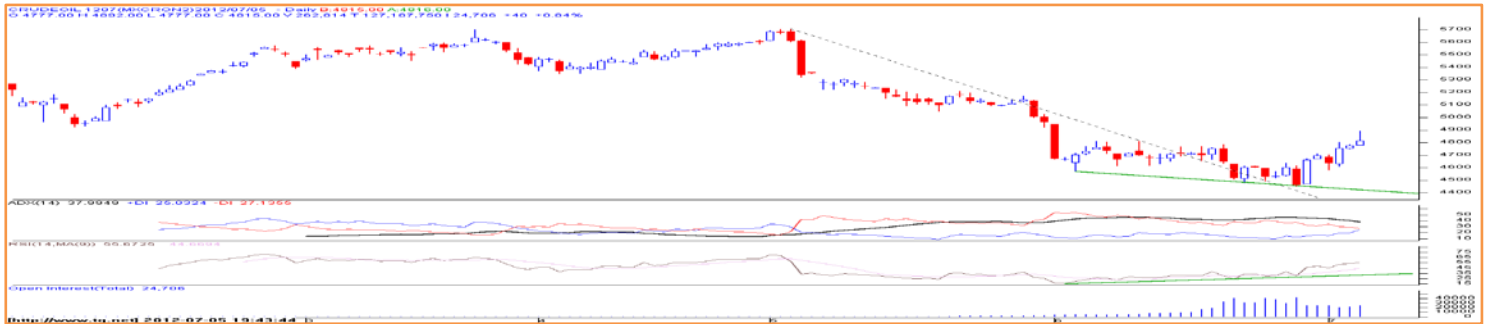


# Crude Oil: Oiled In a Crude Trend

## Technical



A sharp 30% correction in crude prices in a span of 4 months may have been in line with the gloomy picture of global economy but the bear rally surprised the not-so-updated common investors & traders by its impulsive nature. However, a record single day rise on 29<sup>th</sup> June brought back the hopes for a better third quarter but a potential reversal is still under question and one should be prepared for more surprises which can be seen reflected in a falling open interest besides these 2 days' rise. On technical charts, we may term the fall in June as the last leg of the bear rally at least after looking at the 2-4 trend line breakout coupled with a strong white candlestick & a RSI positive divergence in place.

## Fundamental

On fundamentals' front, things are still challenging. Talking of macroeconomics, slowdown in US & China's manufacturing activities and uncertainty in Europe along with India's credit worthiness concerns have slowed down the demand worldwide. In US, oil inventories are way ahead of their 5 year range. According to EIA data, on 22/06/2012 there were 387,166 million barrels in US storage facilities as compared with 338,942 million barrels on 27<sup>th</sup> January this year. Thus, an inventory buildup of around 13% was seen in less than 6 months despite an 8% increase in refinery utilization and this condition could be worse in August-September which is the slowest part of the year in terms of fuel usage & gasoline demand.

## Recommendation

For short term traders, **buy is recommended in MCX August contract on dips to 4785-4760 with stop below 4650 for targets around 4970-5100.**

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