

**Snapshot: OPEC and EIA pressure crude.**

**BULLISH FACTORS:**

Short Term

- **Iran's Foreign Minister Muttaki** welcomed US willingness to hold direct talks with his country, but **stated that no pre-conditions would be accepted.**
- **Valero's Corpus Christi** refinery suffered significant damage, after a lightning strike, and **was forced to reduce output by 70,000bpd.**
- **Angola and Sudan** have been invited as observers in today's OPEC meeting. Both countries mull joining the Organisation, in a move that would raise OPEC's oil production capacity from 41% of the world's total to 43%.
- **China's petroleum demand** for April rose by 10.8% compared to previous year. This is the fastest growth rate since 2004.
- The **US National Hurricane Center** predicted a busy hurricane season for the North Atlantic. Sixteen named storms, six of which will turn into hurricane are expected during the season.

Long Term

- **Escalation of US-Iran conflict** could affect exports from Iran.
- **Wave of nationalization of energy sectors** in Latin American countries could affect investment.

**BEARISH FACTORS:**

Short Term

- **OPEC members** decided to leave output unchanged overcoming Venezuela's resistance who was calling for an output cut.
- **EIA reported a build of 8.3 million** in US commercial petroleum inventories during the past week, surpassing analysts' expectations and further easing traders concerns.
- **US Secretary of State Rice** stated that the Bush Administration is willing to join other European countries in holding direct talks with Iran, provided that Iran suspends its nuclear activities.
- If US natural gas inventory growth continues at current pace, **US could run out of free storage** facilities before the winter.
- **US government and industry officials** stated, in a conference held in Washington that they are better prepared to respond to hurricane threats this year.

Long Term

- **EIA and IEA expect world spare capacity** to rise by 1 million bpd in 2006.
- **High oil prices** force oil consuming prices to accelerate efforts to reduce oil dependence.

**Today's Focus**

Crude oil was pressured yesterday as bearish developments both in the OPEC as well as the US inventory fronts added to yesterday's dovish statements from US Secretary of State Rice. EIA reported a significant rise of 8.3 million barrels in US commercial petroleum stocks during the past week. The rise was led by higher than expected rises of 1.6 and 1.8 million barrels in gasoline and distillate stocks respectively. At the same time OPEC members decided to leave output unchanged, choosing to ignore Venezuela's calls for output restriction. The 1-2 combination took some wind off bulls' wings, but failed to lead to a breach of the recent range. Traders are still weary about Iran and Nigeria and it seems that they are looking for more concrete evidence that the issues are heading towards resolution before they call the rally over. Range trading is expected today ahead of the weekend, unless significant developments occur.

**NOTE:** Historical "daily reports" can be found at [http://www.hfanalysis.gr/HTML/Research\\_FramesetAll.htm](http://www.hfanalysis.gr/HTML/Research_FramesetAll.htm)

**Major Technical Levels**

Brent 1 <sup>st</sup> Month		
2 <sup>nd</sup> Res.	74.97	2/5 high
1 <sup>st</sup> Res.	73.90	11/5 high
<b>NOW</b>	<b>69.90</b>	
1 <sup>st</sup> Sup.	67.63	22/5 low
2 <sup>nd</sup> Sup.	66.00	Daily support

**Energy Calendar**

2/6	CFTC report
6/6	EIA monthly energy report
7/6	EIA weekly petroleum report
9/6	CFTC report
14/6	EIA weekly petroleum report
16/6	CFTC report

WTI 1 <sup>st</sup> Month		
2nd Res.	75.35	21/4 high
1st Res.	73.90	11/5 high
<b>NOW</b>	<b>71.04</b>	
1 <sup>st</sup> Sup.	68.25	8/5 low
2 <sup>nd</sup> Sup.	67.00	Daily support

**US INVENTORIES (Mbbls) - EIA**

	May 26/06	May 26/05	CHG %
CRUDE	345.5	332.2	4.0
MOGAS	209.3	215	-2.7
DISTIL.	118.9	109.7	8.4
HEAT.OIL	45.2	40	13.0
Tot. stk (exc.SPR)	1023.4	1023.1	-

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