

**Snapshot: Prices steady ahead of the weekend**

**BULLISH FACTORS:**

Short Term

- **MMS reported** that underwater oil infrastructure has suffered much more damage than initially thought.
- **MMS reported** that 98.59 % of Gulf production remains shut (1.479 mbpd) . Lost production so far has reached 39.361 mbbls.
- **12 US refineries remain shut in the Gulf.** Lost refining capacity is estimated above 2 mbpd of which 1 mbpd is gasoline, 800k bpd distillates and 300 k bpd jet fuel.
- **EIA reported a drop of** 2.4 mbbls in crude stocks last week and 500k bbls drop in distillates.
- **593 of a total of 819 manned platforms** remain evacuated in the Gulf (72.40%) in addition to 64 of 134 rigs (47.76%).
- **French strike** has so far caused the shut down of a Total refinery in Normandy and could expand to the rest of the oil industry.
- **IMF warned** that oil prices could reach **\$80** this winter and **upgraded both** China's and India's growth by 0.5% to 9% and 7.1% respectively.

Long Term

- IEA forecasted **Chinese oil demand growth at 7.5% for 2006** compared to 3.4% in 2005.
- OPEC will be unable** to increase spare capacity in the next 5 years due to lack of investments –IMF.

**BEARISH FACTORS:**

Short Term

- High gasoline prices have **knocked gasoline demand down** to 2.8% below last year's level.
- **Gasoline imports** last week were 29% higher on year according to EIA.
- **Oil Movements reported** that OPEC shipments were **up 90,000 bpd** the 4 weeks ending Oct.15<sup>th</sup>.
- EIA reported a **4.4 million barrels build in Gasoline inventories** last week.
- **Petrologistics** reported that OPEC production was up 572,000 bpd in September.
- **SPR sale was undersubscribed** showing that there is no shortage of crude.
- **Power has been restored** at the 350,000 bpd Exxon Beaumont TX refinery.
- **OPEC decided to suspend quotas for 3 months** beginning October 1<sup>st</sup>.
- **OPEC has** revised down global demand for 2005 & 2006 by 200,000 bpd due to high oil prices.
- **IEA revised down** 2005 global oil demand growth to 1.35 mbpd due to a drop in global 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**

Prices fluctuated in a wide range amid fears of prolonged disruptions in the Gulf oil industry. MMS reported that underwater pipeline damage may prove much worse than initially anticipated and Gulf oil production remained practically paralyzed for a 7<sup>th</sup> consecutive day. We have mentioned in the past that the destruction in the Gulf can only hide bullish surprises and it will be a permanent cause of price rallied for the weeks to come. We continue to suggest a wait and see approach with a bias to the upside as we expect demand to strengthen quicker than supply recovery.

**Major Technical Levels**

Brent 1 <sup>st</sup> Month		
2 <sup>nd</sup> Res.	69.06	All time high
1 <sup>st</sup> Res.	65.80	Daily resistance
<b>NOW</b>	<b>63.63</b>	
1 <sup>st</sup> Sup.	62.60	Hourly Support
2 <sup>nd</sup> Sup.	61.60	Major Support

WTI 1 <sup>st</sup> Month		
2nd Res.	70.85	All time high
1st Res.	68.20	Daily resistance
<b>NOW</b>	<b>66.65</b>	
1 <sup>st</sup> Sup.	64.50	Hourly support
2 <sup>nd</sup> Sup.	63.20	Major support

**Energy Calendar**

30/09	Expiration NYMEX products
30/09	CFTC Report
05/09	EIA Petroleum Report
06/09	EIA Nat. Gas Report
07/09	CFTC Report

**US INVENTORIES (Mbbbls) - EIA**

	Sep 23/05	Sep 23/04	CHG %
CRUDE	305.7	274.5	11.4
DISTIL.	133.6	125.1	6.8
MOGAS	199.8	205.7	-2.9
HEAT.OIL	57.2	51.9	10.2
Tot. stk (exc.SPR)	1014.8	975	4.1

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