



ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas



CRUDE OIL

REVIEW: Crude oil futures prices traded on range bound and closed on a lower note on weekly basis in the last week. WTI Crude oil futures prices for the month of February delivery closed at \$98.46/ bbl in NYMEX platform with fall of more than 0.24percent. However, MCX traded January contract fell by more than 1 percent in the last week. This deviation was contributed by appreciating Indian Rupee. In the last week, Indian rupees have appreciated by more than 2.30 percent, which pressurized non- agro commodities price movement in India platform. The last week started by taking negative cues from S&P down gradation of Euro-zone countries. Thus, oil prices took negative cues out of it. On the other side, spike in world equity market were seen, which limited the falls in prices. Statement issued by Saudi Oil minister Ali Niami regarding oil prices at \$100, was pushed oil prices to trade above \$100. Nigeria oil industry labor strike along with better economic releases from US and China supported oil futures to take positive cues. However, increasing inventory level pressurized oil prices in between. As per US energy department, petroleum stocks have increased continuously since last seven weeks. However, first time fall in crude oil inventory in last one month was witnessed in the last week. Gasoline demand fell to 10-yr low for the first time in US. Obama administrations have denied the project plan of Keystone pipeline which also negate the gains in oil prices. From economic front, Dollar has appreciated near two percent in the last week on expectation of further monetary easing in US. Dollar got a strong base against Euro by taking positive cues from expectation of raising \$1 trillion debt ceiling. On the other side, Greece talk for further debt hair cut pressurized Euro. So, ultimately gainer was Dollar and pressurized oil futures prices.

OUTLOOK:

In the coming week, we are expecting oil future prices to continue the bearish trend, whereas little gains are expected in between. Coming Monday and Wednesday will be crucial for oil prices. On Monday, market will be eyeing on EU meet on Iran oil sanction. The meeting has been brought forward by one week to avoid clashing with the EU summit scheduled on Jan. 30. The key details such as when, and how, sanctions would take effect still need to be discussed. Greece, Italy and Spain, have been major buyers of Iranian oil in recent years, complicating strategy among the member states. Thus, investors must eye on the meeting result, which may change the oil price direction. Economic data till mid of the week from Euro-zone, German and Japan are expected to mostly positive which may support oil prices. On the other side, on Wednesday market will be eyeing on FOMC meet which may create volatility. On the same day, DOE inventory releases are there which must eye. Thus, Wednesday will be a crucial day for oil prices. However, afterwards, US economic releases are expected to come positive for the economy which may support oil prices. The handsome economic releases for the US for last couple of months are likely to reflect in the Q4 GDP data with its component, namely personal consumption may increase. Jobless claims has already fallen to four years low and is likely to remain at a lower level as labor sector is showing improvement for quite a few time. Overall, we suggest selling from higher level in the coming week.



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Technical Recommendation:

| Commodity | S3 | S2 | S1 | R1 | R2 | R3 | Recommendation |
|-------------------|-------|-------|-------|--------|--------|--------|---|
| NYMEX CRUDE - Mar | 92.60 | 95.31 | 96.82 | 101.04 | 103.75 | 105.26 | Sell at \$99.60-100 TP \$97.40 then \$95.50 SL \$102.10 |
| MCX CRUDE- Feb | 4678 | 4821 | 4898 | 5118 | 5261 | 5338 | Sell at 5050-5065 TP 4940 then 4875 SL 5162 |

LAST WEEK PRICE PERFORMANCE

| Exchange | Contract | Open | High | Low | Last | % Change | Volume | % Change | Open Interest | % Change |
|-----------------------------|----------|--------|--------|--------|--------|----------|--------|----------|---------------|----------|
| NYMEX WTI Crude (\$/bbl) | Feb | 99.66 | 102.06 | 97.91 | 98.46 | -0.24% | 762527 | -52.96% | 20220 | -82% |
| | Mar | 99.79 | 102.24 | 98.02 | 98.33 | -0.56% | 951717 | 46.97% | 303252 | 8% |
| ICE Brent Crude (\$/bbl) | Feb | 113.42 | 115.12 | 109.71 | 110.44 | -2.32% | 839164 | 5.41% | 19653 | -84% |
| | Mar | 110.61 | 112.76 | 109.42 | 109.86 | -0.44% | 830086 | -18.94% | 225021 | -5% |
| MCX WTI Crude (Rs/bbl) | Jan | 5120 | 5152 | 5031 | 5047 | -1.14% | 554092 | -42.14% | 3167 | -84% |
| | Feb | 5150 | 5183 | 4963 | 4976 | -3.08% | 369768 | 285.13% | 20754.00 | 218% |

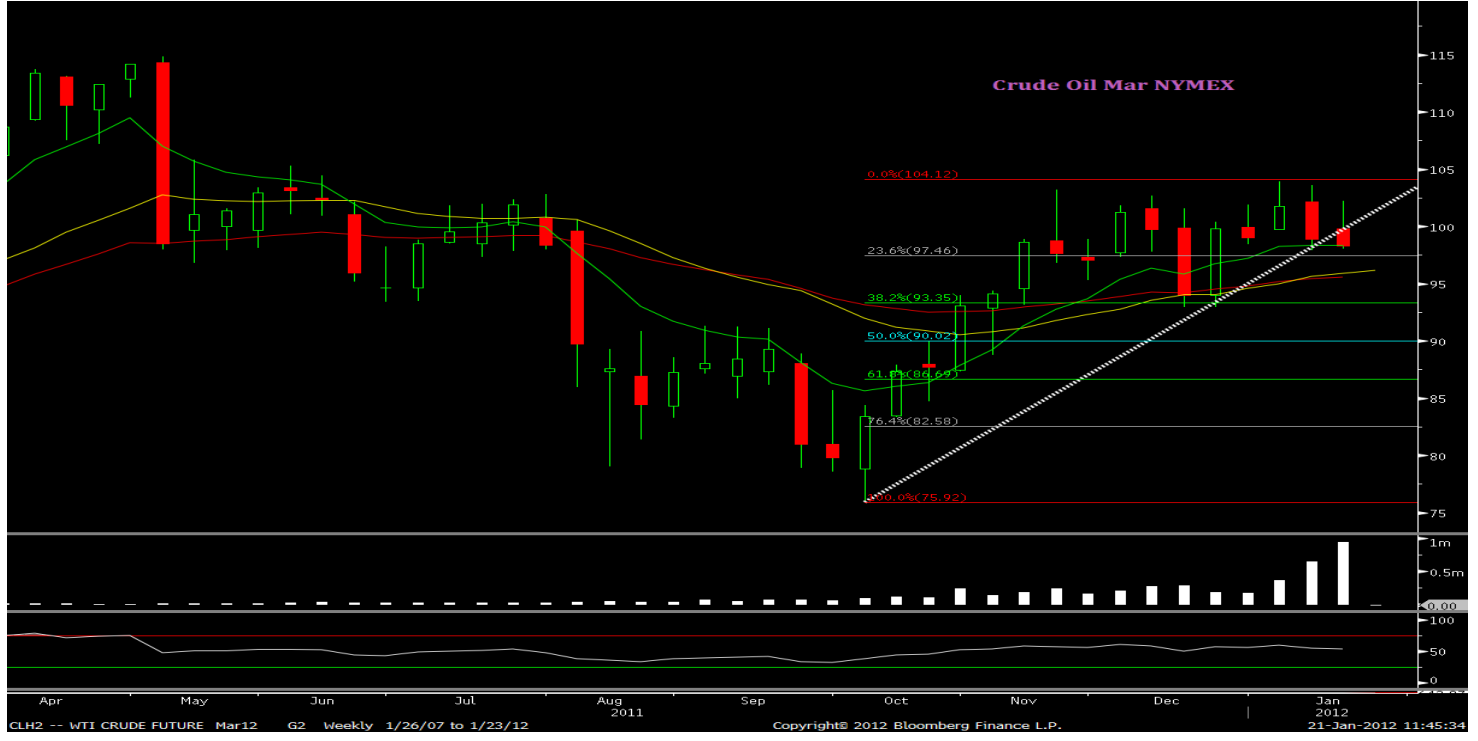
TECHNICAL ANALYSIS

From the begging of the week futures have been traded towards downside. In above mentioned weekly price chart prices are witnessing breaching of short term rising trend line which is drawn by connecting \$75.90-93.00 levels at this instant this support level might turn into initial resistance level(\$99.60).On breach and sustained trade above might test 102.10 levels which is last week high. Principle of Fibonacci retracement states that prices are witnessing support at \$97.40 level which is 23.6% of the range \$76.20-103.40 levels. On break below next support is seen at \$95.50 levels which is short term weekly moving averages. Fibonacci retracement of 38.2% support level might act as a crucial support level for coming week in case any sustainable trade above the same will resume previous short term bullish trend. Momentum indicator RSI-14 is supporting prices to trade towards down side by treading at 0.520.Overall expecting prices to trade down side and recommended to sell at higher levels.

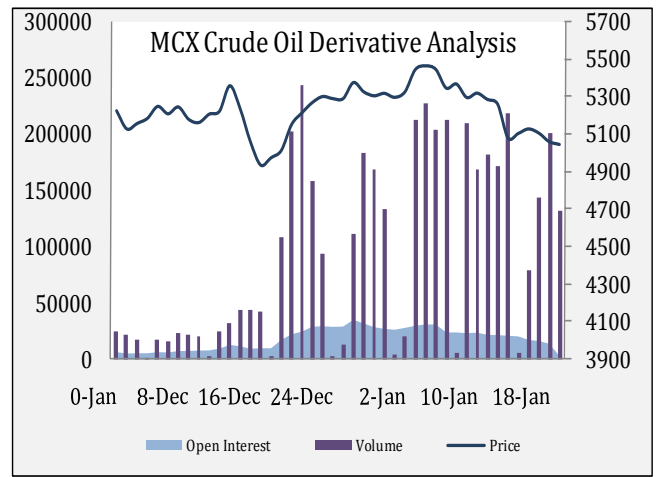
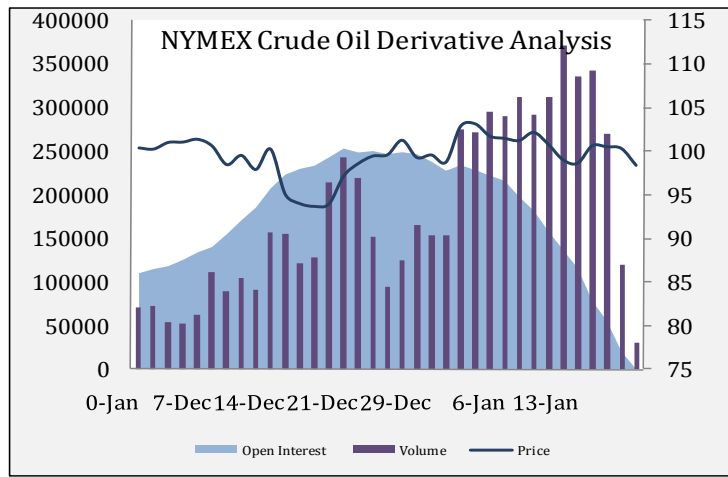


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DERIVATIVE ANALYSIS



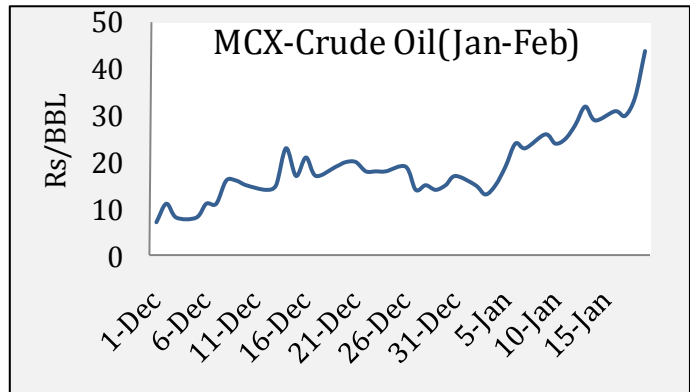
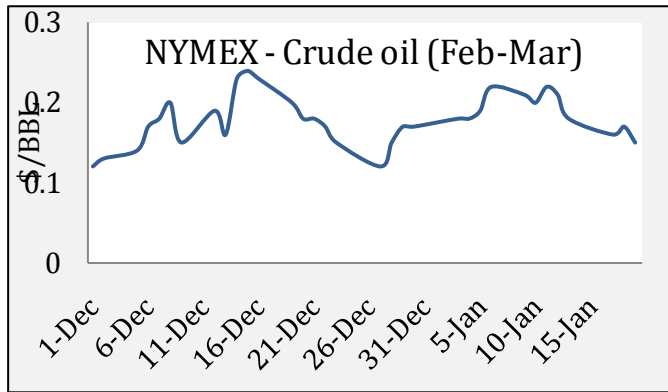


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SPREAD CHART



CRUDE OIL INVENTORY

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) decreased by 3.4 million barrels from the previous week. At 331.2 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 3.7 million barrels last week and are in the upper limit of the average range. Distillate fuel inventories increased by 0.4 million barrels last week and are in the middle of the average range for this time of year.

US Crude Oil Inventory

| DOE Warehouse Stocks ('000 barrels) | | | |
|-------------------------------------|-------------|---------------|--------|
| Commodity | Latest week | Previous week | Change |
| Crude Oil | 331209 | 334647 | -3438 |
| Gasoline | 227520 | 223803 | 3717 |
| Distillate | 148001 | 147563 | 438 |
| Refinery utilization (%) | 83.7 | 85.6 | -1.9 |
| EIA Working gas storage (Bcf) | | | |
| Natural gas | 3290 | 3377 | -87 |



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MAJOR ECONOMIC DATA RELEASES

| Date & Time | Region | Event | Period | Survey | Prior |
|------------------|--------|--------------------------------|--------|----------|----------|
| 01/23/2012 20:30 | EC | Euro-Zone Consumer Confidence | JAN A | -21.4 | -21.1 |
| 01/24/2012 14:00 | GE | PMI Manufacturing | JAN A | 49 | 48.4 |
| 01/24/2012 14:00 | GE | PMI Services | JAN A | 52.4 | 52.4 |
| 01/24/2012 14:30 | EC | PMI Composite | JAN A | 48.5 | 48.3 |
| 01/24/2012 14:30 | EC | PMI Manufacturing | JAN A | 47.2 | 46.9 |
| 01/24/2012 14:30 | EC | PMI Services | JAN A | 49 | 48.8 |
| 01/24/2012 15:30 | EC | Industrial New Orders SA (MoM) | NOV | -2.20% | 1.80% |
| 01/24/2012 20:30 | US | Richmond Fed Manufact. Index | JAN | 7 | 3 |
| 01/24/2012 | JN | BOJ Target Rate | 24-Jan | 0.10% | 0.10% |
| 01/25/2012 05:20 | JN | Merchnds Trade Balance Total | DEC | -¥154.9B | -¥684.7B |
| 01/25/2012 05:20 | JN | Merchnds Trade Exports YoY | DEC | -7.4 | -4.5 |
| 01/25/2012 05:20 | JN | Merchnds Trade Imports YoY | DEC | 8 | 11.4 |
| 01/25/2012 14:30 | GE | IFO - Business Climate | JAN | 107.5 | 107.2 |
| 01/25/2012 14:30 | GE | IFO - Current Assessment | JAN | 116.8 | 116.7 |
| 01/25/2012 14:30 | GE | IFO - Expectations | JAN | 99 | 98.4 |
| 01/25/2012 15:00 | UK | GDP (QoQ) | 4Q A | -0.10% | 0.60% |
| 01/25/2012 20:30 | US | House Price Index MoM | NOV | 0.10% | -0.20% |
| 01/25/2012 20:30 | US | Pending Home Sales YoY | DEC | -- | 6.90% |
| 01/25/2012 23:00 | US | FOMC Rate Decision | 25-Jan | 0.25% | 0.25% |
| 01/26/2012 19:00 | US | Durable Goods Orders | DEC | 2.20% | 3.80% |
| 01/26/2012 19:00 | US | Initial Jobless Claims | 21-Jan | 370K | -- |
| 01/26/2012 19:00 | US | Continuing Claims | 14-Jan | 3500K | -- |
| 01/26/2012 20:30 | US | Leading Indicators | DEC | 0.70% | 0.50% |
| 01/26/2012 20:30 | US | New Home Sales | DEC | 320K | 315K |
| 01/27/2012 12:30 | GE | Import Price Index (MoM) | DEC | 0.30% | 0.40% |
| 01/27/2012 19:00 | US | GDP QoQ (Annualized) | 4Q A | 3.00% | 1.80% |
| 01/27/2012 19:00 | US | GDP Price Index | 4Q A | 1.90% | 2.60% |
| 01/27/2012 19:00 | US | Personal Consumption | 4Q A | 2.40% | 1.70% |
| 01/27/2012 20:25 | US | U. of Michigan Confidence | JAN F | 74 | 74 |



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NATURAL GAS:

Natural gas prices continued the bearish trend and prices fell by more than 12 percent in NYMEX platform in the last week. MCX traded gas futures prices closed at Rs.117.8/MMBTU, by losing more than 13 percent on weekly basis. Appreciating Indian rupee pressurized gas futures prices more in the last week. Higher-than-average seasonal temperatures, coupled with continued high storage levels and consistent production, put downward pressure on natural gas prices again this week. At weekend, working natural gas inventories stood at 3,290 Bcf, an all-time high for this time of year. Warmer-than-normal winter temperatures coupled with increased domestic production over the year contributed to large storage accumulations. As per EIA, natural gas storage has declined by 87 Bcf, in the last week. Overall, we are expecting gas prices to continue the bearish trend in the coming week also. Though little pullback is expected in between due to better economic releases from US. 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 | 1.907 | 2.093 | 2.217 | 2.527 | 2.713 | 2.837 | Trading Range-\$2.634-\$1.780 |
| MCX Natural Gas Jan | 90.67 | 103.33 | 110.67 | 130.67 | 143.33 | 150.67 | Trading Range Rs.136-104 |

LAST WEEK PRICE PERFORMANCE:

| Exchange | Contract | Open | High | Low | Last | % Change | Volume | % Change | Open Interest | % Change |
|---------------------|----------|------|------|------|------|----------|--------|----------|---------------|----------|
| NYMEX (\$/MMBtu) | Feb | 2.55 | 2.59 | 2.28 | 2.34 | -12.2% | 686180 | -11.32% | 76826 | -0.35 |
| | Mar | 2.61 | 2.63 | 2.33 | 2.39 | -11.8% | 403155 | -15.19% | 326241 | 0.09 |
| MCX (Rs/MMBtu) | Jan | 136 | 136 | 116 | 118 | -13.7% | 332280 | -10.57% | 18649 | -0.33 |
| | Feb | 164 | 170 | 161 | 166 | -13.11% | 93309 | 39.82% | 16552 | 0.84 |

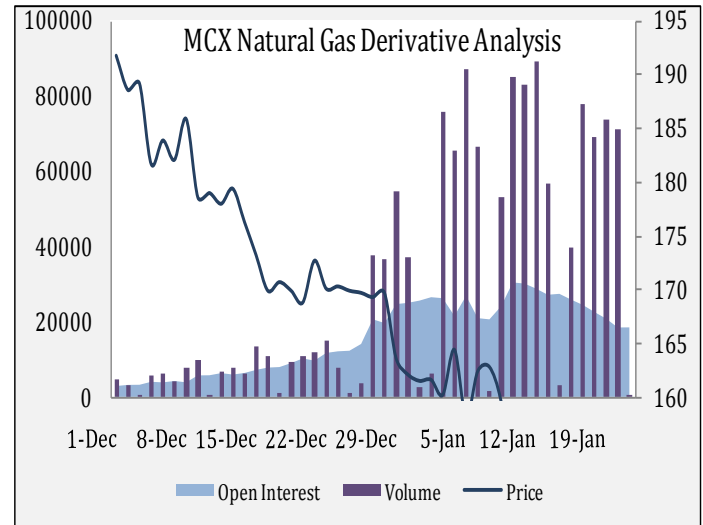
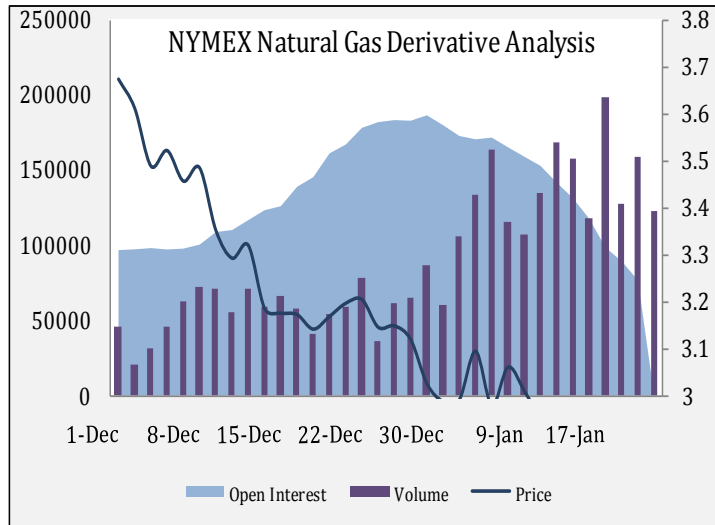


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DERIVATIVE ANALYSIS



TECHNICAL ANALYSIS

NYMEX Natural Gas:

The week has gone by continuing previous long term bearish rally and Prices have settled below the two year low. Below mentioned technical tools like moving averages and momentum indicator RSI-14 is supporting prices to get bounce back in coming session. Momentum indicator RSI-14 is witnessing a formation of positive divergence in over sold zone. In above weekly price chart prices are trading far from the moving averages but according to moving average principle prices should move along with average .So base on this circumstance, prices may rebound up to \$2.634 level which is previous candle high. On break above might continue higher side momentum up to \$3.143 levels which is weekly (8 EMA) support level. Lower side previous candle high might act as an initial support (\$2.330).Incase on breach and sustained trade below the same may test Fibonacci projections level of 123.6 % (\$1.780) which is drawn by connecting \$7.517-4.677-5.306 levels. Going above technical analysis we did not seen any strong reversal signal but high risk traders can invest (Buy) 20 to 30% investment for long term.

Trading Range: \$2.634-\$1.780

Trading Range: 136-104



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