

Snapshot: Prices drop further ahead of EIA report

BULLISH FACTORS:

Short Term

- **Very cold weather** in the NE United States the next 2 weeks could trigger short covering.
- **Production disruptions in Canada** resulted to September output being 113,000 bpd below last year's level.
- **Citgo's Corpus Christi and Shell's Deer Park** refineries in Texas, had to shut an alkylation and a sulphur recovery unit for repairs.
- The **62,000 bpd refinery of Giant Industries** in Yorktown, will stay shut for about a month.
- **IEA Head of Economic Analysis Division, Fatih Birol**, expects oil prices to remain high until 2010.
- **3 refineries in Louisiana remain shut** from hurricane Katrina. Combined idle capacity at around 600k bpd.
- MMS reported that **39.63% of Gulf production** remains shut (564.229 bpd). Lost production as of Aug. 26th has reached **95.331 mbbbls**.

Long Term

- According to monthly **IEA** report **global demand growth** will pick up in 2006 reaching 1.75 mbpd.
- **OPEC will be unable** to increase spare capacity in the next 5 years due to lack of investments (IMF).

BEARISH FACTORS:

Short Term

- **Fresh builds** are expected at today's EIA petroleum report. Analysts from Refco/Man, Bloomberg, Reuters and Dow Jones all predict total builds between 1 – 2.5 mbbbls.
- **Nigeria's Bonga field** began production which will reach soon 255,000 bpd. It is Nigeria's 1st major deepwater field.
- **John Brown, BP's CEO**, forecasts prices to drop to \$40 in the medium term and to \$20-\$35 long term.
- **OPEC commits** to supply excess oil until global forward demand cover rises from 52 to 56 days.
- **Saudi Oil Minister Naimi** confirmed OPEC is not considering trimming output at such a price level.
- **Petrologistics** estimates for **OPEC production** in December are at 30.5 mbpd.
- **IEA Chief Mandil**, expects prices to move lower as production is outstripping production.
- **Hurricane** destruction is said to have cut 800K bpd from industrial 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

Analysts expect the EIA petroleum report today to continue reflecting the oversupply situation of the current market. As a result prices dropped further yesterday ahead of the report's release today at 10.30 EST. Traders seem to pursue the next dollar gain to the downside and are therefore building a growing short position. Current fundamentals favor a further ease of prices towards the \$50 level. However a growing short position always contains an increasing risk of short covering should signs of demand recovery appear due to refinery come-backs in the US and winter fueled heating oil purchases. We expect a weak market for the medium term that will be headline driven.

Major Technical Levels

Brent 1 st Month		
2 nd Res.	56.80	Daily resistance
1 st Res.	55.90	Hourly resistance
NOW	54.23	
1 st Sup.	54.33	Hourly support
2 nd Sup.	53.75	

WTI 1 st Month		
2 nd Res.	59.30	Daily resistance
1 st Res.	58.00	Hourly resistance
NOW	56.23	
1 st Sup.	56.35	Hourly support
2 nd Sup.	55.70	

Energy Calendar

30/11	Expiration NYMEX products
30/11	EIA Petroleum report
01/12	EIA natural gas report
02/12	CFTC report
07/12	EIA Petroleum report
08/12	EIA natural gas report

US INVENTORIES (Mbbbls) - EIA

	Nov 11/05	Nov 11/04	CHG %
CRUDE	321.8	287.6	11.9
DISTIL.	124.5	121.1	2.8
MOGAS	200.4	208.1	-3.7
HEAT.OIL	55.6	50.6	9.9
Tot. stk (exc.SPR)	1017.7	976.3	4.2

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