



Energy Brief

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Price Overview

Good buying interest was seen across the complex again today as somewhat surprising storage draws seen in the API report yesterday spurred overnight buying interest, and confirmation in this morning's DOE numbers propelled values further. Continued signs of compliance with OPEC output cuts as well as indications that the Saudi's are looking to extend the agreement offered additional positive tones, along with supportive headlines out of Venezuela as extended power outages create concerns about their already slashed output.



The DOE report indicated a draw in crude oil stocks of 3.9 mb, which was in stark contrast to expectations for a 3.1 mb build. Gasoline was also skewed from estimates with a 4.6 mb decrease compared to the 2.5 draw expected. Distillates on the other hand showed a minor stock build of .4 mb when a 1.5 mb draw had been estimated, as heating oil was the price laggard of the complex following the release.

Our resistance at the 57.50 level was violated today as the April put in an intraday high at 58.48. We maintain our expectation for the market to contract as ongoing doubts over demand combine with an expansion in production levels from the US, Brazil, and Iraq. The expansion in production levels will keep demand for OPEC oil limited and necessitate continued output constraint, which could be problematic if supplies from Iran or Venezuela eventually increase.

Near term we see a retrenchment to the 53.00 area as possible given the rising concern over global economic prospects and the optimistic outlook for US production in the coming year.

Natural Gas

Despite a somewhat negative direction to demand forecasts, the market staged a minor recovery ahead of the EIA release tomorrow. The short covering was likely a sign that some players decided to be on the sidelines for the expected record draw to avoid the risk of an upside surprise. The estimated 198 bcf decrease would be well above average for this time



of year and with a gap on the April chart from 2.841 to 2.856, it would not be surprising to see a run at that level if the draw comes in larger than expected.

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