


ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas


CRUDE OIL

REVIEW: Crude oil futures prices traded in a sluggish trend and managed to close in a positive note in the last week. Oil prices ended the year 2011 with gain of more than 9 percent in NYMEX platform. However, depreciating Indian rupee supported MCX traded WTI prices to gain more than 28 percent on yearly basis. So, oil prices gained continuously for the third year. The last week began with Christmas holiday and ends with New Year holiday. Thus, very sluggish movement was seen on Monday as European and US market were closed due to Christmas holiday. On the other side, higher trading Asian equity market supported oil prices to be on positive side. On last Tuesday, oil prices traded above $101/bbl in NYMEX and made a high of $101.77. Supply concern from Iran and better economic releases from US supported oil price to trade at two week's high level. Iran's first vice president Mohammed Reza Rahimi said, "If they impose sanctions on Iran's oil exports, then even one drop of oil cannot flow from the Strait of Hormuz," according to Iran's official news agency. Thus, country would retaliate against any crackdown by blocking all oil shipments through the Strait of Hormuz, a vital artery for transporting about one-fifth of the world's oil supply. About 15.5 million barrels of oil a day, or a fifth of global consumption, passes through the Strait of Hormuz between Iran and Oman at the mouth of the Persian Gulf. US consumer confidence climbed to one year high at 64.5 levels. Improvement in manufacturing activities is seen as leading indicators in the form of Dallas Fed Manufacturing activities and Richmond Fed activities increased more than expectation in December. On Wednesday, data reported in the form of Industrial production of Japan declined the most in the last month, which created a bearish sentiment in market. Oil prices traded under pressure by taking cues from lower Asian equity market and increasing inventory data expectation from DOE. On the other side, Q3 loss of major European refinery Petroplus climbed up to $95 million, worse than forecast. Thus, oil prices came under pressure and closed the day with loss of near 2 percent. Similarly, very sluggish trend was seen on Thursday, as inventory report released by US energy department and American petroleum institute disappointed investors. Increase in crude oil and distillates stock was witnessed in the last week. However, Increase in inventory level had been countered by better economic data released in the US session. Pending home sales and Chicago purchasing manager increased more than expectation in the month of November. Overall, oil prices closed the week at Rs.5317/bbl with gain of more than 0.50 percent in MCX platform. Indian rupee depreciated by 0.20 percent against US Dollar. Major fall in US and Asian equities were seen, whereas European equities gained about 1 percent in weekly basis.

OUTLOOK:

In the coming week, we are expecting oil future prices to trade on a positive trend. However, week may begin with a sluggish trend on occasion of New Year holiday. The first week of the New Year is going to start with manufacturing releases from major nations. Asian equity market may react to the manufacturing data which will release on 1st January. However, expectation is on positive side. Thus, oil prices may take some positive cues. On the other side, close market of US may keep oil prices under pressure on coming Monday. However in Tuesday, expectation of ISM manufacturing and prices paid are likely to increase for the month of December, which may support oil prices to take positive cues. Similarly, factory orders data from US are expected to in a positive number about 2 percent. On the same day, market will be eyeing on inventory data from US energy department.

Thereafter, most important data in the form of US payrolls will be waiting, which are expected to improve in December. While ADP is expected to be slowed down in job addition, non farms are likely to exceed the previous months count. The employment continued to trend up in retail trade, leisure and hospitality, professional and business services, and health care; government employment is expected to be in down trend. Hence, total unemployment rate for December might inch up. In a nutshell, market to focus on US economy as 2012 begins with a welcoming propaganda from the Fed and hopefully an improved labor sector. From the Euro zone PMI numbers and economic confidence are as usual expected to remain weak, which may pressurize oil prices. 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:

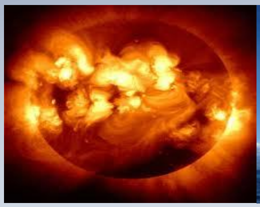
Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX CRUDE - Feb	94.03	96.16	97.50	100.97	103.10	104.44	Sell in the Range of \$99.90-\$100.30 TP \$96.60 then \$94.50 SL \$101.77 Buy in the range of \$96-\$96.70 TP \$101.77 then \$103.10 SL \$94.5
MCX CRUDE- Jan	5050	5148	5233	5416	5514	5599	Sell at 5326-5345 TP 5220 then 5080 SL 5445 Buy in the Range of 5050-5080 TP 5340 then 5440 SL 4930

LAST WEEK PRICE PERFORMANCE

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	Feb	99.92	101.77	98.3	98.83	-0.85%	574606	-37.77%	237466	-3%
	Mar	99.94	101.88	98.45	99	-0.83%	173122	-8.71%	165982	4%
ICE Brent Crude (\$/bbl)	Feb	103.63	108.55	102.37	107.96	4.46%	638965	-18.88%	162864	-2%
	Mar	107.4	108.8	106.12	106.87	-0.37%	199469	-41.60%	171557	0%
MCX WTI Crude (Rs/bbl)	Jan	5280	5430	5247	5297	0.15%	611235	-24.34%	26292	-8%
	Feb	5295	5446	5264	5314	0.13%	51508	-4.89%	4436.00	5%


ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas

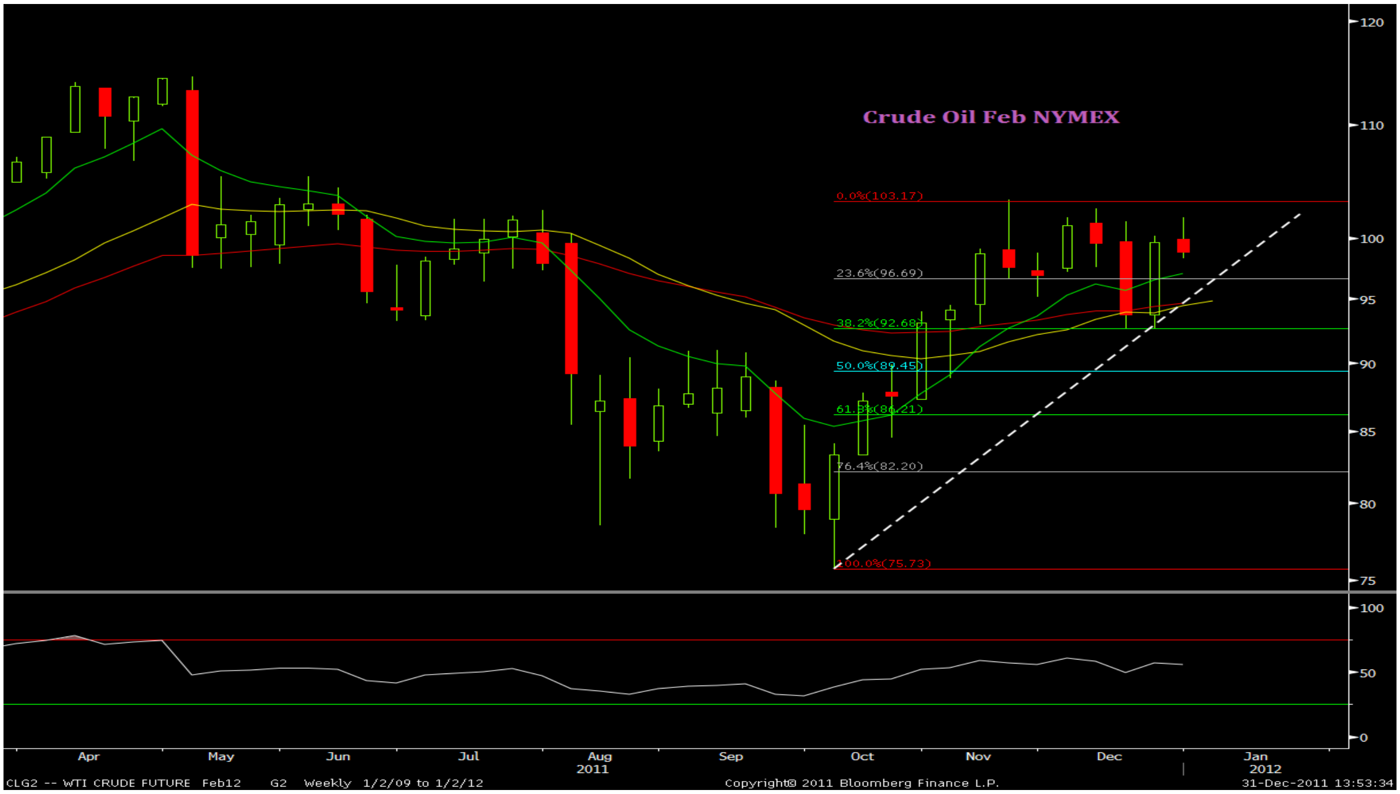



Major Events of Last week:

- Swiss oil refiner Petro plus reported lower than expected profits on last Wednesday

TECHNICAL ANAYSIS

In the previous week oil futures have trade in the limited downside ($101.77-$98.30).Closing of the black long leg candle stick is showing weakness in buyer at this levels. Below mentioned technical study is supporting prices to continue downward trend in coming session. Prices are witnessing crucial support at $96.60 levels where short term moving average (8 EMA), rising trend line and also Fibonacci retracement level of 23.6% support levels are falling almost at same levels. Incase on breach and sustained trade below is likely to test $94.50 levels which is medium and short term moving averages support level (21, 34 EMA).In daily price chart prices are witnessing negative divergence this is one more important clue which is supporting down side momentum in coming session. Higher side pivot level is seen at $99.90 levels this might act as an initial resistance level next resistance is seen at $101.77 levels which are previous candle high. In case on breach and sustained trade above is likely to test $103.10 levels. Overall expecting prices to trade limited downside in the beginning of the coming weekly in case if it finds support at $96.60 levels then prices might resume previous bull rally.



ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas

Sell in the Range of $99.90-$100.30 TP $96.60 then $94.50 SL $101.77

Buy in the range of $96-$96.70 TP $101.77 then $103.10 SL $94.5

Sell at 5326-5345 TP 5220 then 5080 SL 5445

Buy in the Range of 5050-5080 TP 5340 then 5440 SL 4930

CRUDE OIL INVENTORY

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) increased by 3.9 million barrels from the previous week. At 327.5 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 0.7 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 increased by 1.2 million barrels last week and are in the lower limit of the average range for this time of year. U.S. crude oil refinery inputs averaged just less than 14.6 million barrels per day during the week ending December 23, 19 thousand barrels per day below the previous week's average. Refineries operated at 84.2 percent of their operable capacity last week. Gasoline production increased last week, averaging 9.4 million barrels per day. Distillate fuel production decreased last week, averaging about 4.9 million barrels per day.

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	327480	323581	3899
Gasoline	217714	218406	-692
Distillate	140354	139149	1205
Refinery utilization (%)	84.2	84.9	-0.7
EIA Working gas storage (Bcf)			
Natural gas	3548	3629	-81

MAJOR ECONOMIC DATA RELEASES

Date Time	Region	Event	Period	Survey	Prior
01/01/2012 06:30	CH	PMI Manufacturing	DEC	49.1	49
01/02/2012 14:25	GE	PMI Manufacturing	DEC F	48.1	48.1
01/02/2012 14:30	EC	PMI Manufacturing	DEC F	46.9	46.9
01/03/2012 15:00	UK	PMI Manufacturing	DEC	47.3	47.6

01/03/2012 20:30	US	Construction Spending MoM	NOV	0.40%	0.80%
01/03/2012 20:30	US	ISM Manufacturing	DEC	53.4	52.7
01/03/2012 20:30	US	ISM Prices Paid	DEC	48	45
01/04/2012 00:30	**US**	**Minutes of FOMC Meeting**			
01/04/2012 14:25	GE	PMI Services	DEC F	52.7	52.7
01/04/2012 14:30	EC	PMI Composite	DEC F	47.9	47.9
01/04/2012 14:30	EC	PMI Services	DEC F	48.3	48.3
01/04/2012 15:00	UK	PMI Construction	DEC	51.8	52.3
01/04/2012 20:30	US	Factory Orders	NOV	2.00%	-0.40%
01/05/2012 03:30	US	Total Vehicle Sales	DEC	13.50M	13.59M
01/05/2012 12:30	GE	Retail Sales (MoM)	NOV	0.20%	0.70%
01/05/2012 15:30	EC	Industrial New Orders SA (MoM)	OCT	2.50%	-6.40%
01/05/2012 15:30	EC	Euro-Zone PPI (MoM)	NOV	0.10%	0.10%
01/05/2012 18:45	US	ADP Employment Change	DEC	175K	206K
01/05/2012 19:00	US	Initial Jobless Claims	31-Dec	375K	381K
01/05/2012 19:00	US	Continuing Claims	24-Dec	3578K	3601K
01/06/2012 15:30	EC	Business Climate Indicator	DEC	-0.48	-0.44
01/06/2012 15:30	EC	Euro-Zone Consumer Confidence	DEC F	-21.2	-21.2
01/06/2012 15:30	EC	Euro-Zone Economic Confidence	DEC	93.3	93.7
01/06/2012 15:30	EC	Euro-Zone Indust. Confidence	DEC	-7.5	-7.3
01/06/2012 15:30	EC	Euro-zone Services Confidence	DEC	-2.1	-1.7
01/06/2012 15:30	EC	Euro-Zone Retail Sales (MoM)	NOV	-0.40%	0.40%
01/06/2012 19:00	**US**	**Change in Nonfarm Payrolls**	**DEC**	**150K**	**120K**
01/06/2012 19:00	**US**	**Change in Private Payrolls**	**DEC**	**170K**	**140K**
01/06/2012 19:00	**US**	**Change in Manufact. Payrolls**	**DEC**	**5K**	**2K**
01/06/2012 19:00	**US**	**Unemployment Rate**	**DEC**	**8.70%**	**8.60%**

NATURAL GAS:

Natural gas prices closed at Rs.161.90/MMBTU, by losing more than 18 percent on yearly basis in MCX platform. However, NYMEX traded gas futures prices closed below $3/MMBTU , by losing more than thirty percent on yearly basis. On weekly basis, NYMEX traded gas prices are down by more than three percent. However, depreciating Indian rupee might have supported MCX traded gas prices to fall lower than international market. Working gas in storage was 3,548 Bcf as of Friday, December 23, 2011, according to EIA estimates. This

represents a net decline of 81 Bcf from the previous week. Stocks were 297 Bcf higher than last year at this time and 428 Bcf above the 5-year average of 3,120 Bcf. In the East Region, stocks were 186 Bcf above the 5-year average following net withdrawals of 53 Bcf. Stocks in the Producing Region were 216 Bcf above the 5-year average of 989 Bcf after a net withdrawal of 9 Bcf. Stocks in the West Region were 27 Bcf above the 5-year average after a net drawdown of 19 Bcf. At 3,548 Bcf, total working gas is above the 5-year historical range. Thus, lower draw down in inventory is basically pressurizing gas futures prices. We are expecting gas prices to continue the bearish trend in the coming week also. However, expected positive economic releases from US may support gas prices in between. Inventory report from EIA, must eye which may change price direction.

Technical Recommendation:

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
NYMEX Natural Gas-Feb	2.930	3.000	3.040	3.150	3.220	3.260	Trading Range-$2.906-$3.245
MCX Natural Gas Jan	146	153	158	170	177	182	Trading Range- 154-167 levels

LAST WEEK PRICE PERFORMANCE:

Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX ($/MMBtu)	Feb	3.11	3.18	3.07	3.08	-1.0%	70662	-83.76%	688	-0.97
	Mar	3.13	3.22	2.96	2.99	-5.0%	270482	0.51%	187124	0.03
MCX (Rs/MMBtu)	Jan	170	173	161	162	-4.9%	172440	208.64%	25803	1.08
	Feb	180	183	172	174	-4.90%	19627	498.02%	2870	1.27

TECHNICAL ANALYSIS

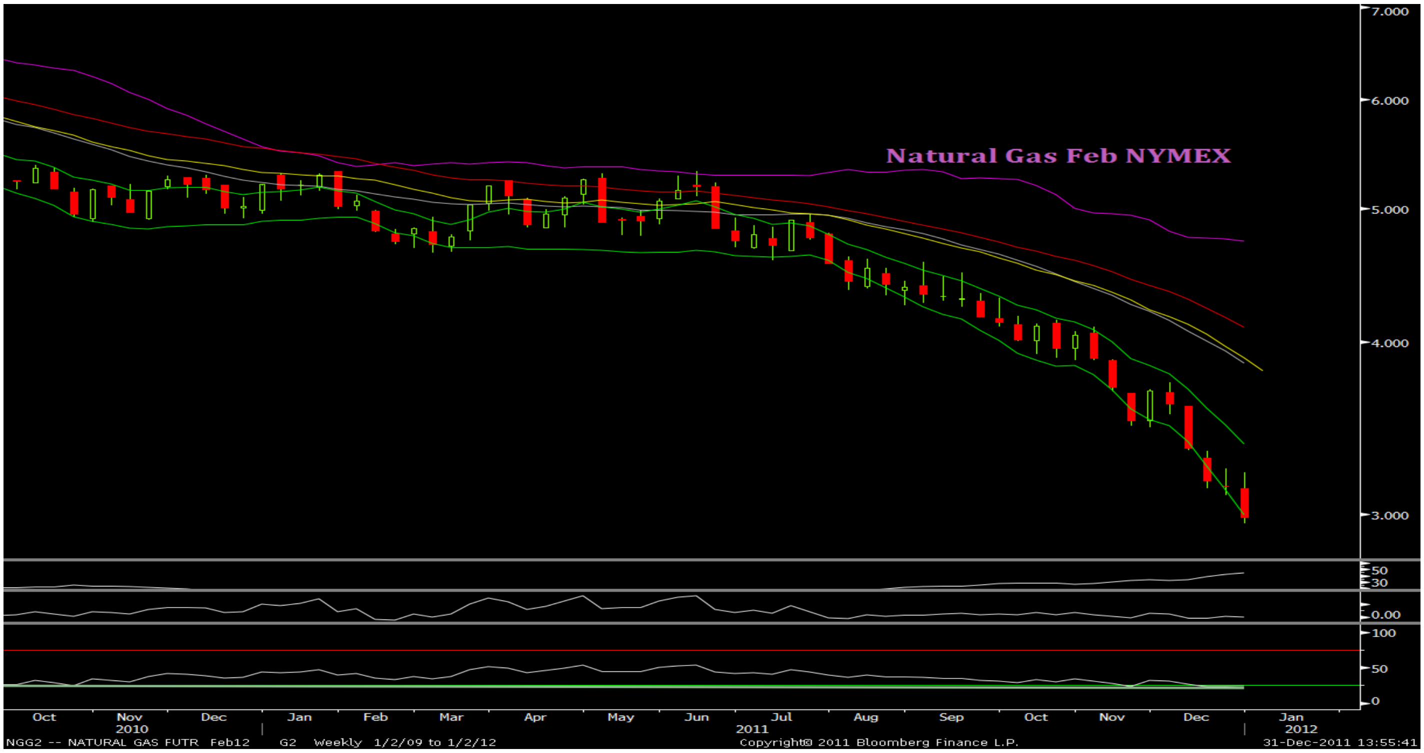
NYMEX Natural Gas:

Natural gas futures have been traded completely towards downside in the previous week. The week has gone by making a high of $3.219 then low of $2.957 and finally settled lower side at $2.969 levels. Closing of the black candle stick is suggesting down side momentum in natural gas futures in coming session. Looking at other technical tools like momentum indicator RSI-14 is treading in over sold zone (0.200) and also it is witnessing a formation of positive divergence. This is indication of trend reversal in near term. Prices are trading far from the moving averages resistance levels and this is also other scenario which is supporting short term trend reversal in futures. Previous candle low might act as an initial support ($2.957) next support is seen at $2.906 levels which are lower Bollinger band support level. Higher side short term moving average resistance level is seen at $3.113.On breach and sustained trade above is likely to test $3.245 level which is recent high and also matching with medium term weekly moving average of 21 EMA levels. Above mentioned technical tools are suggesting

ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas

short term trend reversal however technically it is not confirm up to now overall prices might trade in the range of $2.906-$3.245 level.



To unsubscribe please mail us at **commodity@karvy.com**

Disclaimer