

**ND MARKET COMMENTARY**

**OUTLOOK** It may be that “It’s really only investor bullishness holding oil prices at current levels” (yesterday’s quote from Reuters analyst John Kemp), but throw in a strong dose of currency fluctuations and that’s just as powerful a price determinant. Thursday’s spike was all about the surging Euro on the back of positive European economic news, bringing it to a 12-week high against the dollar. There was some mumbling about a couple of Caribbean weather systems that bear watching. Today should see the return of the investor outlook factor with the release of the Q2 US GDP report, a key indicator of how the recovery is doing. The forecast is for the upper 2% range. Anything 2.5 or less could set off a round of selling, but some analysts are projecting 3-3.5, in which case there could be a pretty decent rally, perhaps extending into early next week.

As frequently noted recently, oil prices appear stuck in the \$70-80 range, so what next? Back to Mr. Kemp, the underlying current market fundamentals in no way support \$80, or even really \$70, but they continue to be overwhelmed by the perception that the prevailing oversupply will eventually be redressed by recovering demand. This in turn is a function of economic recovery in the US, and the rest of the world. The consensus on the US appears to be for positive but slow growth well into next year as consumers hold back on spending and employers on hiring. Maybe the biggest threat to recovery is the negative impact of looming state and local government shortfalls. Conclusion - \$70-80 stays until the next hurricane.

Technically, the status quo also prevails. \$76.50 floor (support), \$79 ceiling (resistance). Dog days of summer... until the next hurricane.

**NYMEX - PRIOR SETTLEMENTS**

<u>Heating Oil</u>		
Month	Close	Change
August	\$2.0372	\$0.0408
September	\$2.0696	\$0.0436
October	\$2.0970	\$0.0424
November	\$2.1249	\$0.0414
December	\$2.1513	\$0.0403
January	\$2.1776	\$0.0396
February	\$2.1969	\$0.0396
March	\$2.2061	\$0.0394
April	\$2.2056	\$0.0390
May	\$2.2065	\$0.0387
June	\$2.2106	\$0.0383
July	\$2.2251	\$0.0380
August	\$2.2401	\$0.0380
September	\$2.2596	\$0.0375
October	\$2.2794	\$0.0373
November	\$2.2974	\$0.0368
December	\$2.3144	\$0.0363
January	\$2.3314	\$0.0363
Nov-Mar 10-11 NYMEX strip***		\$2.1741
*** Degree day weighted		
<u>Other NYMEX</u>		
	Close	Change
Crude	\$78.36	\$1.37
Natural Gas	\$4.8780	\$0.0300
Gasoline	\$2.0974	\$0.0340

**INVENTORY HIGHLIGHTS**

	2010	Change	2009	3-yr avg
Crude oil	361	+7.3	348	329
Gasoline	222	+0.1	213	210
Distillates	167	+0.9	163	140
PADD 1	68	+0.5	68	54
N. Eng	10.9	-0.2	11.6	10.2
Ref runs	91	-1	85	88

**PETROLEUM CHARTS**



