

August 26th, 2011

MF Global Daily Report

COMMODITIES | ENERGIES

EIA Inventory Preview

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ANALYSIS

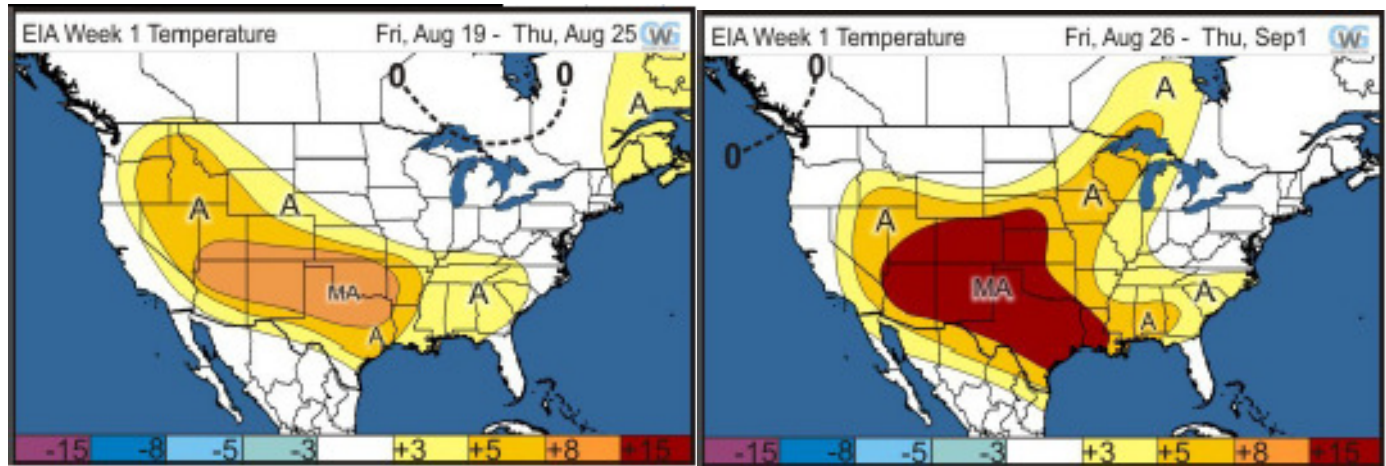
EIA Oil Inventory Preview

We anticipate the EIA reporting a small decline in oil inventories of 0.5 MB. The drop would be counter to the five-year average increase of 0.6 MB but may take place as refiners process more oil. Inventories typically move in a sideways-to-higher direction in late-August before falling sharply in September as refinery maintenance increases. While more SPR oil could be stored and raise inventories, pressure will come from imports which typically fall at this time of year. Imports fell a sharp 477 kb/d last week, but given that they were still relatively high at around 8.8 mb/d, any recovery this week should be fairly small. API oil inventories are 4.7 MB below the EIA and will offer additional pressure this week. Refinery utilization increased 1.2% last week to tie the highest level of the year. We would normally feel comfortable forecasting a small increase this week as a minor surge usually takes place in the last two weeks of August. However, we're a bit uncertain over the eight refineries in the Northeast U.S. that may be affected by Hurricane Irene. Most said that their operations would be unaffected, however, we're still a bit cautious and look for a 0.2% decline in utilization. The facilities have capacity of 1.3 mb/d or about 7% of U.S. capacity. A bigger problem will be in distribution of crude oil into and products out of these refineries as it is mainly done by barge. If refineries continue producing but can't receive fresh supplies of crude, it could depress crude and boost product inventories. By the same token, reductions in gasoline imports to the area could depress inventories. We look for builds of 1.0 MB in gasoline and 0.5 MB in distillates.

Natural gas inventories are expected to increase 61 bcf this week and compares to a gain in the five-year average of 62 bcf. Temperatures during the survey week were near normal in the northern half of the country but above-normal in the southern half. Our CDD forecast is 77.1 which compares to 69.5 last week and 67.2 in the ten-year average. Rather than forecasting a build much less than average as a result of the higher CDD forecast, we biased our prediction upward due to higher production and lower consumption witnessed generally this year. Looking to next week, temperatures warm up slightly compared to normal but normal temperatures also begin declining at this time of year. The CDD forecast is nearly unchanged at 77.3 which would cause our forecast to also be unchanged at +61 bcf. The 10-year normal CDD is 60.5 and the five-year average build is 65 bcf.

EIA Inventories - w/e August 26th						API Inventories		
	Actual	Market Estimate	MFGR Estimate	Five-Year Average	Last Week	Converge with EIA	Actual	Previous
Crude Oil			-0.5 MB	+0.6 MB	-2.2 MB			-3.3 MB
Gasoline			+1.0 MB	-0.8 MB	+1.4 MB			+6.4 MB
Distillates			+0.5 MB	+1.0 MB	+1.7 MB			+2.0 MB
Utilization			-0.2%	-0.4%	90.3%			89.0%
Natural Gas			+61 bcf	+62 bcf	+73 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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