

**Snapshot: Prices retrace as the sabotage attack in S. Arabia fails.**

**BULLISH FACTORS:**

Short Term

- **Iraqi production** at the lowest level of the past 3-years (1.53 mbpd) as rising violence has caused the death of 200 people the past week.
- **The sabotage attempt** at S.Arabia's Abqaiq oil facilities spread jitters to traders as the Abqaiq center, handles about 7 percent of world supply.
- The **Movement for the Emancipation of the Niger Delta** (MEND), through its spokesman Jomo Gbomo said they will resume offensive targeting to shut 30% of the country's output this month (720K bpd). 455K bpd are still shut-in.
- **US-Venezuelan relations** deteriorate further. Venezuelan President Chavez said he will bar Continental and Delta Air Lines from flying to the US until Venezuelan carriers are allowed to expand service to the U.S.

Long Term

- **Escalation of US-Iran conflict** could affect exports from Iran.
- **World demand is expected to rise** by 1.7 million bpd in 2006.

**BEARISH FACTORS:**

Short Term

- **Ecuador restarted its major 450,000 bpd pipeline** after its shut-down last week due to labor unrest in the country.
- **CFTC** reported an increase in specs net short positions last week. Net short non-commercial positions reached 30,000 contracts.
- **Atomic Energy Organization of Iran (AEOI) Director Gholamreza Aqazadeh** reported on Sunday that an agreement with Russia has been reached regarding its nuclear programme.
- **Opec President Edmund Daukoru** said on Saturday that countries should maintain oil output at current levels despite a surplus of supply. Opec is **producing at 28 mbpd** near a 25-year high.
- **Nigerian Oil Minister and Opec President Edmund Daukoru** said his country will increase daily output to 3 million bpd by June this year and to 4 million bpd by the end of 2007.

Long Term

- **EIA and IEA expect world spare capacity** to rise by 1 million bpd in 2006.
- **High oil prices** force oil consuming prices to accelerate efforts to reduce oil dependence.

**Today's Focus**

Crude oil surrendered all of Friday's gains, highlighting once again the volatility of this market. Traders decided that since the sabotage attack on Saudi oil installations failed, there was no reason to bid the market higher and reversed course. Market participants seem confused with the current situation and while affected by the bearish inventory conditions, they are quick to react to any bullish news item. IAEA's March 6<sup>th</sup> meeting could be decisive in tilting the scale towards one way or the other, as an escalation of the crisis will scare away the bears, whereas an agreement between the parties will immediately put downward pressure on prices. In the meantime, bearing any other bullish headlines, an attempt to test support at 59.20 is possible, but it is unlikely that prices will slide further than that before market becomes clearer regarding Iran.

**Major Technical Levels**

Brent 1 <sup>st</sup> Month		
2 <sup>nd</sup> Res.	65.40	6/2 high
1 <sup>st</sup> Res.	62.90	24/2 high
<b>NOW</b>	<b>60.68</b>	
1 <sup>st</sup> Sup.	59.80	23/2 low
2 <sup>nd</sup> Sup.	57.90	15/2 Low

**Energy Calendar**

28/2	NYMEX products expiration
1/3	EIA weekly petroleum report
2/3	EIA weekly natural gas report
3/3	CFTC report
6/3	IAEA meeting on Iran case.
8/3	OPEC meeting

WTI 1 <sup>st</sup> Month		
2nd Res.	64.60	9/2 high
1st Res.	63.25	24/2 high
<b>NOW</b>	<b>60.60</b>	
1 <sup>st</sup> Sup.	59.70	23/2 low
2 <sup>nd</sup> Sup.	59.20	15/2 low

**US INVENTORIES (Mbbbls) - EIA**

	Feb 17/06	Feb 17/05	CHG %
CRUDE	326.7	297.2	9.9
DISTIL.	135.6	118.5	14.4
MOGAS	225.6	223.6	0.9
HEAT.OIL	57.7	44.8	28.8
Tot. stk (exc.SPR)	1027.2	974.2	5.4

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**Research:** Herodotus L. Antonopoulos, Filimon L. Antonopoulos  
 Tel:(30-210) 8986581, Fax:(30-210) 8986582, e-mail: info@hfanalysis.gr