

**Snapshot: Prices drop further ahead of EIA report**

**BULLISH FACTORS:**

Short Term

- **Very cold weather** in the NE United States the next 2 weeks could trigger short covering.
- **Production disruptions in Canada** resulted to September output being 113,000 bpd below last year's level.
- **Citgo's Corpus Christi and Shell's Deer Park** refineries in Texas, had to shut an alkylation and a sulphur recovery unit for repairs.
- The **62,000 bpd refinery of Giant Industries** in Yorktown, will stay shut for about a month.
- **IEA Head of Economic Analysis Division, Fatih Birol**, expects oil prices to remain high until 2010.
- **3 refineries in Louisiana remain shut** from hurricane Katrina. Combined idle capacity at around 600k bpd.
- MMS reported that **39.63% of Gulf production** remains shut (564.229 bpd). Lost production as of Aug. 26<sup>th</sup> has reached **95.331 mbbls**.

Long Term

- According to monthly **IEA** report **global demand growth** will pick up in 2006 reaching 1.75 mbpd.
- **OPEC will be unable** to increase spare capacity in the next 5 years due to lack of investments (IMF).

**BEARISH FACTORS:**

Short Term

- **Fresh builds** are expected at today's EIA petroleum report. Analysts from Refco/Man, Bloomberg, Reuters and Dow Jones all predict total builds between 1 – 2.5 mbbls.
- **Nigeria's Bonga field** began production which will reach soon 255,000 bpd. It is Nigeria's 1<sup>st</sup> major deepwater field.
- **John Brown, BP's CEO**, forecasts prices to drop to \$40 in the medium term and to \$20-\$35 long term.
- **OPEC commits** to supply excess oil until global forward demand cover rises from 52 to 56 days.
- **Saudi Oil Minister Naimi** confirmed OPEC is not considering trimming output at such a price level.
- **Petrologistics** estimates for **OPEC production** in December are at 30.5 mbpd.
- **IEA Chief Mandil**, expects prices to move lower as production is outstripping production.
- **Hurricane** destruction is said to have cut 800K bpd from industrial demand.

Long Term

- **Deterioration of demand** on high oil price environment could lower demand for H1 2006
- **Saudi Oil Minister Naimi** reported that S.Arabia is about to almost double proven reserves to 464 bn.

**Today's Focus**

Analysts expect the EIA petroleum report today to continue reflecting the oversupply situation of the current market. As a result prices dropped further yesterday ahead of the report's release today at 10.30 EST. Traders seem to pursue the next dollar gain to the downside and are therefore building a growing short position. Current fundamentals favor a further ease of prices towards the \$50 level. However a growing short position always contains an increasing risk of short covering should signs of demand recovery appear due to refinery come-backs in the US and winter fueled heating oil purchases. We expect a weak market for the medium term that will be headline driven.

**Major Technical Levels**

Brent 1 <sup>st</sup> Month		
2 <sup>nd</sup> Res.	56.80	Daily resistance
1 <sup>st</sup> Res.	55.90	Hourly resistance
<b>NOW</b>	<b>54.23</b>	
1 <sup>st</sup> Sup.	54.33	Hourly support
2 <sup>nd</sup> Sup.	53.75	

**Energy Calendar**

30/11	Expiration NYMEX products
30/11	EIA Petroleum report
01/12	EIA natural gas report
02/12	CFTC report
07/12	EIA Petroleum report
08/12	EIA natural gas report

WTI 1 <sup>st</sup> Month		
2nd Res.	59.30	Daily resistance
1st Res.	58.00	Hourly resistance
<b>NOW</b>	<b>56.23</b>	
1 <sup>st</sup> Sup.	56.35	Hourly support
2 <sup>nd</sup> Sup.	55.70	

**US INVENTORIES (Mbbls) - EIA**

	Nov 11/05	Nov 11/04	CHG %
<b>CRUDE</b>	321.8	287.6	11.9
<b>DISTIL.</b>	124.5	121.1	2.8
<b>MOGAS</b>	200.4	208.1	-3.7
<b>HEAT.OIL</b>	55.6	50.6	9.9
<b>Tot. stk (exc.SPR)</b>	1017.7	976.3	4.2

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