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MF Global Daily Report

COMMODITIES | ENERGIES

EIA Inventory Preview

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ANALYSIS

EIA Oil Inventory Preview

The EIA oil data will be released on Thursday at 11:00 EDT due to the Memorial Day holiday. Natural Gas stocks will be released at their normal time on Thursday.

The EIA is expected to report a decline in oil stocks of 1.0 MB this week, which is less than the 2.6 MB decline seen in the five year average. Oil stocks typically begin falling in the w/e May 21st which was last week. Last week's inventories actually grew 2.5 MB, however, which we expect to begin to unwind. Refinery utilization has recovered toward its five-year average, which should help draw down inventories this week. Opposing the draw from utilization gains will be increases in imports, which could rise again this week. Oil Movements reported that OPEC seaborne shipments improved from -150 kb/d to -110 kb/d during the survey week, and improved another 280 kb/d for deliveries scheduled for next week.

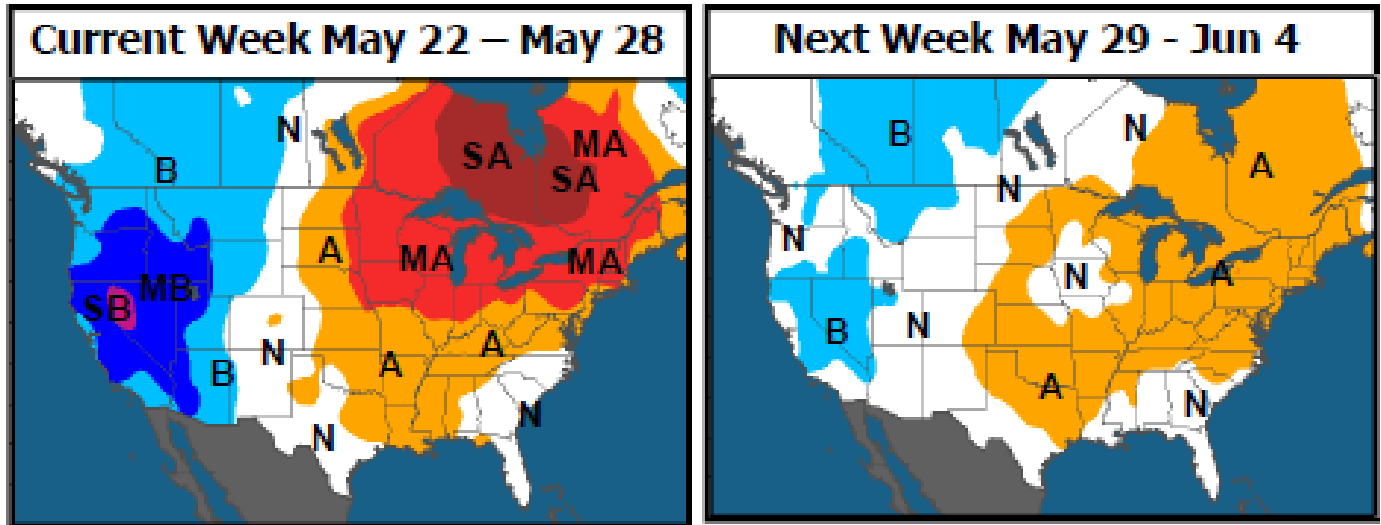
Product stocks should show gains this week, as demand for petrochemicals has outpaced that for transportation fuels. Gasoline stocks could gain 0.5 MB while distillates could increase 1.0 MB. Stocks of both gasoline and distillates typically increase beginning in mid-Apr, and the upward trend lasts until mid-Jul in gasoline and mid-Sep in distillates. This year isn't expected to be different. Countering our expectation for an increase in product stocks is the likelihood that refineries find reason to fully stock retail fuel stations in front of the U.S. Memorial Day holiday. AAA said that total travel would rise 5.4% y/y based on improved economic conditions, with auto travel up 5.4% and air travel up 2.4%. Another potential factor that could pressure inventories is the divergence with API statistics. The EIA's gasoline and distillate series are currently 3.5 MB and 4.4 MB above those of the API, meaning that either the API has to rise or the EIA has to fall. A decline of that magnitude in the EIA would be expected to offer a bullish impact on prices, while the potential for an increase in API's statistics will make those numbers equally important.

Natural gas stocks are expected to show a build of 87 bcf this week, which would represent a decline from last week's 104 bcf increase. Last week's build will likely remain as the highest build of the year, as the seasonal pattern shows declines in the rate of increase into the height of the summer cooling season. Our prediction is based on a cooling degree day forecast of 44.1, which is 13.3 degrees above the 30.8 ten-year normal. Temperature maps show generally above to much above-normal temperatures covering the eastern half of the country. Temps moderate slightly next week, with the eastern half of the country covered by either normal or above-normal temps. The early CDD forecast is 49.0 compared to a ten-year normal of 38.1. The implication on inventories is for an increase of 94 bcf compared to a five-year normal of 96 bcf.

EIA Inventories - w/e May 28th						API Inventories		
	Actual	Market Estimate	MFGR Estimate	Five-Year Average	Last Week	Converge with EIA	Actual	Previous
Crude Oil			-1.0 MB	-2.6 MB	+2.5 MB			+0.6 MB
Gasoline			+0.5 MB	-0.1 MB	-0.2 MB			-3.2 MB

Distillates			+1.0 MB	+1.1 MB	-0.3 MB			+1.5 MB
Utilization			+0.3%	+1.3%	87.8%			85.9%
Natural Gas			+91 bcf	+95 bcf	+104 bcf			

*The API convergence figures are the amounts that EIA data need to change in order to match the previous day's API figures



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