

Energy prices moved sharply lower this month, as rumor mills are churning reports that Saudi Arabia would increase supplies in order to tame high energy prices. In addition, U.S is contemplating at the strategy for a potential release of oil reserves to rein in surging gasoline prices in the world's largest economy. Conversely, there remains a conflict of opinion, with nations like Germany, Italy and France opposing the release of emergency consumer oil stocks. These nations argue that the world oil markets are well supplied despite lower Iranian exports. Crude oil witnessed substantial volatility; with WTI prices registering a high of US\$100.4/bbl and a low of US\$90.5/bbl. Fed's decision to expand its balance sheet aggressively failed to provide any support to the energy complex. In this regard, Fed will initiate additional monthly purchases of US\$40bn per month in new mortgage debt instruments. These additional purchases would be open ended and would continue until labor markets show any concrete signs of improvement. In addition, the apex body will continue its Operation Twist plan to replace short-term securities on its balance sheet with long-term bonds. The combined actions will together expand the Fed's intake by roughly US\$85bn per month through the end of this year.

However, persistent geopolitical concerns emanating from the Middle East are proving some kind of support to the energy complex. In the latest, U.S has tightened sanctions on Iran's oil company, linking it to the country's Islamic Revolutionary Guard Corps. The move will allow apply new sanctions on foreign banks dealing with the company. In addition, President Obama has stated to the UN General assembly that the Iranians do not have unlimited time to fully open up their nuclear program to outside inspectors.

On the global fundamental front, oil demand remains weak impacted by uncongenial macroeconomic landscape in U.S, Europe and China. Meanwhile, supply remains comfortable, as both OPEC and non-OPEC production continues to increase. OPEC production rose by about 260,000bpd in August, despite a European Union embargo on Iran's exports. Higher output from other members of the 12-member group aided the growth in output. Production from the three big Gulf producers saw a net increase of around 400,000 bpd in August. World oil demand grew by 0.6% during Jan-Aug 2012 on a yoy basis, while global supply grew at 2.9%. The average global market balance during the eight months of 2012 stood at a surplus of 1.5mbpd, while the same period during the previous year witnessed a deficit of 0.5mbpd. In China, the country's oil imports declined 12.5% in August from a year earlier to the lowest daily rate since October 2010, while implied oil demand in the country dropped to 8.92mbpd.

Crude oil prices would trade within US\$90-US\$95/bbl in the near term, supported by exogenous factors such as geopolitical concerns. However in the absence of any positive trigger on the demand side, crude oil prices can eventually drift lower towards US\$85/bbl in the medium term. Prevalent demand and supply variables do not justify oil prices sustaining near US\$100/bbl odd levels.

Crude Oil Snapshot

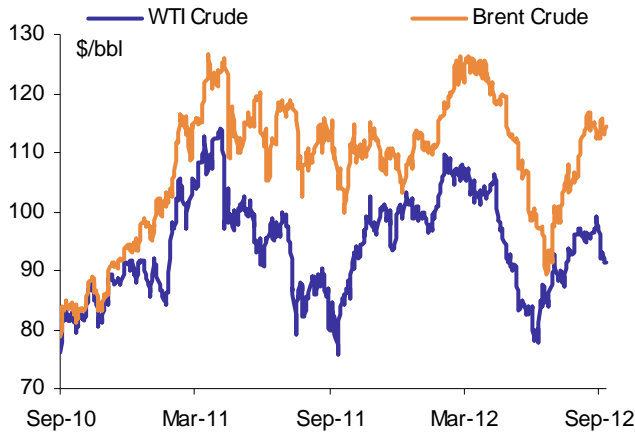
	Sep-12	Aug-12	mom (%)	Sep-11	yoy (%)	YTD (%)	Avg YTD'12	Avg'11
*Price (US\$/barrel)								
WTI Crude	91	95	(4)	79	15	(8)	96	95
Brent Crude	110	113	(2)	103	7	3	112	111
WTI /Brent Spread	(19)	(18)	--	(24)	--	--	(16)	(16)
OPEC Crude basket	107	111	(3)	102	6	1	110	107

Source: Bloomberg, India Infoline Research

* Prices as on 26th September, 2012

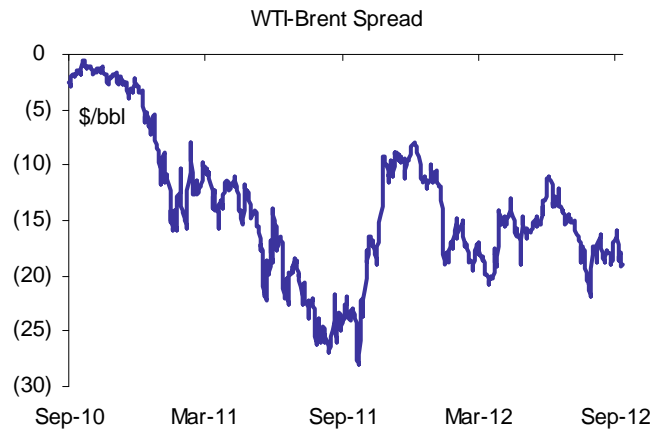
Oil fundamentals

Energy prices moved sharply lower this month

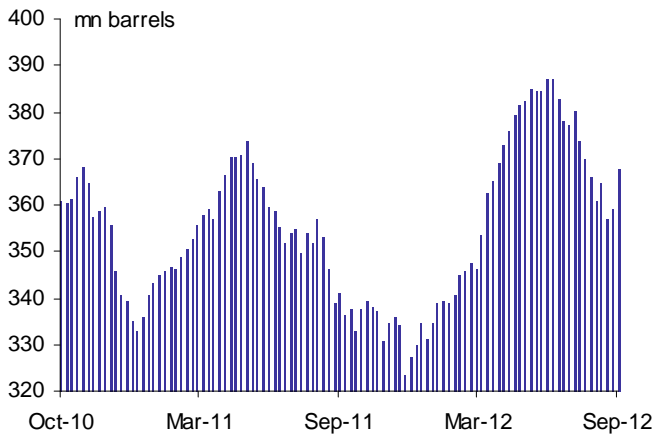


Source: Bloomberg, India Infoline Research

Brent premium over WTI has widened to US\$19/bbl

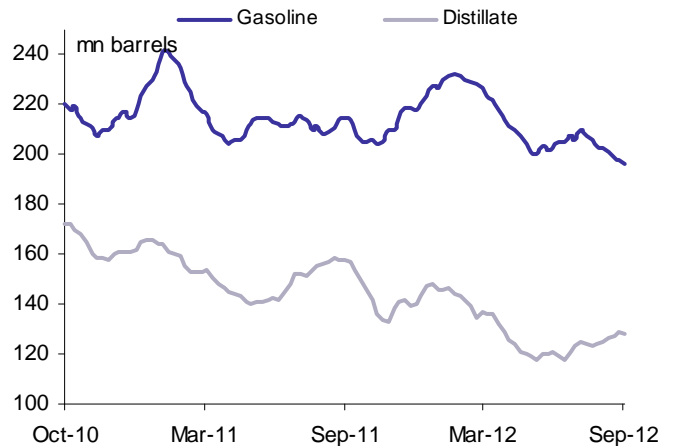


US crude oil inventories in September are 9% higher on a yoy basis

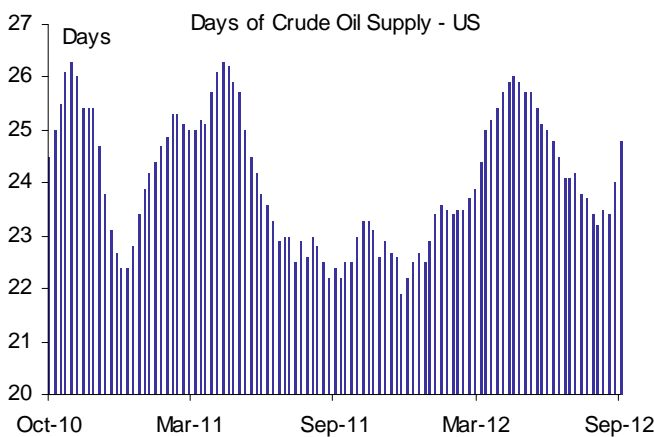


Source: Bloomberg, EIA, India Infoline Research

Gasoline stocks in August are 8% lower on a yoy basis, while distillate stocks are 18% lower

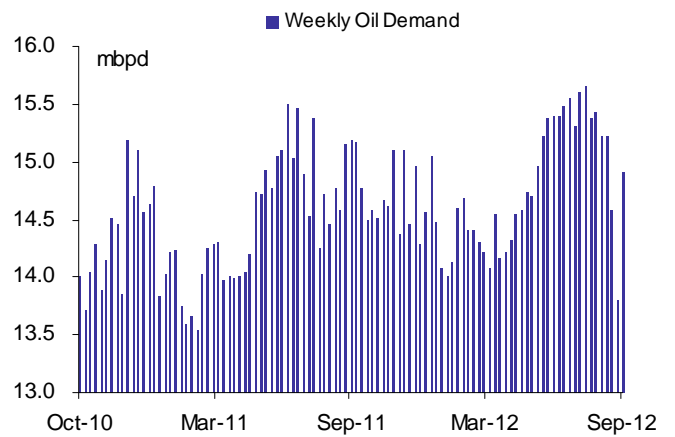


Days of crude oil supply in US is equivalent to 25

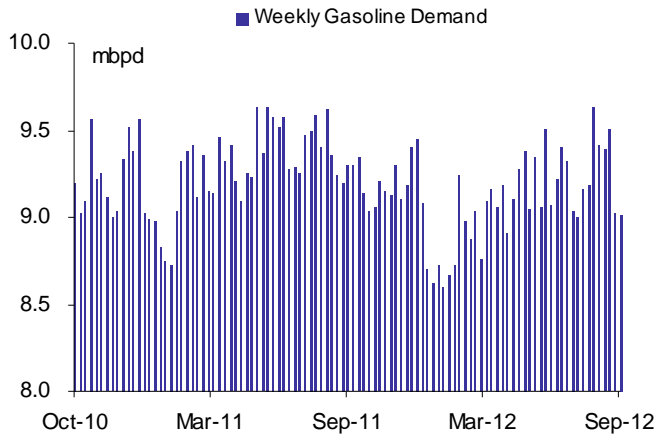


Source: Bloomberg, DOE, India Infoline Research

US weekly oil demand in September is 2% lower on yoy basis

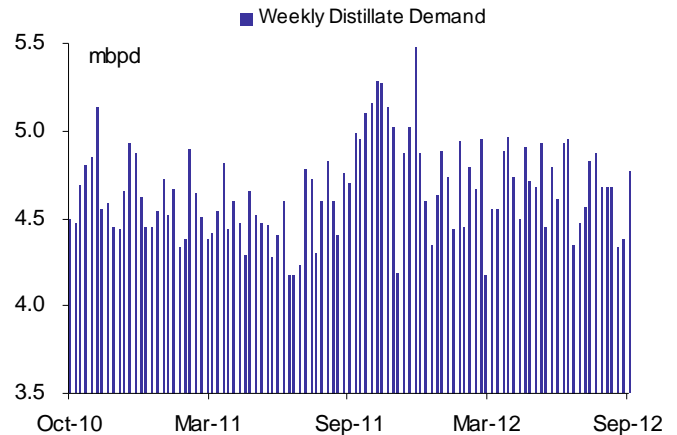


US weekly gasoline demand in September is 3% lower on yoy basis

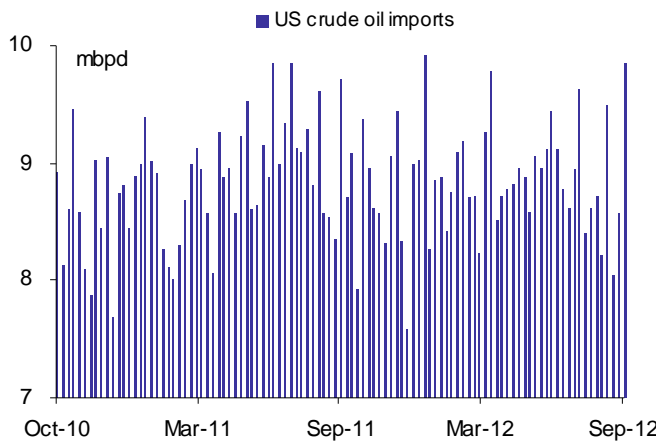


Source: Bloomberg, DOE, India Infoline Research

US weekly distillate demand in September is 4% lower on yoy basis

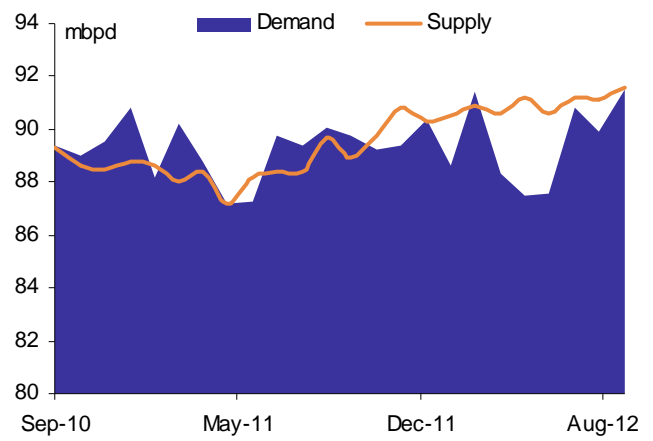


US oil imports in September are higher by 13% on a yoy basis

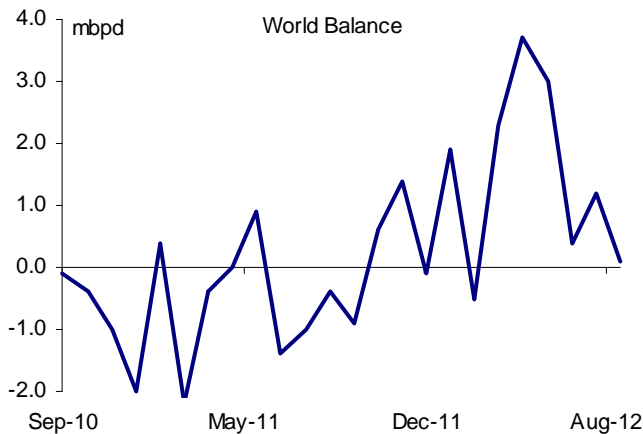


Source: Bloomberg, DOE, India Infoline Research

World oil supply during August 2012 has grown by 2.1% on yoy basis, while demand has grown by 1.6%

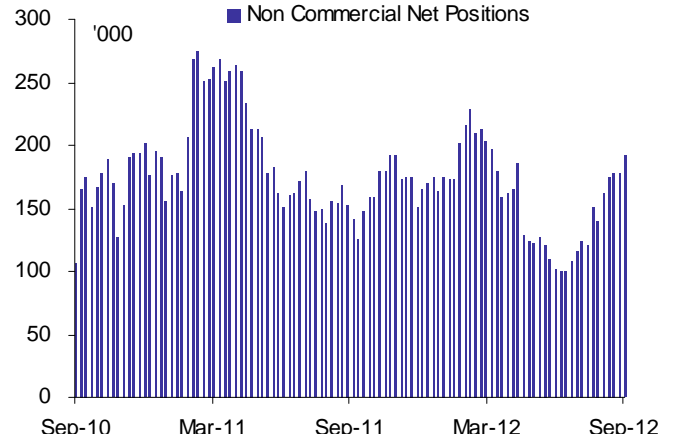


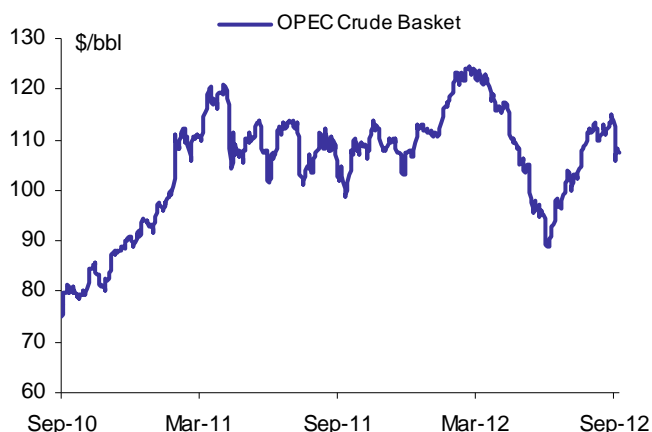
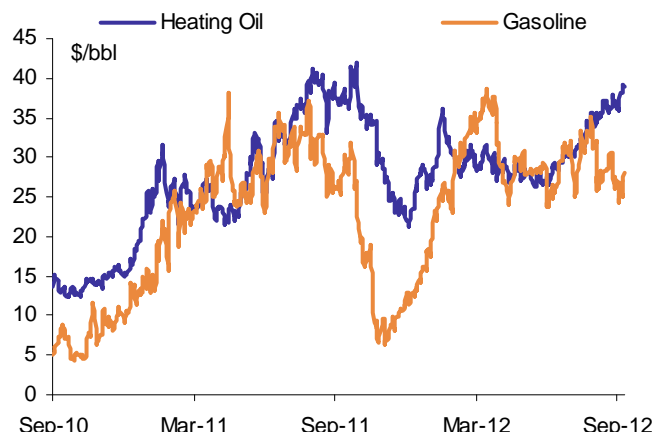
Average global oil surplus stands at 1.5mbpd during Jan-Aug 2012



Source: Bloomberg, India Infoline Research

Speculators have increased net longs during last few weeks



OPEC basket in August is 3% lower on mom basis

Crack spreads: Refinery margins for gasoline have declined, while for heating oil has increased


Source: Bloomberg, India Infoline Research

Crude Oil Statistics

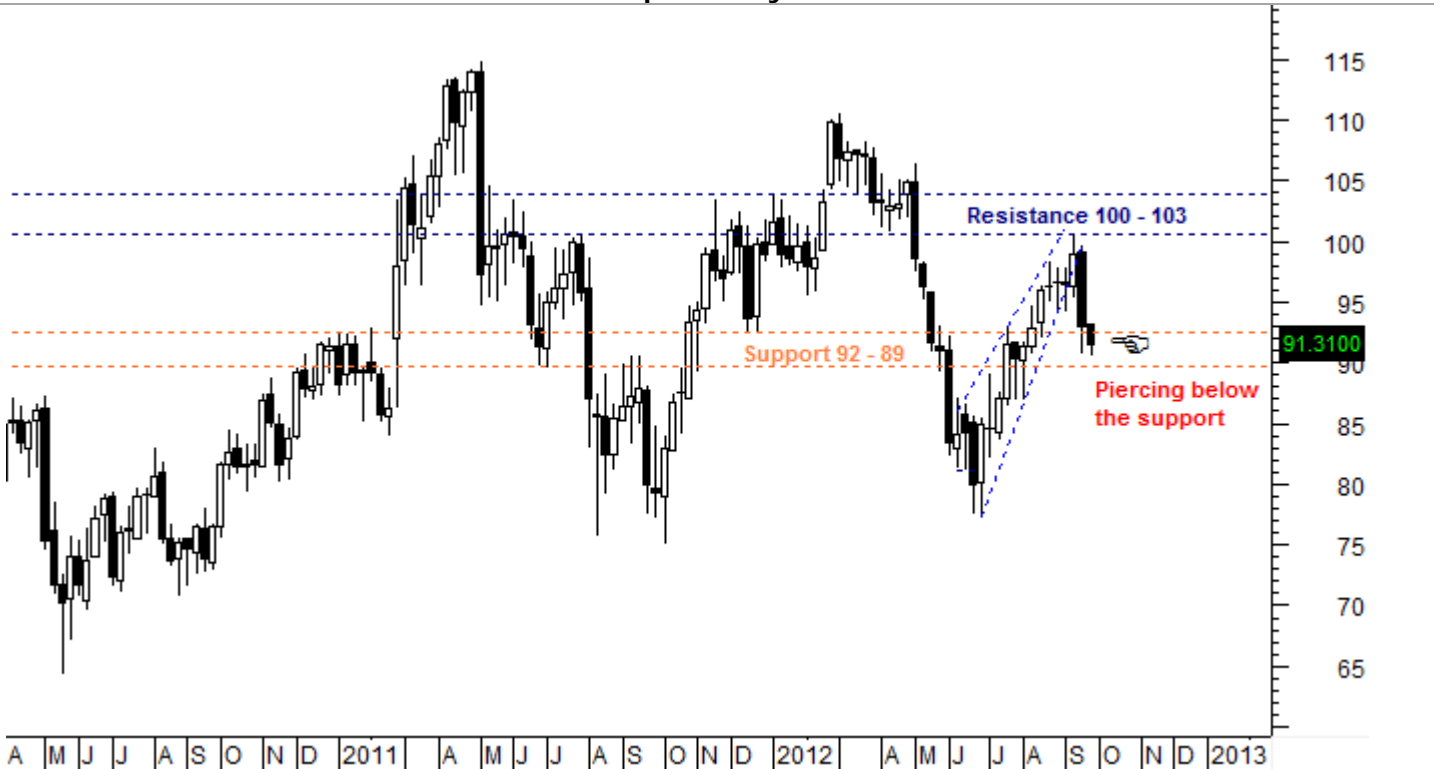
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Brent Crude	110	113	(2)	103	7	3	112	111
(mn barrels)								
EIA weekly stocks								
Crude Oil	368	365	1	336	9	12	364	349
Gasoline	196	201	(2)	214	(8)	(11)	213	216
Distillate	128	126	2	157	(18)	(11)	130	150
(mbpd)								
DOE data								
US Oil Demand	14.9	15.2	(2)	15.2	(2)	2	14.8	14.5
US Gasoline Demand	9.0	9.4	(4)	9.3	(3)	(1)	9.1	9.3
US Distillate Demand	4.8	4.7	2	5.0	(4)	4	4.7	4.6
US Oil Imports	9.8	9.5	4	8.7	13	9	8.9	8.9
(days)								
US - Oil Supply	24.8	23.5	6	22.2	12	10	24.3	23.7
(mbpd)								
World Supply	91.6	91.1	0.5	89.7	2.1	91	88	2.9
World Demand	91.5	89.9	1.8	90.1	1.6	89	89	0.6
World Balance	0.1	1.2	--	(0.4)	--	1.5	(0.5)	--

Source: Bloomberg, India Infoline Research

* Prices as on 26th September, 2012

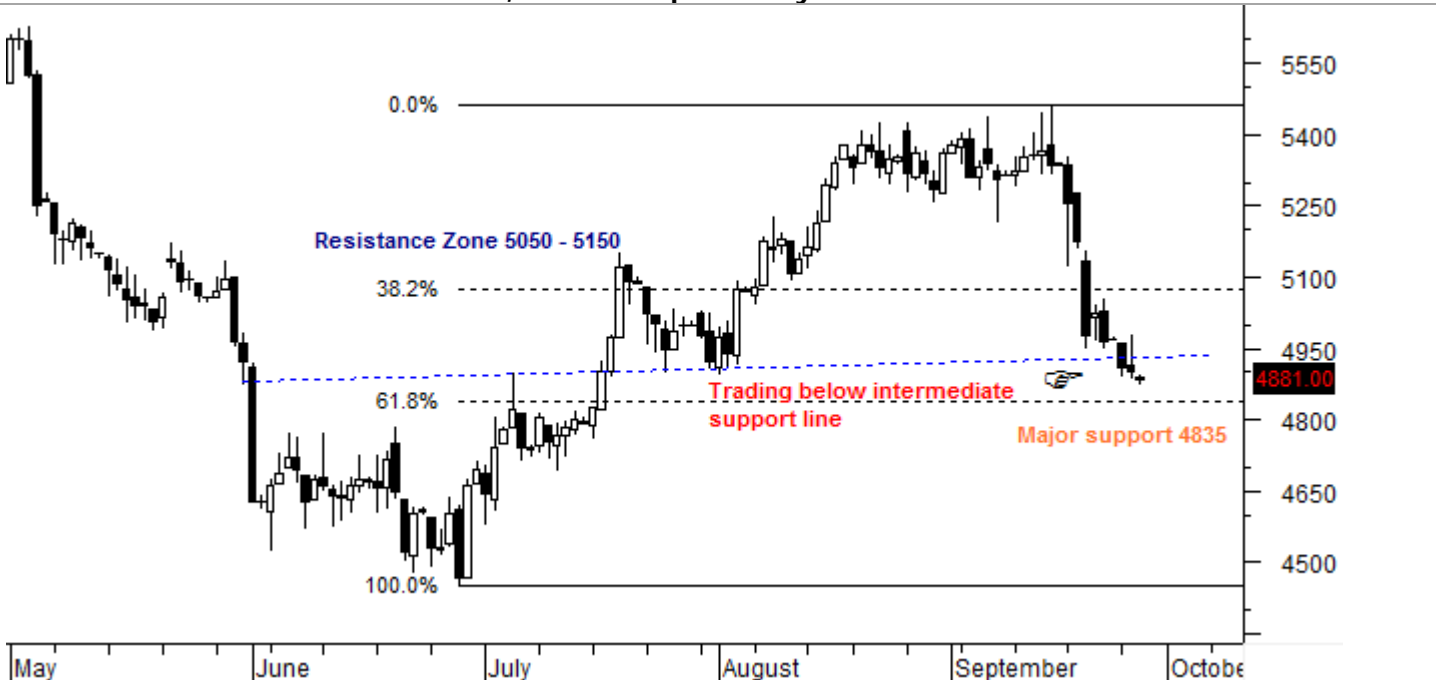
Price Outlook

NYMEX Crude oil – Break below \$89 could pave way for weak trend



Source: Metastock, India Infoline Research

MCX Crude oil- Break below Rs4,800 could pave way for weak trend



Source: Metastock, India Infoline Research

Summary Outlook

	Current price	Trading range	Bias
NYMEX Crude Oil October	US\$91	US\$89 – US\$100	Mixed to weak
MCX Crude oil September	Rs4,880	Rs4,800 – Rs5,030	Mixed

Source: India Infoline Research

* Prices as on 26th September, 2012

In the year 2011 itself, we have received two reputed awards for being the Best Broker in India.

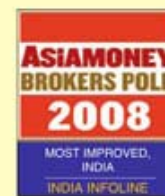
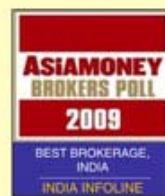
'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



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