



# ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas



## CRUDE OIL

**REVIEW:** Our last week view could not go right on account of sudden change in fundamentals. Crude oil prices traded for a highest weekly gain in the last week since last two months. WTI oil futures for February delivery traded above \$100 and closed with gain of more than six percent in NYMEX platform. Similarly, MCX traded oil futures prices closed at Rs.5300/bbl by gaining more than six percent. Bullish trend in the last week was contributed by speculation from death of Korean leader, Iran Sanction, highest draw down in inventory and pipeline leakage in Nigeria. In addition to this, economic releases from major oil consumers turn positive in the last week. Death of Korean leader Kim Jung in the nuclear weapon armed nation created concern for Korean economy. Thus, higher dollar against Korean Won, pressurized oil prices in beginning of the week. Thereafter, oil prices traded on higher side on concern of oil supply from Iran. US congress committees have approved the new sanction on Iran. The new sanction will be on Central bank of Iran and oil export; however it is not implemented yet. Oil exports account for eighty percent of Iran's total exports and all the transaction through central bank. So, the speculation came into the market Iran may block Strait of Hormuz delivery centre (World' largest). Oil prices traded higher on speculation of oil supply from Iran to the major oil consuming nations. Oil spill in Bonga field off Nigeria after a leak also supported the bullish trend of oil prices. Royal Dutch Shell Plc, Europe's largest oil company, shut its 200,000 barrel-a-day after the leakage. Crude oil inventory declined the most in the last week along other petroleum products, which made oil prices to climb up above \$100/bbl. On the other side, economic releases from US were mostly positive. Thus, oil prices took positive cues from data like increasing housing sectors, better employment, increasing durable goods orders and improving income & spending. World equity market bounced back, MSCI world climbed up by three percent in the last week. Performance from US and Euro-zone equity market was better than Asian market.

## OUTLOOK:

In the coming week, we are expecting oil future prices to trade on a positive trend. However, market may remain sluggish for some time on occasion of New Year holiday.

Positive trend is expected to driven by prevailing fundamentals, which are discussed in the review part. From economic front, most of the economic data are likely to come positive for the economy which may support for the trend. Coming week is going to start with US economic releases in the form of US consumer confidence. Increasing income and strong demand for durable goods orders may support for improving confidence of US consumers. In the month of November, ISM manufacturing index climbed up above 52 levels. Similarly, empire manufacturing also climbed up to last seven month's high. So, we may expect Richmond Fed and Dallas Fed manufacturing indeed to climb up in December. The pace of pending home sales is expected to decline slightly in the coming week. Thus, expected positive data from US may boost oil prices further. Important data from German in the form of Consumer price index is expected to increase, which may have negative impact on the economy. Industrial production of Japan may fall for November month. Therefore, negative impact can be seen on oil prices during this time. There no major economic releases from Euro are expected from Europe. However, China's HSBC PMI numbers must watch before weekend. As per National Oceanic Atmospheric Administration, weather



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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 - Feb	87.43	90.10	94.89	102.35	105.02	109.81	Trading Range : \$92.78-\$103.28
MCX CRUDE- Jan	4689	4815	5057	5425	5551	5793	Trading Range : Rs.5040-5390

## LAST WEEK PRICE PERFORMANCE

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	Jan	93.77	100.23	92.77	99.68	6.33%	907117	39.16%	249602	7%
	Feb	93.96	100.38	93	99.83	6.22%	187494	-34.45%	154943	9%
ICE Brent Crude (\$/bbl)	Jan	108.75	111.1	104.36	105.09	-3.25%	410874	-47.31%	17469	-80%
	Feb	103.63	108.55	102.37	107.96	4.46%	638965	-18.88%	162864	-2%
MCX WTI Crude (Rs/bbl)	Dec	4970	5308	4940	5300	6.49%	804946	331.53%	29054	194%
	Jan	4953	5325	4953	5318	6.49%	53776	409.39%	4264.00	180%

## Major Events of Last week:

- Tension raised in Nuclear armed nation North Korea as Leader Kim Jong II died on 20<sup>th</sup> December
- Congress committee approved the new sanction of US on Iran
- Highest weekly draw down of crude oil inventory is seen in the last decade
- Royal Dutch Shell Plc, Europe's largest oil company, shut its 200,000 barrel-a-day Bonga field off Nigeria after a leak
- Russian Urals traded at a premium from Europe Brent in two decades of time



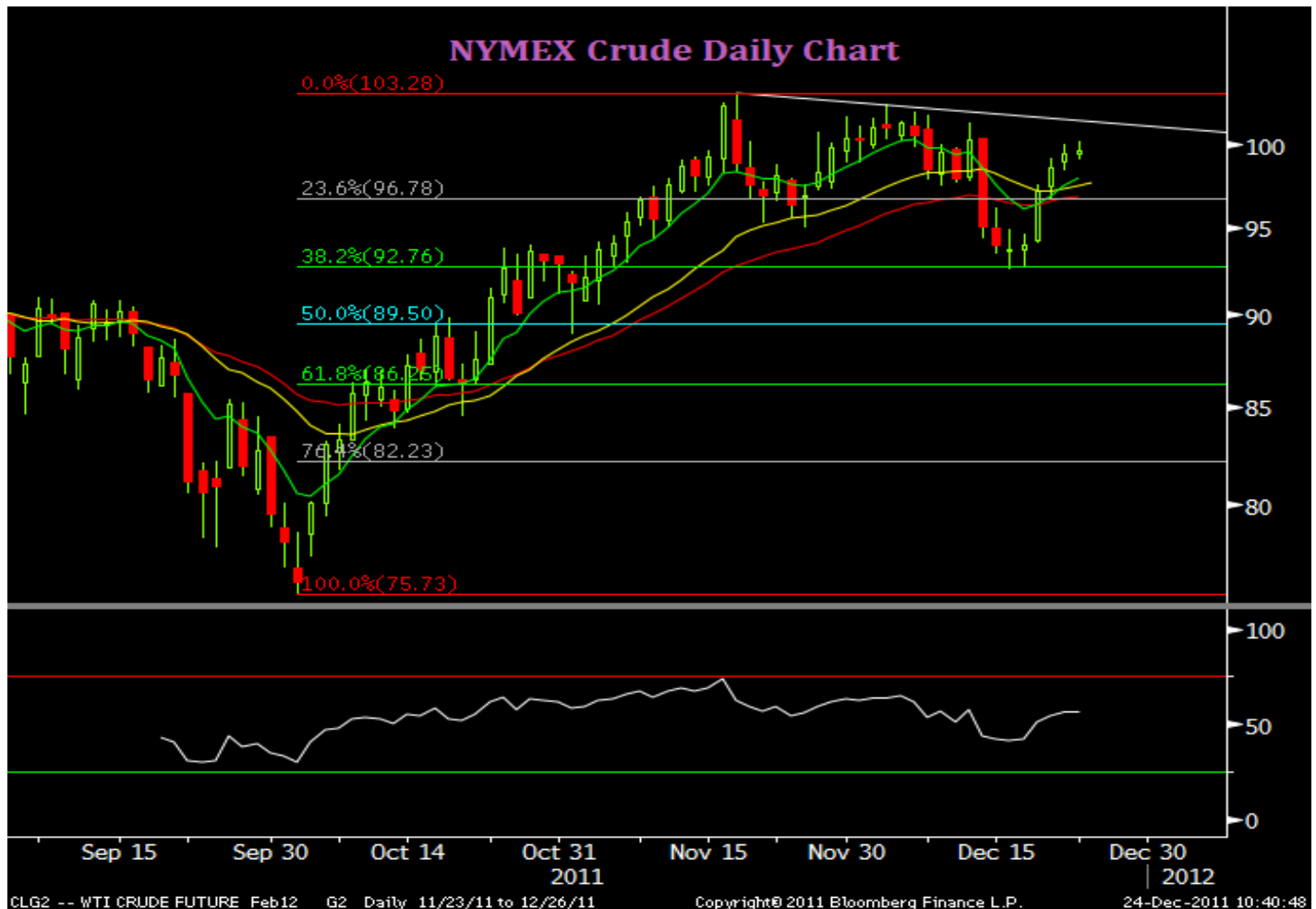
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## TECHNICAL ANALYSIS

NYMEX Crude oil prices for February contract traded higher last week made a high of \$100.23 against the low of \$92.77 and finally closed at \$99.68 level, which is up by 6.30% from its earlier week close. The principle of Fibonacci retracement states that prices have crucial support at \$96.78-\$92.76 levels, which is 23.6% and 38.2% retracement of the range of \$103.28-75.73 levels. The trend analysis also suggests immediate resistance is seen at \$101.6 levels which are around trend line resistance. Only on sustained trade above is likely to remain higher side and next resistance is seen at \$103.5 which is 0.00% Fibonacci retracement of the above mention range, if prices does not break the levels of 101.6 than we may expect Crude prices will correct from this levels it may take support from the levels of 96.78 and 92.76. The chart shows support zone might be seen at \$96.78 levels and 92.76 levels. The indicator analysis RSI-14 days is trade at 56.51 and it is supportive for the crude prices which is above the central line (50) suggesting that prices have room for further upside side. Going by the above analysis we expect a correction on the lower side may be expected before resuming its uptrend and recommended buying at lower levels for the coming week.





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## CRUDE OIL INVENTORY

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) decreased by 10.6 million barrels from the previous week. At 323.6 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 decreased by 0.4 million barrels last week and are above the upper limit of the average range. Finished gasoline inventories increased while blending components inventories decreased last week. Distillate fuel inventories decreased by 2.4 million barrels last week and are in the lower limit of the average range for this time of year. Refineries operated at 84.9 percent of their operable capacity last week. Gasoline production decreased last week, averaging nearly 9.4 million barrels per day. Distillate fuel production increased last week, averaging 5.0 million barrels per day.

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	334151	336083	-1932
Gasoline	218818	214994	3824
Distillate	141502	141022	480
Refinery utilization (%)	85.1	87.7	-2.6
EIA Working gas storage (Bcf)			
Natural gas	3729	3831	-102

## MAJOR ECONOMIC DATA RELEASES

Date Time	Region	Event	Period	Survey	Prior
12/27/2011 07:30	CH	Industrial Profits YTD Y/Y	NOV	--	0.25
12/27/2011 19:30	US	S&P/CaseShiller Home Price Ind	OCT	--	141.97
12/27/2011 20:30	US	Consumer Confidence	DEC	58.6	56
12/27/2011 20:30	US	Richmond Fed Manufact. Index	DEC	5	0
12/27/2011 21:00	US	Dallas Fed Manf. Activity	DEC	4.5	3.2
<b>27-31 DEC</b>	<b>CH</b>	<b>Leading Index</b>	<b>NOV</b>	<b>--</b>	<b>100.4</b>
<b>12/28/2011 05:20</b>	<b>JN</b>	<b>Industrial Production (M/M)</b>	<b>NOV P</b>	<b>-0.80%</b>	<b>2%</b>
12/29/2011 14:30	EC	Euro-Zone M3 s.a. 3 mth ave.	NOV	3%	3%
12/29/2011 19:00	US	Initial Jobless Claims	40901	374K	364K
12/29/2011 19:00	US	Continuing Claims	40894	3590K	3546K
12/29/2011 20:15	US	Chicago Purchasing Manager	DEC	61	62.6
12/29/2011 20:30	US	Pending Home Sales M/M	NOV	2%	10%
12/29/2011	GE	Consumer Price Index (M/M)	DEC P	1%	0%
12/30/2011 04:45	JN	Markit/JMMA Manufacturing PMI	DEC	--	49.1
12/30/2011 08:00	CH	HSBC Manufacturing PMI	DEC	--	47.7
12/30/2011 01/05	GE	Retail Sales (M/M)	NOV	0%	1%



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## NATURAL GAS:

Natural gas futures prices traded on a zigzag trend, however managed to close on a positive note. MCX traded December contract closed at Rs.166/ Mmbtu , with gain of more than 0.30 percent. However, NYMEX traded gas prices closed on a lower note in the last week. We are expecting gas futures to continue the bullish trend in the coming week. Expectation of higher winter demand and declining inventory level may support gas futures to get a pull back from the low. As per EIA storage has declined by 100 BCF in the last week. Currently storage stands at 3629BCF. Similarly, rig counts are continuously declining in lower 48 states in US. Sanction on Iran, lower crude oil inventory and positive economic data expectation from US are likely to support gas future prices in the coming week.

## Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX Natural Gas-Feb	2.947	3.023	3.087	3.227	3.303	3.367	Trading range - \$2.969-3.242
MCX Natural Gas Jan	164	171	175	186	193	197	Buy at 167-168 TP 175/178 SL 162.5

## LAST WEEK PRICE PERFORMANCE:

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	Jan	3.09	3.20	3.05	3.11	-0.4%	430251	-35.17%	32780	-0.69
	Feb	3.15	3.24	3.10	3.15	-0.9%	264428	-15.01%	178719	0.28
MCX (Rs/MMBtu)	Dec	165	169	163	166	0.3%	199334	-25.28%	18683	-0.26
	Jan	188	189	178	179	-0.23%	54908	17.33%	12221	0.53

## TECHNICAL ANALYSIS

### NYMEX Natural Gas:

NYMEX Natural gas futures prices continuous to trade lower, Last week Natural Gas prices has made a high of \$3.242 against the low of \$3.100 and finally settled at \$3.147 which is marginally lower from the previous week. The key level to watch out for Gas prices is around \$3.100 levels which has made a low in last week and it could take support from this levels and sustaining above the same may push the prices higher, if breaches this levels Gas prices may fall further and test the levels of \$2.969 which is 76.4% of the projection of the range of \$4.095-3.465-3.270.



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The momentum indicator monthly RSI-14 on a daily chart is at 33.25 which is above the 30 lines that is oversold territory. The long-term resistance is seen at \$3.236 and then \$3.355 and \$3.506 levels. However, buying at support levels is recommended at lower levels which are around \$2.969. it may pull back from these levels if beaches the levels of 2.969 prices may correct till \$2.855 and \$2.781 which is 138.2% and 150% of the projection of the above mentioned range. However momentum buying will slowly pick up from the support of levels which is \$3.100 and \$2.969, only to rise up further as we expect pull back from the lower levels.





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