96.75 targeting 92.75 with stop loss above \$100

Crude oil- December-MCX: Sell in the range of 5180-5200 targeting 5090 then 5000 with stop loss above 5280



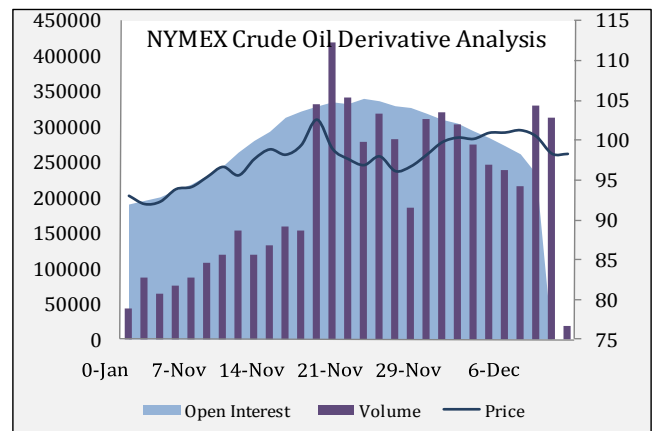
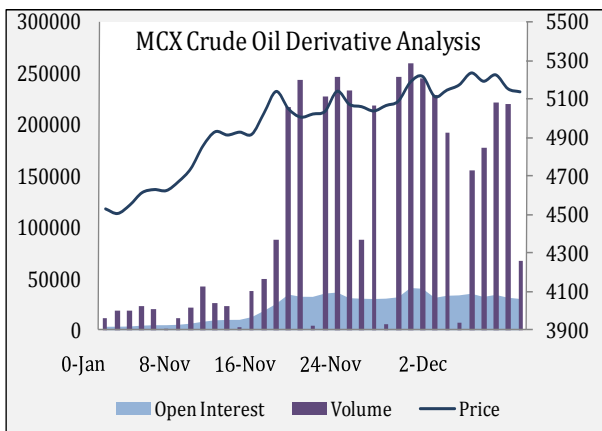
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DERIVATIVE ANALYSIS

As per last week PVO-Chart, volume have declined more in crude oil current month than far month contract on NYMEX, However, open interest have declined in current month, whereas increasing on far month. This might be because of higher demand in far month contract; investors are switching their position from current month contract to far month one.



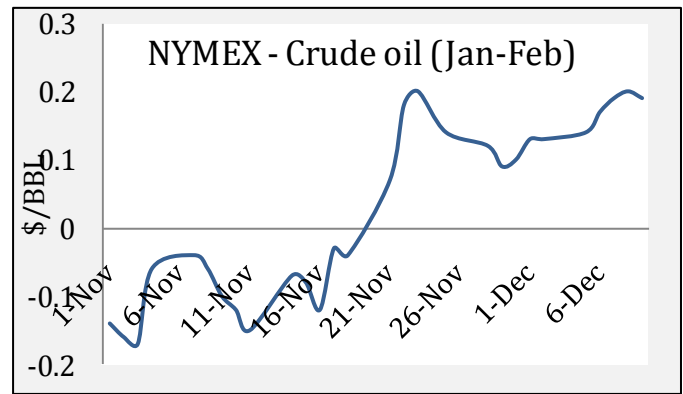
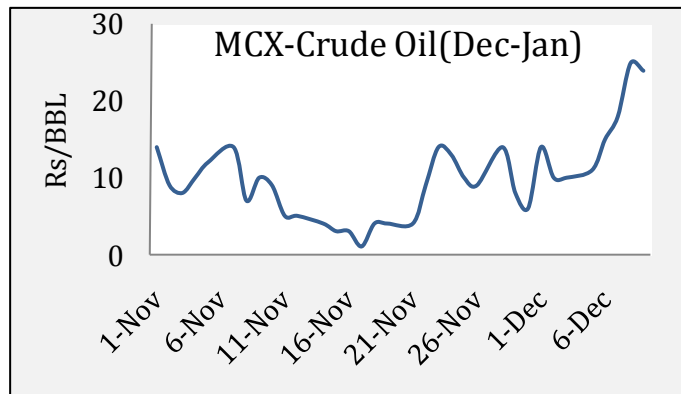


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SPREAD CHART



The spread between MCX traded December and January oil futures have increased to 24, after making a high of 30. More trading volume in far month contract have made spread to increase in India market. Expectation of higher demand in winter season is creating a positive sentiment in the market. Thus, it's being reflected more on far month contract. We are expecting the spread to climb up more in the coming week, as concern of oil supply will support the far month contract more.

CRUDE OIL INVENTORY

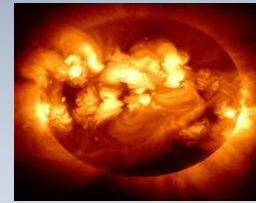
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DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	336083	334747	1336
Gasoline	214994	209847	5147
Distillate	141022	138489	2533
Refinery utilization (%)	87.7	84.6	3.1
EIA Working gas storage (Bcf)			
Natural gas	3831	3851	-20



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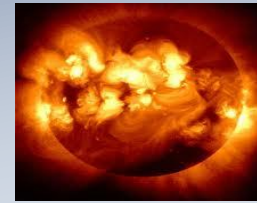
MAJOR ECONOMIC DATA RELEASES

Date Time	Region	Event	Period	Survey	Prior
12/12/2011 12:30	GE	Wholesale Price Index (M/M)	NOV	--	-1.00%
12/13/2011 00:30	US	Monthly Budget Statement	NOV	-\$139.0B	-\$150.4B
12/13/2011 15:00	UK	CPI (M/M)	NOV	0.20%	0.10%
12/13/2011 15:30	GE	Zew Survey (Current Situation)	DEC	31	34.2
12/13/2011 15:30	EC	ZEW Survey (Econ. Sentiment)	DEC	--	-59.1
12/13/2011 15:30	GE	ZEW Survey (Econ. Sentiment)	DEC	-55.8	-55.2
12/13/2011 19:00	US	Advance Retail Sales	NOV	0.60%	0.50%
12/13/2011 20:30	US	Business Inventories	OCT	0.80%	0.00%
12/14/2011 00:45	US	FOMC Rate Decision	13-Dec	0.25%	0.25%
12/14/2011 10:00	JN	Industrial Production (M/M)	OCT F	--	0.024
12/14/2011 10:00	JN	Capacity Utilization (M/M)	OCT F	--	-0.036
12/14/2011 15:30	EC	Euro-Zone Ind. Prod. sa (M/M)	OCT	0	-0.02
12/14/2011 17:30	US	MBA Mortgage Applications	9-Dec	--	0.128
12/14/2011 19:00	US	Import Price Index (M/M)	NOV	1.00%	-0.60%
12/15/2011 14:00	GE	PMI Manufacturing	DEC A	47.5	47.9
12/15/2011 14:00	GE	PMI Services	DEC A	50	50.3
12/15/2011 14:30	EC	PMI Composite	DEC A	46.5	47
12/15/2011 14:30	EC	PMI Manufacturing	DEC A	46	46.4
12/15/2011 14:30	EC	PMI Services	DEC A	47	47.5
12/15/2011 15:30	EC	Euro-Zone CPI (M/M)	NOV	0.10%	0.30%
12/15/2011 15:30	EC	Eurozone Employment (Q/Q)	3Q	--	0.30%
12/15/2011 19:00	US	Producer Price Index (M/M)	NOV	0.20%	-0.30%
12/15/2011 19:00	US	Current Account Balance	3Q	-\$108.7B	-\$118.0B
12/15/2011 19:00	US	Empire Manufacturing	DEC	3	0.61
12/15/2011 19:00	US	Initial Jobless Claims	10-Dec	390K	381k
12/15/2011 19:00	US	Continuing Claims	3-Dec	3630K	3583k
12/15/2011 19:30	US	Net Long-term TIC Flows	OCT	--	\$68.6B
12/15/2011 19:45	US	Industrial Production	NOV	0.20%	0.70%
12/15/2011 19:45	US	Capacity Utilization	NOV	77.90%	77.80%
12/15/2011 20:30	US	Philadelphia Fed.	DEC	5	3.6
12/16/2011 15:30	EC	Euro-Zone Trade Balance	OCT	1.0B	2.9B
12/16/2011 19:00	US	Consumer Price Index (M/M)	NOV	0.10%	-0.10%



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NATURAL GAS:

REVIEW:

Natural gas futures prices traded on a bearish trend on the last week. Henry hub Natural gas futures prices for January delivery closed at \$3.44/ MMBTU with fall of more than four percent in the last week. Similarly, MCX traded gas futures prices closed at Rs.185/mmbtu with fall of more than three percent. Both Volume and open interest has been increased in the far month contract whereas declined in current month contract in the last week. This indicates demand for far month contract is more in comparison to current month contract. Mild weather condition in US pressurized gas futures prices. Working natural gas in storage fell from record levels to 3,831 Bcf as of last Friday, according to the U.S. Energy Information Administration's (EIA) .The implied decrease for the week was -20 Bcf. So, little pull back on prices was seen on last Thursday.

OUTLOOK:

We are expecting gas futures prices to trade on a volatile trend in the coming week. As per National Oceanic Atmospheric Administration, US weather condition is likely to remain normal in lower 48 states. Thus, mild weather condition may pressurize gas prices to take negative cues. However, storage level has started declining on expectation of winter demand. So, declining stocks level may support gas prices in between. As per Baker Hughes Natural gas rig counts have declined by 36 numbers, highest level since last four weeks. The total number stands at 820. Thus declining supply may support gas futures prices. Weekly natural gas storage data releases must eye on Thursday night.

Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX Natural Gas Jan	3.293	3.407	3.493	3.693	3.807	3.893	Trading range - \$3.501 to 3.190
MCX Natural Gas Dec	170	177	181	192	199	203	Trading range - Rs.169 to 182

LAST WEEK PRICE PERFORMANCE:

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	Dec	3.57	3.57	3.41	3.44	-4.2%	651190	-19.95%	269882	-0.15
	Jan	3.60	3.60	3.44	3.47	-4.0%	168277	21.21%	97549	0.01
MCX (Rs/MMBtu)	Nov	192	195	184	185	-3.0%	258105	289.22%	12922	0.72
	Dec	190	190	183	186	-2.92%	20864	204.10%	3244	0.58



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TECHNICAL ANALYSIS

NYMEX Natural Gas:

Natural gas prices are trading lower since long and in the last week gas prices ended at \$3.317 down by 7.45 per cent from its previous week's close. Market is in a down trend and no sign of reversal yet. In fact the daily RSI-14 is at around 33.34 levels may be still has potential to trade lower. Hence, we believe gas prices are expected to trade further lower however, Principles of Fibonacci extensions states that prices are witnessing support at 3.242 which is 76.4% of the range 4.095-3.465-3.720 on sustain trade below is likely to test 100% extension levels of 3.094 of the above mentioned range. Overall natural gas expected to trade lower for the next coming week.





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