

Snapshot: Prices stay firm

BULLISH FACTORS:

Short Term

- The **Nigerian militant movement “MEND”** threatened to sabotage 30% of total Nigerian output in February.
- **Cold weather forecast** until February 10th are posted in the US triggering heating fuels price rallies.
- Venezuelan and Iranian oil ministers **called for output cuts from OPEC** at today’s meeting.
- The US administration continues to issue statements against any support for the **new ruling party of Palestine “Hammas”**.
- Conflict is expected between the **Spanish energy group Repsol and the Bolivian government** after Repsol revised down proven reserves by 25% .
- **Lukoil slashed fuel exports** by 25% in February to meet local demand.
- **Petroleum Intelligence Weekly**, revised down Kuwaiti remaining reserves to almost half at 48 billion barrels vs 99 billion.

Long Term

- **US demand is expected to rise** by 2.3% in 2006 due to strong economic growth.
- **World demand is expected to rise** by 1.7 million bpd in 2006.

BEARISH FACTORS:

Short Term

- **OPEC** is expected to leave **output unchanged** at today’s meeting.
- **Nigerian** militant group “MEND” released the 4 hostages after 19 days on humanitarian reasons.
- **The 115,000bpd Nigerian oilfield EA** resumed operations after repairs.
- **ALT Norwegian Union** won a court case for mediation talks with the industry averting temporarily a strike at the 200,000 bpd Oseberg field.
- **Saudi Arabia** has announced energy deals with China and India to guarantee supply.
- **EIA reported** that US demand dropped again to 1% below last year’s level
- **According to EIA US distillate stocks** are 21.2% higher on year amid peak winter demand season.
- **OPEC revised down** global demand in 2006 by 100,000 bpd to 84.83 mbpd.

Long Term

- **EIA expects 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

Prices have rebounded from recent lows as cold weather is expected in the North East US while all other bullish considerations remain intact. The conflict in Iran could escalate as the IAEA meeting is approaching and the US pressure to refer Iran to the Security Council will be increasing. The situation in Nigeria seems to be improving with the release of hostages from the militia group “MEND”, but bullish considerations remain as “MEND” announced they will target 30% of total Nigerian output. Meanwhile the US will undergo very heavy maintenance this season with an expected 800k barrels shut in through January and almost 1.4 million barrels shut in during March. This could prove bearish for crude but very bullish for products which tend to offer price direction.

Major Technical Levels

Brent 1 st Month		
2 nd Res.	69.05	Basis (WTI)
1 st Res.	68.00	Daily resistance
NOW	66.59	
1 st Sup.	65.10	Daily Support
2 nd Sup.	63.85	Daily Support

Energy Calendar

31/1	OPEC Meeting
31/1	NYMEX products expiration
1/1	EIA petroleum report
2-3/2	IAEA Meeting
3/2	WTI futures in ICE (former IPE)
3/2	CFTC report

WTI 1 st Month		
2 nd Res.	70.85	All tiime high
1 st Res.	69.15	20/01 high
NOW	68.35	
1 st Sup.	65.45	Daily support
2 nd Sup.	63.80	Daily Support

US INVENTORIES (Mbbbls) - EIA

	Jan 20/06	Jan 20/05	CHG %
CRUDE	319.1	287.5	11
DISTIL.	136.5	123.3	10.7
MOGAS	214.8	218.4	-1.6
HEAT.OIL	57.8	47.7	21.2
Tot. stk (exc.SPR)	1020.3	968	5.4

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