

Nd MARKET COMMENTARY

EIA Weekly Inventory Estimates

Crude -1.6MB, Gasoline +0.4MB, Distillates +1.8MB

OUTLOOK *The July rally came to a crashing halt Tuesday with a combination of the Gulf all-clear and July consumer confidence plunging to 5-month lows doing the job. The widespread perception that prices were at the top end of their trading range and either needed to break out to a new higher level or fall back added impetus to the reversal. Crude oil has slipped below \$70 this morning after last night's API inventory report showed a large 3.1 million barrel unexpected build in crude oil stocks and as lingering doubts about the future of US economic recovery generated by those consumer confidence numbers persist.*

Today's more influential EIA Inventory Report (estimates above) is still called to show a crude oil decline, especially with precautionary production shut ins last week at the approach of Bonnie. If they follow the API's, the reinforced impression that supply continues to overwhelm demand could add to the pull back. Another key factor in today's price direction is whether a surprisingly resilient Wall Street can hold up in the face of the current disappointing macroeconomic news (June durable goods orders fell to the lowest level since last August) and continue being supported by relatively strong Q2 earnings reports.

Technically, the question of whether the July rally is over or just consolidating remains. Conventionally, \$76 is still the floor signaling a continued reversal, with \$78.60 the key to a resumption of the move higher. Elliott Wave analysis is also ambivalent but with wider parameters - \$73 on the low end, but the same \$78.60 up top.

NYMEX - PRIOR SETTLEMENTS

<i>Heating Oil</i>		
Month	Close	Change
August	\$1.9994	-\$0.0432
September	\$2.0294	-\$0.0417
October	\$2.0583	-\$0.0403
November	\$2.0868	-\$0.0389
December	\$2.1146	-\$0.0374
January	\$2.1418	-\$0.0366
February	\$2.1607	-\$0.0364
March	\$2.1697	-\$0.0357
April	\$2.1696	-\$0.0350
May	\$2.1711	-\$0.0343
June	\$2.1761	-\$0.0331
July	\$2.1909	-\$0.0325
August	\$2.2059	-\$0.0322
September	\$2.2256	-\$0.0322
October	\$2.2456	-\$0.0322
November	\$2.2641	-\$0.0327
December	\$2.2816	-\$0.0332
January	\$2.2986	-\$0.0332
Nov-Mar 10-11 NYMEX strip***		\$2.1376
*** Degree day weighted		
<i>Other NYMEX</i>		
	Close	Change
Crude	\$77.50	(\$1.48)
Natural Gas	\$4.7130	\$0.0670
Gasoline	\$2.0632	(\$0.0426)

INVENTORY HIGHLIGHTS

	2010	Change	2009	3-yr avg
Crude oil	353	+0.4	343	330
Gasoline	222	+1.1	215	212
Distillates	167	+3.9	161	137
PADD 1	68	+2.7	68	53
N. Eng	11.1	+0.2	11.5	10.1
Ref runs	92	+1	86	88

PETROLEUM CHARTS

