

Snapshot: Prices rebound on bullish EIA report

BULLISH FACTORS:

Short Term

- According to EIA petroleum report, total US commercial inventories **declined by 7.8 mbbls**.
- **US petroleum demand** has picked up and reached 22.156 mbpd last week, which is more than 1 mbpd above the 4-wk average.
- **Venezuela gave Exxon an ultimatum** until year-end, to enter a joint venture with the State under the new rules or lose all oil field concessions.
- **A 180,000 bpd Nigerian pipeline** was shut on sabotage action.
- **The Centre of Global Energy Studies (CGES)** suggested OPEC to cut output by 1.3 mbpd in early 2006 in order to prevent price slides.
- **OPEC raised 2006 global demand forecast** by 100,000 bpd to 84.9 mbpd.
- **3 US refineries** remain shut in the Gulf with a combined capacity of around 800,000 bpd.
- 414,495 bpd of **Gulf production** remain shut. Lost production as of Aug. 26th at **104,649 mbbls**.

Long Term

- According to monthly **IEA** report **global demand growth** will pick up in 2006 reaching 1.79 mbpd.
- New Emergency Reserve creation** from China, Russia and India will add around 500k bpd of demand.

BEARISH FACTORS:

Short Term

- **EIA reported builds** in crude inventories last week of 1.3 million barrels despite high demand.
- **According to EIA**, Jet fuel demand remains 1.6% below last year's level.
- **S. Arabia** has loaded 2 extra VLCCs for United States in December.
- **According to Weather Derivatives**, temperatures in the US will rise and heating demand will be 14% below normal for through December 28th.
- Leaders of the **Association of Southeast Asian Nations (ASEAN)** agreed to cooperate in order to tackle high oil prices which hinder growth.
- The **World Bank** predicted that economic growth in developing countries will be at 5.9% this year vs 6.9% last year due to higher energy prices.
- **Reuters reported that 300,000 tons of Gasoil** are on their way from Europe to the US for December.
- **OPEC commits** to supply excess oil until global forward demand cover rises from 52 to 54-55 days.

Long Term

- **Deterioration of demand** on high oil price environment could lower demand for H1 2006
- OPEC to join the **Joint Oil Data Initiative (JODI)** offering transparent data on stocks and production

Today's Focus

EIA reported an unexpected massive draw in US commercial petroleum stocks last week of 7.8 million barrels. As a result prices bounced on the announcement and returned back to the well known range towards the \$60 level (basis WTI). The main driver behind the recent price rally is the very strong reading in US demand which seems to have totally recovered from the short term effects of hurricane Katrina that had caused a demand destruction of almost 1 mbpd. If US demand has finally recovered from its Gulf woes well before the Gulf production (which needs another 3-5 months to be fully repaired), that will be a significant bullish factor for the weeks to come. Once again since we are early in the winter season, temperatures(demand) and inventory status will define short term price levels and under current circumstances, the \$60 WTI remains a level around which we expect prices to fluctuate.

Major Technical Levels

Brent 1 st Month		
2 nd Res.	59.60	Daily resistance
1 st Res.	57.70	Hourly resistance
NOW	57.28	
1 st Sup.	55.81	Yesterday's low
2 nd Sup.	54.66	6-month low

Energy Calendar

22/12	EIA natural gas report
23/12	CFRC report
24/12	Christmas Eve
25/12	Christmas Day
28/12	EIA Petroleum Report
29/12	EIA natural gas report

WTI 1 st Month		
2nd Res.	61.20	Daily resistance
1st Res.	59.50	Hourly Resistance
NOW	58.90	
1 st Sup.	57.55	Yesterday's low
2 nd Sup.	56.90	Major support – 6month low

US INVENTORIES (Mbbbls) - EIA

	Dec 16/05	Dec 16/04	CHG %
CRUDE	322.5	287.0	12.4
DISTIL.	127.7	124.7	2.4
MOGAS	204.1	214.5	-4.8
HEAT.OIL	55.9	50.3	11.1
Tot. stk (exc.SPR)	1019.1	976.6	4.4

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