

MARKET COMMENTARY

EIA WEEKLY INVENTORY REPORT ESTIMATES

Crude +1.3MB, Gasoline -0.2MB, Distillates +1.1MB

OUTLOOK *Weak US equity markets resulting from increasing investor concerns over the slowing economy, especially after President Obama appeared to be downplaying the issue, pulled energy prices down with them Monday. Those same concerns are weighing on the pre-opening this morning, augmented by a relatively bearish forecast for tomorrow's EIA Inventory Report (estimates above), showing crude and distillate builds, and only a minimal gasoline draw in one of the last week peak driving weeks of the summer. With the failure to break above the mid-\$75, last week's rally is beginning to look a little shaky, and unless the stock markets can shake off the current malaise, prices look set to consolidate at current levels if not pull back.*

At the risk of repetition, but only because it is so significant, the evidence of the influence of the US equities market on crude oil prices is reproduced above. There is no rocket science here. The stock market reflects investor confidence in the future of the economy, which in turn decides the demand for petroleum that will impact on the continuing oversupplied conditions. Incidentally, along these lines, the latest Reuters survey of 23 analysts for Nymex crude oil price pricing for the balance of the year is \$71.50, allowing for a trading range of \$65-\$78. Hmmm...(deep thought).

Technically, the \$5 rally is still seen as intact, with only a close below \$72.60 indicating a reversal back to the bear side. Congestion for a couple of days appears in order.

NYMEX - PRIOR SETTLEMENTS

<i>Heating Oil</i>		
Month	Close	Change
September	\$2.0252	-\$0.0191
October	\$2.0377	-\$0.0198
November	\$2.0601	-\$0.0193
December	\$2.0849	-\$0.0180
January	\$2.1108	-\$0.0168
February	\$2.1270	-\$0.0156
March	\$2.1346	-\$0.0148
April	\$2.1359	-\$0.0143
May	\$2.1394	-\$0.0136
June	\$2.1451	-\$0.0130
July	\$2.1613	-\$0.0130
August	\$2.1791	-\$0.0130
September	\$2.2009	-\$0.0130
October	\$2.2221	-\$0.0130
November	\$2.2406	-\$0.0130
December	\$2.2584	-\$0.0130
January	\$2.2764	-\$0.0123
February	\$2.2849	-\$0.0118
Nov-Mar 10-11 NYMEX strip***		\$2.1061
*** Degree day weighted		
<i>Other NYMEX</i>		
	Close	Change
Crude	\$74.70	(\$0.47)
Natural Gas	\$4.1700	\$0.0460
Gasoline	\$1.9341	(\$0.0138)

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

