

MARKET COMMENTARY

EIA Weekly inventory Report Estimates

Crude oil +1.4MB, Gasoline +0.6MB, Distillates -0.9MB

OUTLOOK Prices rallied again Tuesday on a weaker dollar and a four cent spike in gasoline triggered by a slew of refinery maintenance and operational problems that have cut output on both sides of the Atlantic. This morning's stronger Nymex heating is getting some support from last night's API numbers impressive 4.1 million drop in distillates, including a very large 3.1 MB draw in heating oil. The impression of a market headed higher in the short term prevails, continuing to buck the weak fundamentals but the rally is largely technically driven, and when the technical indicators change, so does the outlook.

Among upcoming factors that could have an impact on price direction are today's EIA Weekly Inventory Report (see estimates above), expected to show another increase in crude stocks, a small increase in gasoline and a 900,000 bbl decline in distillates, (in sharp contrast with the huge API draw). Friday's pay roll report will be influential on whether the pace of economic recovery justifies the corresponding expectations for an eventual increase in future demand. Even so, the prevailing supportive environment is generally still considered by most market watchers to be short term, with a potential cap and eventual pull-back represented by excess supply and weak demand.

The technical outlook supports the case for the short term rally, but includes the potential for an upside breakout if key resistance between \$80.80 and \$81.80 can be overcome, leaving open the January 11 high of just under \$84. For heating oil, it's \$2.08 and then \$2.13-2.14.

NYMEX - PRIOR SETTLEMENTS

<u>Heating Oil</u>		
Month	Close	Change
April	\$2.0561	\$0.0326
May	\$2.0666	\$0.0318
June	\$2.0783	\$0.0300
July	\$2.0951	\$0.0289
August	\$2.1116	\$0.0271
September	\$2.1306	\$0.0266
October	\$2.1531	\$0.0262
November	\$2.1761	\$0.0260
December	\$2.1994	\$0.0258
January	\$2.2219	\$0.0253
February	\$2.2339	\$0.0243
March	\$2.2329	\$0.0233
April	\$2.2209	\$0.0228
May	\$2.2139	\$0.0223
June	\$2.2119	\$0.0218
July	\$2.2214	\$0.0213
August	\$2.2344	\$0.0208
September	\$2.2499	\$0.0203
Nov-Mar 10-11 NYMEX strip***		\$2.2154
*** Degree day weighted		
<u>Other NYMEX</u>		
	Close	Change
Crude	\$79.68	\$0.98
Natural Gas	\$4.71	\$0.03
Gasoline	\$2.1966	\$0.0410

INVENTORY/DEGREE DAY HIGHLIGHTS

	2010	+/-	2009	3 yr-avg
Crude oil	338	+3.0	351	330
Gasoline	231	-0.9	215	223
Distillates	153	-0.6	142	129
PADD 1	62	+0.6	50	47
N, Eng	11.6	+0.4	11.1	9.7
Ref runs	81	+1	81	84

-----HEATING DEGREE DAYS - BOSTON-----						
	----DAY---		---MTD----		--SEASON--	
Date	2010	2009	2010	2009% diff	2010	2009% diff.
3/1	24	39	24	39 -38%	3944	4146 -5%

PETROLEUM CHARTS



