

OPEC, OIL INDUSTRY TURN HOPEFUL THAT OIL PRICE BOTTOM IS IN

TOP HEADLINES:

- German industry orders fall on weak non-euro zone demand
- Chinese yuan jumps to fourth most used world currency
- Russia would consider air strikes in Iraq at Baghdad's request - RIA



Early in the morning, subscribers receive this one page Morning Flash report, along with a "live" podcast of several minutes in length. The Flash report provides rapid insights, starting with the top headline, several market moving headlines, and the price board below that gives an at-a-glance view of overnight price action and our short-term bias.

| MarketUpdate | Month | Last Close | Change | S/T Bias | Viewpoint |
|------------------|----------|------------|--------|----------|--|
| WTI Crude Oil | November | 46.13 | -.13 | Neutral | US oil inventories set to build. |
| Brent Crude Oil | November | 49.38 | .12 | Negative | Asia faltering further undermining Brent prices. |
| RBOB Gasoline | November | 1.3876 | -.0017 | Negative | Plentiful winter grade gasoline is a negative. |
| ULSD Heating Oil | November | 1.5490 | .0007 | Neutral | Demand picking up. |
| Natural Gas | November | 2.478 | .028 | Neutral | Focus shifts to abundant storage levels. |

An economic calendar listing the week's major global economic data releases appears below on the left side of the report. Select economic data is rapidly analyzed, later, each day, in the Full Report.



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US ECONOMIC EVENTS TO WATCH THIS WEEK

Monday 10/5
- Services PMI (EUR)

Tuesday 10/6
- Trade (USA)

Wednesday 10/7
- EIA Petroleum Report

Thursday 10/8
- Jobless Claims (USA)
- FOMC minutes

Friday 10/9
- BHI Rig Count

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[Full Weekly Economic Calendar Overview \(Bloomberg\)](#)

A brief comment on the morning's global macroeconomic composition, petroleum and natural gas markets, along with some technical (chart) analysis of the WTI crude oil and Henry Hub natural gas markets.



Global Macroeconomics

After a strong 3% rally, yesterday, European equity markets are up fractionally this morning, despite a mediocre

Petroleum Complex Fundamentals

Oil prices have begun to show some signs of life, aided by the decline in US oil output, which has fallen nearly 500k barrels per day from its peak earlier this year. Both the CEO of

Technical Analysis: WTI Crude Oil

The WTI chart picture remains little changed from the past several sessions. It is range bound between \$44 and \$48, readying a breakout.

Natural Gas Fundamentals

Natural gas have stabilized, after last week's decided sell-off. While the rebound has been modest, it represents the start of some relief from the resent oversold condition

Technical Analysis: Natural Gas

Prices are retracing some of the losses from last week, in a bout of short-covering and profit-taking. There has not been an

Key Point: The disappointing US employment data from Friday is still resonating with the markets because it appears to forestall a Fed Reserve interest rate hike. XXX

| Market Viewpoint | S/T BIAS | M/T BIAS | L/T BIAS | INSIGHTS |
|------------------|----------|----------|----------|---|
| WTI Crude Oil | NEG | NEG | POS | Upgraded L/T outlook due |
| Brent Crude Oil | NEG | NEG | POS | Asia slowdown weighs on S/T outlook. |
| RBOB Gasoline | NEG | NEU | NEG | Gasoline inventories continue to swell, |
| ULSD Heating Oil | NEG | NEU | NEU | ULSD demand seen improving |
| Natural Gas | NEG | NEU | POS | Prices currently range bound awaiting |
| Jet Fuel | NEG | NEG | POS | Jet fuel demand seen rising |
| Bunker Fuel | NEG | NEG | POS | Freight rates down on lackluster |



This table provides our short-term, medium-term, and long-term price outlook for the commodities listed, along with a note on the rationale for the particular bias.

| Impacted Sectors | S/T BIAS | M/T BIAS | L/T BIAS | COMMENT |
|---------------------------------|----------|----------|----------|----------------------------------|
| Oil & Gas: Drilling/Exploration | NEG | NEU | POS | US oil production falling faster |
| Oil & Gas: Equipment/Services | NEG | NEU | POS | Industry cutbacks show no sign |
| Oil & Gas: Pipeline | NEU | NEG | POS | Toll rates under pressure |
| Oil & Gas: Refining/Marketing | NEG | NEU | NEU | The last remaining bright spot |
| Utilities | NEU | NEU | POS | Low coal and natural gas |
| Industrials | NEG | NEU | POS | Petrochemical sector booming |
| Transportation | NEG | NEU | POS | Increased shipping demand |



This table lists several energy industry sectors, and we give our outlook for the prospects of each one, based on energy price impacts and trends. A brief explanatory comment is also provided.

| Economic Data | MONTH | ACT | PREV | EFFECT | ANALYSIS |
|----------------------|-------|-------|-------|--------|--|
| Services PMI (USA) | SEP | 56.9 | 59 | NEG | The reading came in below expectations,. |
| Factory Orders (GER) | SEP | -1.8% | -2.2% | NEG | The data Strong US employment data continues |



Two key global economic data points are reported and analyzed here each day.



Below is a thorough analysis of global capital markets activity, focusing on one or more featured markets, each day, including global equity markets, bonds, currencies, and precious metals, depending on the activity in each. Asian and European situations get particular attention when key data emerges that are set to affect the day ahead.

ExpandedView: US Equities

Global equity markets, after a strong rally yesterday, are mixed to start the day, today. The markets are dealing with another disappointing data point, this time out of Germany. Factory orders fell for a second straight month, this time by 1.8%, versus expectations of a 0.5% rise. Demand abroad for German goods, especially from China was poor. When we hear about a China slowdown, we typically think about how negative conditions in the euro zone affects China, but this is a



A major feature of the Energy OverView is the utilization and presentation of our proprietary Cat-5 market analysis tool. Hundreds of key performance indicators are amalgamated to produce readings across the five essential categories shown below, which produces a unique insight into future market conditions and industry trends. Each day a different category is highlighted and a brief assessment is provided.

| CAT-5 | MACRO ECONOMIC | FUNDAMENTAL | TECHNICAL | SENTIMENT | GLOBAL SITUATIONAL |
|----------|----------------|-------------|-----------|-----------|--------------------|
| READINGS | NEG | NEG | NEG | NEG | POS |

| CAT-5 Focus | READING | ASSESSMENT |
|-------------|---------|---|
| FUNDAMENTAL | NEG | This category is close to flipping to neutral because of the steep drop in US oil production, but the weakness in the demand side of the equation trump |

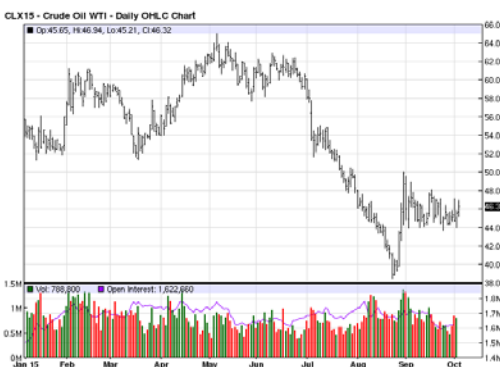


The Expanded View of the Petroleum Complex is the mainstay of the Energy OverView; it contains the highly regarded energy market insights that have distinguished the report for nearly 20 years. It empowers readers to make sense of the energy markets and make informed, key decisions about their business, whether your role is in trading, corporate, or policymaking.

Expanded View

WTI prices managed another rally, yesterday, in what has been a choppy, almost directionless trade. Still, the fact that a new low has not been made is giving hope to the market bulls and industry leaders. The OPEC Sec. Gen. and the CEO of Shell both said, this morning, that they are seeing the first signs of recovery and “improvement” in the oil market. The Shell CEO did remind his audience that the US shale industry has proven far more resilient.....

A daily price bar chart and accompanying total volume gives a snapshot of the WTI oil market price trend. Next to it, also known as the floor trader’s almanac or “crib sheet”, the Pivot Table is the starting point to understand the day’s technical trading set-up.



| PIVOT TABLE | |
|-------------|-------|
| RESISTANCE | 49.60 |
| RESISTANCE | 47.87 |
| RESISTANCE | 47.06 |
| PIVOT | 46.14 |
| SUPPORT | 45.33 |
| SUPPORT | 44.41 |
| SUPPORT | 42.68 |

A breakdown of the technical trading aspects of the market are detailed below, each day. Most major technical disciplines are incorporated into the analysis, with prominent formations receiving enhanced focus. Unlike other technical analysis, we provide a clear conclusion of what we believe our analysis is telegraphing each day.



Expanded View: WTI Crude Oil Technical Analysis

It’s more of the same on the WTI chart. The \$44 to \$48 trading range persists. Once again, there was a rally attempted, yesterday, but the gains failed to hold. As we have been mentioning, the current...



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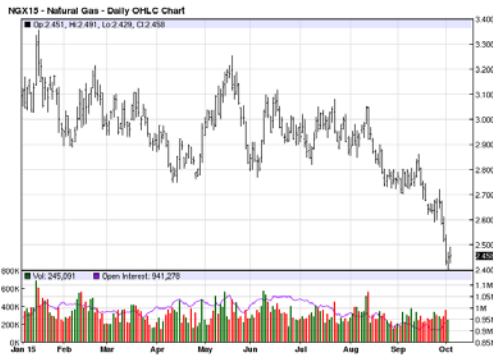


The Expanded View of the Natural Gas market is the second mainstay of the Energy OverView; it contains our highly regarded natural gas market insights that have distinguished the report for nearly 20 years. It empowers readers to make sense of the natural gas market and make informed, key decisions about their business, whether its trading, corporate, or policymaking.

Expanded View

Natural gas prices are attempting to stabilize, after hitting a three-year low on Friday. We have remarked how strong the selling was, driven in part by last week’s storage report. Demand is set to rise slightly, but temperatures will above normal in the extended two-week forecast. Market bulls need some early cooling demand to get some help, if not hope....

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| PIVOT TABLE | |
|-------------|-------|
| RESISTANCE | 2.581 |
| RESISTANCE | 2.519 |
| RESISTANCE | 2.484 |
| PIVOT | 2.457 |
| SUPPORT | 2.422 |
| SUPPORT | 2.395 |
| SUPPORT | 2.333 |

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