

Snapshot: Prices firm above \$70 on China.

BULLISH FACTORS:

Short Term

- **Reports from China** show that demand has climbed by 10.8% last month, the strongest rise since 2004. Crude imports for the period January –April are up 17.3% on year and car sales up by 50%!
- The Petroleum Association of **Japan** reported that **petroleum inventories fell** 1.2 percent in the week ended May 27 from a week earlier. Inventories of gasoline, kerosene, diesel, fuel oil and jet fuel fell 123,456 kiloliters to 10.47 million kiloliters.
- **Venezuelan government** is seeking Supreme Court approval to repeal law preventing the state of holding majority stakes in heavy oil projects.
- The US **National Hurricane Center** predicted a busy hurricane season for the North Atlantic. Sixteen named storms, six of which will turn into hurricanes are expected during the season.
- **Iran's government spokesman Elham** stated that his country will not negotiate its right to uranium enrichment and any incentives package from EU should be forward looking and not involving the current nuclear program.

Long Term

- **Escalation of US-Iran conflict** could affect exports from Iran.
- **Wave of nationalization of energy sectors** in Latin American countries could affect investment.

BEARISH FACTORS:

Short Term

- **OPEC is not expected** to change output at the coming OPEC meeting this Thursday in Caracas. OPEC members reassure countries that from their side oil supplies will be adequate.
- **US pressure on Iran** to abandon its nuclear program seems to not threaten an immediate disruption in oil supplies as a part of the UN Security Council members insist in continuing negotiations for the time to come.
- **US Demand** usually drops after the Memorial Day weekend and it picks-up in the weeks to come.
- **China raised the prices of gasoline**, diesel and jet fuel sold in the domestic market by 500 yuan /MT (\$62.81). The move, which was decided in order for refiners to avoid being squeezed, could have an impact on domestic demand.
- **Iran's Oil Minister Ardebili**, stated that OPEC is not planning to reduce output quotas when they meet in June, despite bearish fundamentals.

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

Prices stay firm as the release of very bullish growth numbers from China reminded traders that the Chinese thirst for energy will continue pushing prices higher as supply cannot achieve such growth rates. Double digit growth numbers in demand, imports and car sales inflate price premiums in future contracts and predict a very hot summer taking into consideration the US driving season and the potential supply disruptions from hurricane activity in the Gulf. Our overall outlook for the summer remains bullish taking into account the aforementioned and of course the ongoing turmoil in Iraq, Nigeria and the hot issue of the Iran nuclear program.

NOTE: Historical "daily reports" can be found at http://www.hfanalysis.gr/HTML/Research_FramesetAll.htm

Major Technical Levels

Brent 1st Month		
2 nd Res.	74.97	2/5 high
1 st Res.	71.99	Yesterday's high
NOW 70.58		
1 st Sup.	69.70	Daily support
2 nd Sup.	67.63	22/5 low

WTI 1st Month		
2nd Res.	75.35	21/4 high
1st Res.	72.75	Yesterday's high
NOW 71.58		
1 st Sup.	70.00	Daily support
2 nd Sup.	68.40	22/5 low

Energy Calendar

31/6	NYMEX products expiration
1/6	EIA weekly petroleum report (delayed)
1/6	OPEC meeting in Caracas - Venezuela
2/6	EIA weekly natural gas report
2/6	CFTC report
6/6	EIA monthly energy report

US INVENTORIES (Mbbls) - EIA			
	May 19/06	May 19/05	CHG %
CRUDE	343.9	331.8	3.6
MOGAS	208.5	214.5	-2.8
DISTIL.	117.1	108.2	8.2
HEAT.OIL	44.2	39.5	11.9
Tot. stk (exc.SPR)	1015.3	1014.5	0.1

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