



ENERGY WEEKLY

A weekly report on Crude Oil & Natural Gas



CRUDE OIL

REVIEW: Oil futures prices traded on a bearish trend in the last week and closed on a lower note. WTI crude oil futures prices for the month of March delivery closed at \$97.84/bbl in NYMEX platform with fall of near 2 percent. However, MCX traded February contract have fallen by more than 4 percent in the last week, contributed by appreciating Indian rupee. Despite better economic releases from major oil consumers, oil prices have shown a sluggish trend since couple of weeks. This is basically due to increase in inventory levels and declining oil demand in US. The last week started with 16th EU summit in Brussels, with the outcome of rescue package. European government agreed to set up of a 500 billion Euro rescue fund to control Greece budget deficit. Successful bond auction took place from France and Spain, as the bond yield has declined for the related countries. On the other side, Euro was under pressure due to prolonged Greek swap debt talk. In addition to this, Portugal bond yield climbed up to 15 month's high, which also had negative impact on Euro. On the other side, economic releases in the form of different confidence index have increased from its prior levels. Increase in PMI numbers of German, UK and Europe were also witnessed in the last week. So, positive economic releases have limited the fall in Euro against US dollar. Likewise, the last week had gone through increasing number of job additions in US, through different payrolls. The unemployment has declined from 8.5percent to 8.3 percent in January. So, improvements in manufacturing sectors are also witnessed in US. Increase in manufacturing numbers and employment numbers have supported oil prices to take some positive cues in between. However, basic fundamental of crude oil, like increase in stock levels and declining demand pressurized oil prices. As per US energy department, crude oil implied demand have declined by 7 percent in the last month. Distillates stocks have fallen in very less numbers than expectation in the last week. In addition to this, as per Baker Hughes' oil rig counts have increased by 2 numbers in the last week. Increase in stock piles in Cushing and Oklahoma delivery centre pressurized WTI oil prices and premium in Brent oil have increased. Thus, the spread between WTI and Brent crude oil have increased to \$16n in the last week.

OUTLOOK:

In the coming week, we are expecting oil prices to trade under pressure on the back of increasing stock levels. However, pull back is expected in lieu of optimism from ongoing European debt talk. Crucial meeting on Greece bailout pack is going to held on 4th February. So, market will be eyeing on the output of second bailout package talk of Greek. Thus, beginning of the coming week is going to be volatile as output of the meeting will reflect on the market. However, oil prices are expected to open on a positive note with continuation of last Friday's higher closing. Most importantly, trade balance data from US, German, China and Japan are going to release in the coming week. Out of these, slow growth of trading is expected in China and German, whereas trade deficit may widen further in US, which may keep oil under pressure. On the other side, expected higher number from Japan trade balance may support oil prices to take positive cues. Interest declaration from ECB is there on 9th Feb, which is expected to remain at 1 percent. So, after the inventory data on Wednesday, investors will be eyeing on Thursday interest rate declaration.



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On fundamental front, Cushing and Oklahoma crude oil stocks have increased by more than five percent at 30123K levels in the last week. So, increase of crude oil stocks in WTI delivery centre (Cushing and Oklahoma) may further pressurize Oil futures prices. So, spread between WTI and Brent is also expected to widen further. Similarly, gasoline and Crude oil inventory have also increased continuously since last two weeks. US oil consumption has declined by more than seven percent in the last month. Thus, concern of lower demand further may pressurize oil prices in the coming week.

Overall, we suggest remaining on selling side in Oil futures prices from higher level in the coming week.

Technical Recommendation:

| Commodity | S3 | S2 | S1 | R1 | R2 | R3 | Recommendation |
|-------------------|-------|-------|-------|--------|--------|--------|---|
| NYMEX CRUDE - Mar | 89.24 | 92.34 | 95.09 | 100.94 | 104.04 | 106.79 | Sell at \$99.20-\$99.60 TP 97.77 then \$93.20 with stop loss above \$102.20 |
| MCX CRUDE- Feb | 4308 | 4509 | 4623 | 4938 | 5139 | 5253 | Sell at Rs.4870-4890 TP 4680 with stop loss above 4970 |

LAST WEEK PRICE PERFORMANCE

| Exchange | Contract | Open | High | Low | Last | % Change | Volume | % Change | Open Interest | % Change |
|-----------------------------|----------|--------|--------|--------|--------|----------|---------|----------|---------------|----------|
| NYMEX WTI Crude (\$/bbl) | Mar | 100 | 101.29 | 95.44 | 97.84 | -1.73% | 1512089 | 14.69% | 289470 | -2% |
| | Apr | 100.3 | 101.59 | 95.81 | 98.23 | -1.68% | 425006 | 48.34% | 126051 | 29% |
| ICE Brent Crude (\$/bbl) | Mar | 110.04 | 111.99 | 108.91 | 111.46 | 1.46% | 970274 | 16.89% | 196604 | -9% |
| | Apr | 110.9 | 114.1 | 109.81 | 113.97 | 2.75% | 242110 | -17.04% | 99939 | 21% |
| MCX WTI Crude (Rs/bbl) | Feb | 4939 | 5025 | 4710 | 4737 | -4.15% | 840195 | 24.47% | 30151 | 27% |
| | Mar | 4972 | 5059 | 4752 | 4780 | -4.04% | 66972 | 44.70% | 3673.00 | 30% |

TECHNICAL ANALYSIS

Crude oil prices have moved with our line of expectations towards downside. The week has gone by making a high of \$101.30 then low of \$95.44 and finally settled at \$97.77 levels. In the previous week prices are witnessing a sharp recovery after testing \$97.77 level which is weekly short term moving averages (8, 21), and also this levels is matching with Fibonacci retracement of 23.6% of the range \$75.90-\$103.90. Base on below mentioned technical tools expected to extend this move up to \$99.20 coincidentally short term daily 34EMA and rising trend

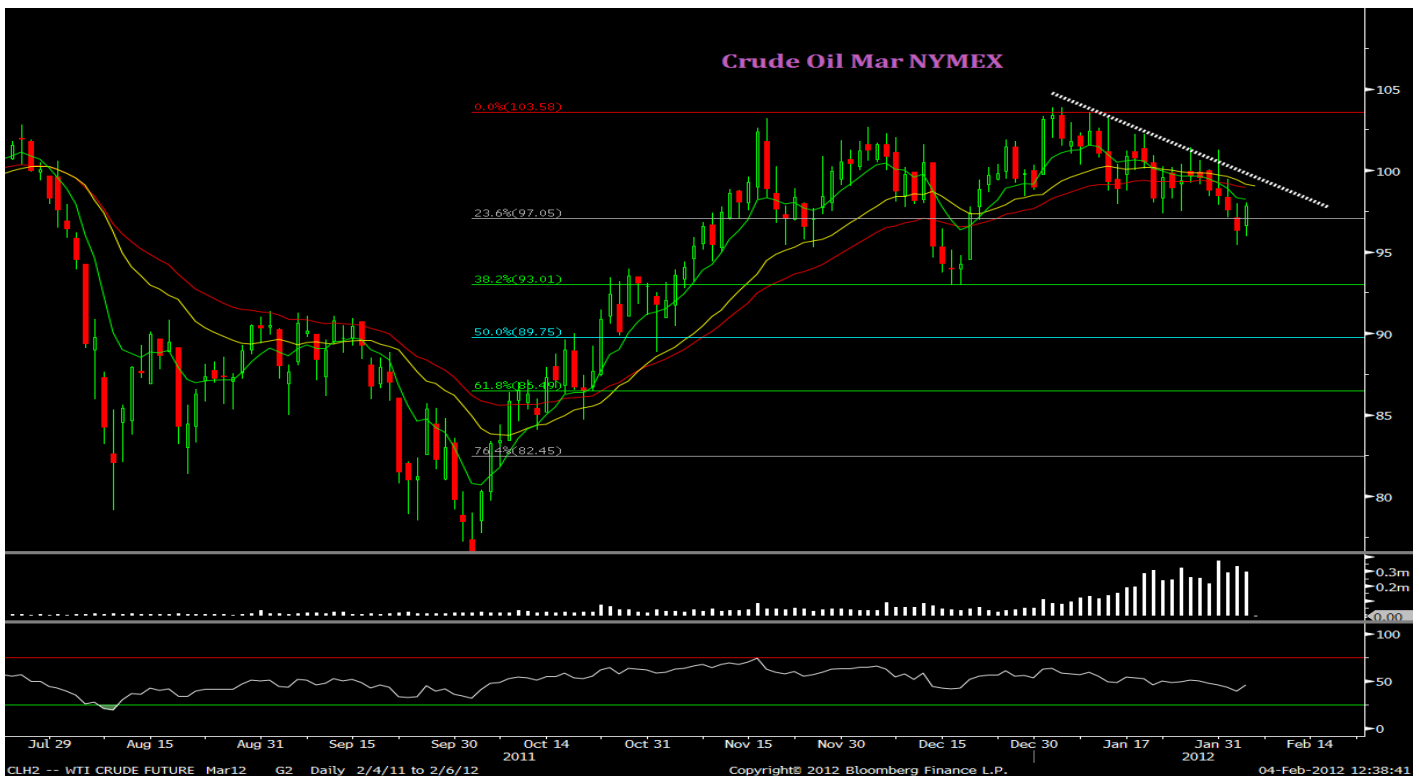


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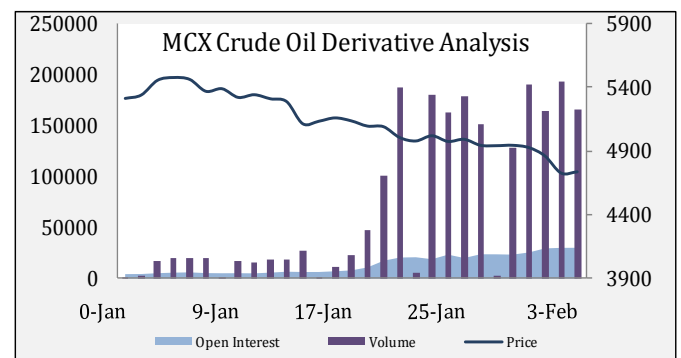
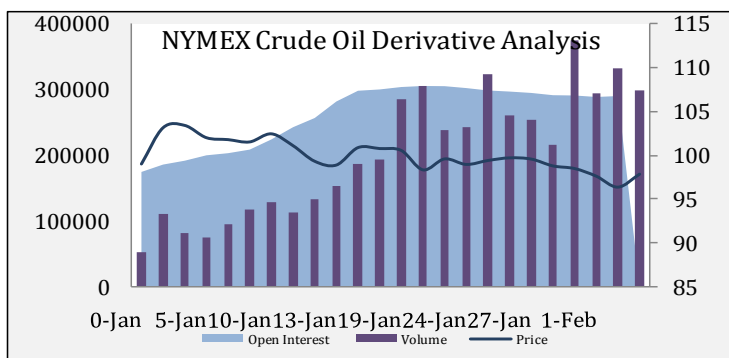
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line resistance levels are falling at this level. From more than three weeks prices are witnessing making higher lows in above mentioned prices chart if we draw a trend line by connecting these higher lows resistance seems to be around \$102.20 levels. In case any sustainable trade above the same might change oil view into bullish. Lower side support is seems around \$97.77 levels which is previous candle low. Principle of Fibonacci retracement states that prices are witnessing support at \$93.20 levels of the above mentioned range. Momentum indicator RSI-14 is supporting prices to trade towards down side by trading at 0.470. According to above mentioned technical study: initially pull back is expected and recommended to sell at higher levels.



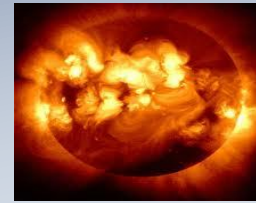
DERIVATIVE ANALYSIS



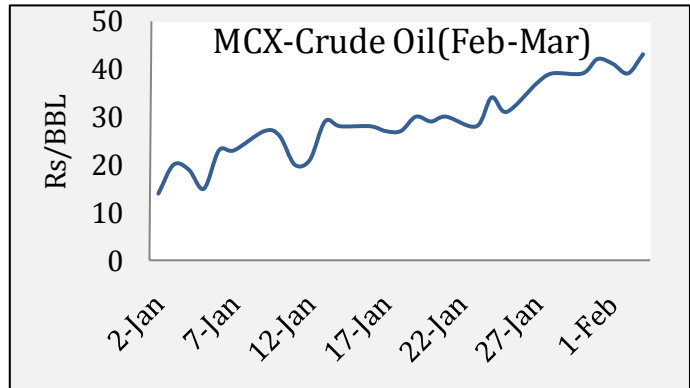
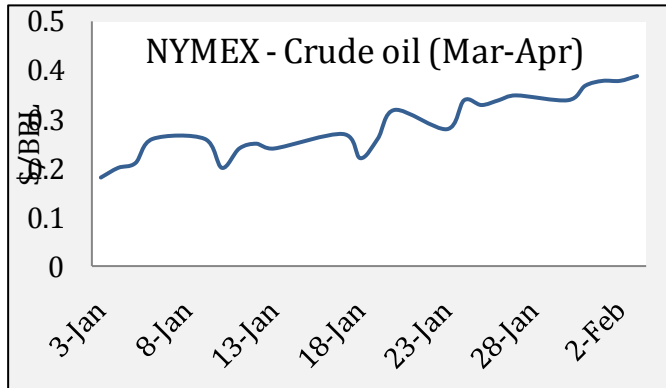


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SPREAD CHART



US Crude Oil Inventory

| DOE Warehouse Stocks ('000 barrels) | | | |
|-------------------------------------|-------------|---------------|--------|
| Commodity | Latest week | Previous week | Change |
| Crude Oil | 334767 | 331209 | 3558 |
| Gasoline | 227130 | 227520 | -390 |
| Distillate | 145545 | 148001 | -2456 |
| Refinery utilization (%) | 82.2 | 83.7 | -1.5 |
| EIA Working gas storage (Bcf) | | | |
| Natural gas | 3098 | 3290 | -192 |

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) increased by 4.2 million barrels from the previous week. At 338.9 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 3.0 million barrels last week and are in the upper limit of the average range. Distillate fuel inventories decreased by 0.1 million barrels last week and are in the middle of the average range for this time of year.



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MAJOR ECONOMIC DATA RELEASES

| Date Time | Region | Event | Period | Survey | Prior |
|-------------------------|-----------|-------------------------------------|--------------|--------------|--------------|
| 02/06/2012 15:00 | EC | Sentix Investor Confidence | FEB | -16.5 | -21.1 |
| 02/06/2012 16:30 | GE | Factory Orders MoM (sa) | DEC | 1.00% | -4.80% |
| 02/07/2012 16:30 | GE | Industrial Production MoM (sa) | DEC | 0.00% | -0.60% |
| 02/08/2012 01:30 | US | Consumer Credit | DEC | \$7.000B | \$20.374B |
| 02/08/2012 05:20 | JN | Current Account Total | DEC | ¥340.1B | ¥138.5B |
| 02/08/2012 05:20 | JN | Trade Balance - BOP Basis | DEC | -¥135.0B | -¥585.1B |
| 02/08/2012 12:30 | GE | Exports SA (MoM) | DEC | -1.00% | 2.50% |
| 02/08/2012 12:30 | GE | Imports SA (MoM) | DEC | 1.00% | -0.40% |
| 02/08/2012 12:30 | GE | Current Account (EURO) | DEC | 15.2B | 14.3B |
| 02/08/2012 12:30 | GE | Trade Balance | DEC | 13.7B | 16.2B |
| 02/08/2012 17:30 | US | MBA Mortgage Applications | 3-Feb | - - | -2.90% |
| 02/09/2012 07:00 | CH | Producer Price Index (YoY) | JAN | 0.70% | 1.70% |
| 02/09/2012 07:00 | CH | Consumer Price Index (YoY) | JAN | 4.00% | 4.10% |
| 02/09/2012 15:00 | UK | Manufacturing Production (MoM) | DEC | 0.30% | -0.20% |
| 02/09/2012 17:30 | UK | BOE ANNOUNCES RATES | 9-Feb | 0.50% | 0.50% |
| 02/09/2012 18:15 | EC | ECB Announces Interest Rates | 9-Feb | 1.00% | 1.00% |
| 02/09/2012 19:00 | US | Initial Jobless Claims | 4-Feb | 362K | - - |
| 02/09/2012 19:00 | US | Continuing Claims | 28-Jan | - - | - - |
| 02/09/2012 20:30 | US | Wholesale Inventories | DEC | 0.50% | 0.10% |
| 02/10/2012 12:30 | GE | Consumer Price Index (MoM) | JAN F | -0.40% | -0.40% |
| 02/10/2012 12:30 | GE | Consumer Price Index (YoY) | JAN F | 2.00% | 2.00% |
| 02/10/2012 19:00 | US | Trade Balance | DEC | -\$48.5B | -\$47.8B |
| 02/10/2012 20:25 | US | U. of Michigan Confidence | FEB P | 74 | 75 |
| 02/10/2012 | CH | Trade Balance (USD) | JAN | \$10.70B | \$16.52B |
| 02/10/2012 | CH | Exports YoY% | JAN | -1.50% | 13.40% |
| 02/10/2012 | CH | Imports YoY% | JAN | -5.00% | 11.80% |
| 02/11/2012 00:30 | US | Monthly Budget Statement | JAN | -\$62.5B | -\$49.8B |



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NATURAL GAS:

Overview: Natural gas prices have retreated from its previous gains and closed with a fall of more than 9 percent in NYMEX platform. Similarly, MCX listed February contract have settled down at Rs.122/MMBTU, after making a low of Rs.116. However, MCX gas futures prices have fallen by more than 11 percent on weekly basis, pressurized further by appreciating Indian rupee. Higher level of working gas storage and lower consumption pattern is continuously pressurizing gas prices. However, little pull back on prices were seen before weekend, as rig counts have fallen in the last week. The natural gas rotary rig count, as reported by Baker Hughes Incorporated on Friday, January 27, fell by 3 rigs to 777.

In the coming week, gas futures prices are expected to continue the bearish trend on account of lower fundamentals. As per EIA(Energy Information Administration), US natural gas storage level is currently stands at 2966Bcf. Current storage levels are more than 600 billion cubic feet (Bcf) above the five-year (2007 – 2011) average for this week in the year. The net implied withdrawal in the last week was 132 Bcf. which is 29 percent less than the 5-year average implied net withdrawal of 186 Bcf. So, higher storage level may further pressurize gas prices. Temperatures during the week were 5.3 degrees warmer than the 30-year normal temperature and 9.1 degrees warmer than the same period last year. In the coming also, temperature is expected to remain normal, which may not boost demand of natural gas. Overall, we may expect gas prices to trade under pressure in the coming week.

Technical Recommendation:

| Commodity | S3 | S2 | S1 | R1 | R2 | R3 | Recommendation |
|-----------------------|-------|--------|--------|--------|--------|--------|-------------------------------|
| NYMEX Natural Gas-Mar | 1.780 | 2.060 | 2.280 | 2.780 | 3.060 | 3.280 | Trading Range \$2.230-\$2.950 |
| MCX Natural Gas Feb | 85.33 | 100.67 | 111.33 | 137.33 | 152.67 | 163.33 | Trading Range: Rs.113- 141 |

LAST WEEK PRICE PERFORMANCE:

| Exchange | Contract | Open | High | Low | Last | % Change | Volume | % Change | Open Interest | % Change |
|---------------------|----------|------|------|------|------|----------|--------|----------|---------------|----------|
| NYMEX (\$/MMBtu) | Mar | 2.81 | 2.84 | 2.34 | 2.50 | -9.3% | 988538 | -2.66% | 281557 | -0.09 |
| | Apr | 2.91 | 2.94 | 2.50 | 2.68 | -6.7% | 376370 | -22.00% | 165522 | 0.06 |
| MCX (Rs/MMBtu) | Feb | 138 | 142 | 116 | 122 | -11.1% | 468181 | 47.69% | 33427 | 0.44 |
| | Mar | 146 | 146 | 128 | 131 | -8.48% | 81235 | 138.30% | 4298 | 0.45 |

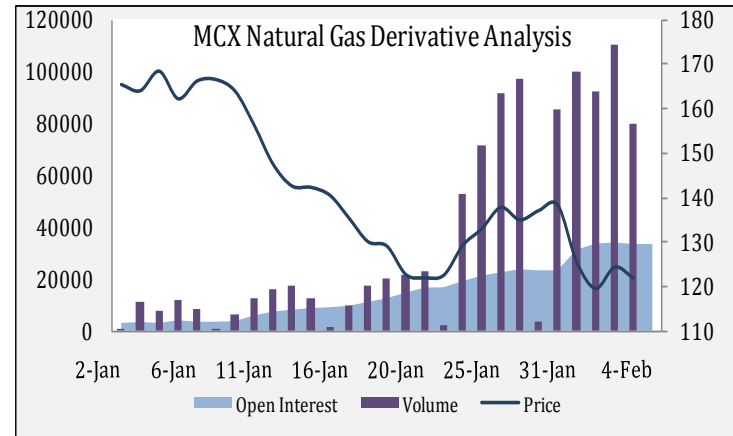
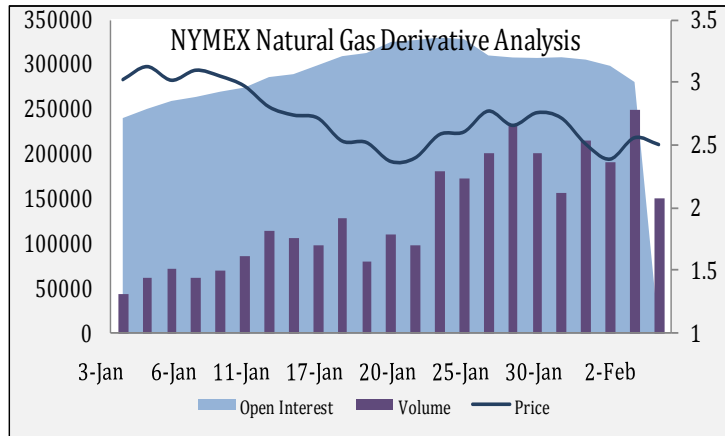


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DERIVATIVE ANALYSIS



TECHNICAL ANALYSIS

NYMEX Natural Gas:

The week has gone by making a high of \$2.844 then low of \$2.340 levels and finally settled at \$ 2.510 levels but in above mentioned weekly price chart prices are failed to breach previous candle low (\$2.289) levels. For coming week this might act as an initial support any sustainable trade below the same might extended lower side support up to \$2.230 levels which is daily lower Bollinger band support level. However based on other technical tools like RSI-14 is witnessing formation of positive divergence and also increasing in volumes is supporting to get smart pull back up to \$2.701 then \$2.950 levels which are 8, 34 Daily EMA levels respectively. Overall expecting trade limited higher side.

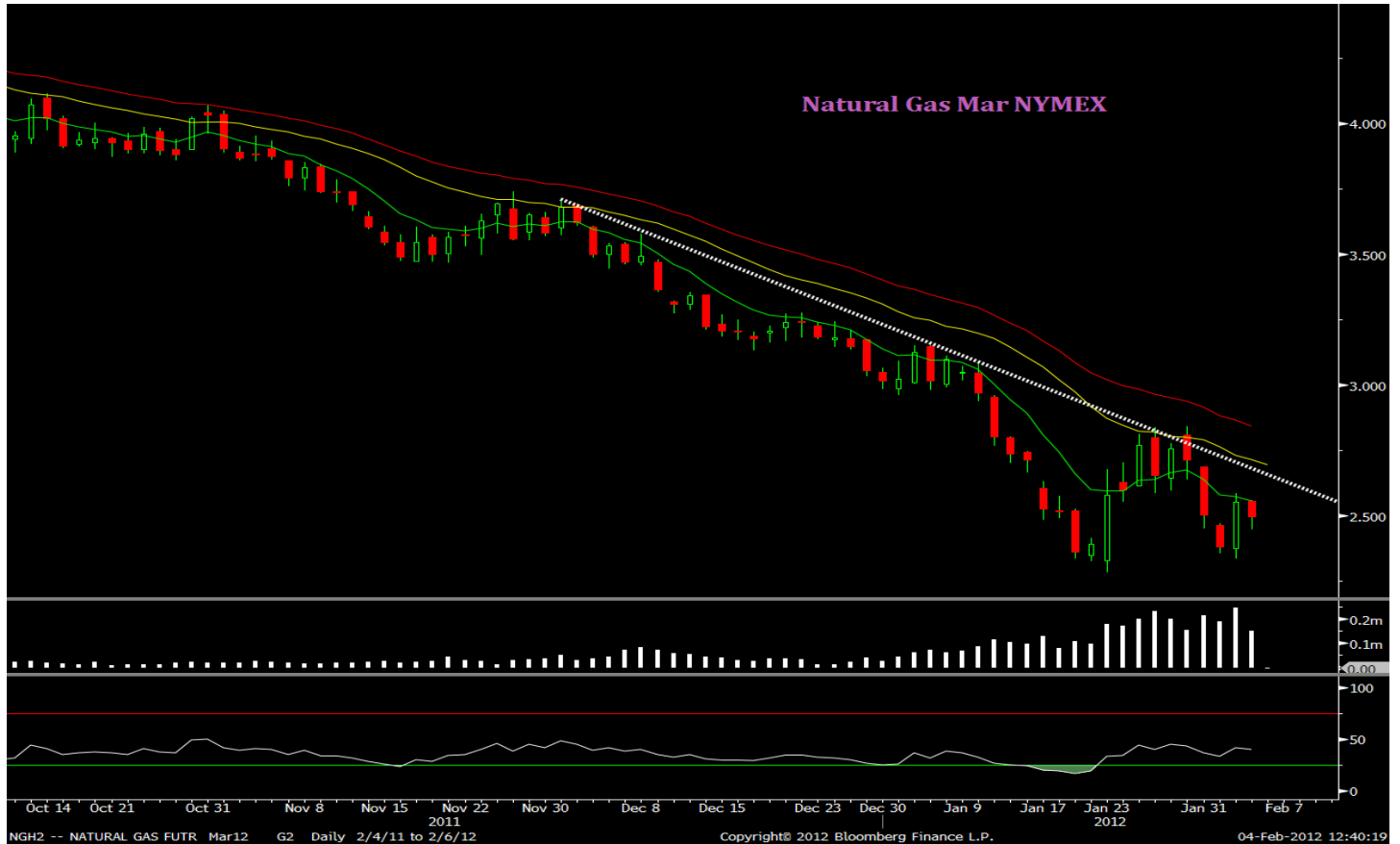
Recommendations: Trading Range \$2.230-\$2.950

Trading Range 113-141



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