

**MARKET COMMENTARY**

**OUTLOOK** Most analysts see yesterday's rally to break the five-day losing streak as owing more to short-covering in a heavily oversold market than to any fundamental reason, especially after a very bearish EIA Inventory Report (see Highlights lower right). Heating oil particularly benefitted, again belying the fact that distillate stocks at a whopping 174 million bbl are at 27-year highs. A sharp recovery in US equities markets after another earlier heavy sell off may have contributed, coming as it did after disappointing reports on US durable goods orders and new home sales. This morning's stronger opening reflects a weaker dollar and a follow through of yesterday's US equities strength in Asian and European stock markets but there are still questions about how sustainable the rally can be in the face of such obviously weak fundamentals.

In reference to which, the EIA report showed large across the board builds, particularly the 4.1MB in crude, but more significantly the +2.3MB in gasoline at a point in time in which peak demand should be pulling stocks down. Demand continues to creep up over last year, but much more meaningfully still lags the pre-recession 2007 by a substantial 8%. No recovery very evident there.

Technically, the short term down trend remains intact. The bounce is viewed as a corrective rebound after a failure to break support at \$71-70.35 and alerts for consolidation over the next few days that could take prices back \$74.50-75. Only a close over \$75.70 would indicate a bottoming turnaround. Similarly, heating oil could hover around \$2.00 for a while before a potential later fade.

**NYMEX - PRIOR SETTLEMENTS**

<b>Heating Oil</b>		
Month	Close	Change
September	\$1.9706	\$0.0349
October	\$1.9856	\$0.0319
November	\$2.0086	\$0.0304
December	\$2.0323	\$0.0291
January	\$2.0564	\$0.0282
February	\$2.0724	\$0.0276
March	\$2.0799	\$0.0271
April	\$2.0812	\$0.0276
May	\$2.0836	\$0.0280
June	\$2.0876	\$0.0285
July	\$2.1027	\$0.0285
August	\$2.1197	\$0.0285
September	\$2.1407	\$0.0283
October	\$2.1619	\$0.0280
November	\$2.1804	\$0.0280
December	\$2.1972	\$0.0280
January	\$2.2137	\$0.0280
February	\$2.2212	\$0.0280
Nov-Mar 10-11 NYMEX strip***		\$2.0524
*** Degree day weighted		
<b>Other NYMEX</b>		
	Close	Change
Crude	\$72.52	\$0.89
Natural Gas	\$3.9200	(\$0.1390)
Gasoline	\$1.8639	\$0.0145

**INVENTORY HIGHLIGHTS**

Crude oil	358	+4.1	344	328
Gasoline	226	+2.3	208	199
Distillates	176	+1.8	162	141
PADD 1	72	+0.3	69	57
N. Eng	13.4	+0.2	12	10.4
Ref runs	88	-2	84	87

**PETROLEUM CHARTS**

