

September 9th, 2011

MF Global Daily Report

COMMODITIES | ENERGIES

EIA Inventory Preview

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ANALYSIS

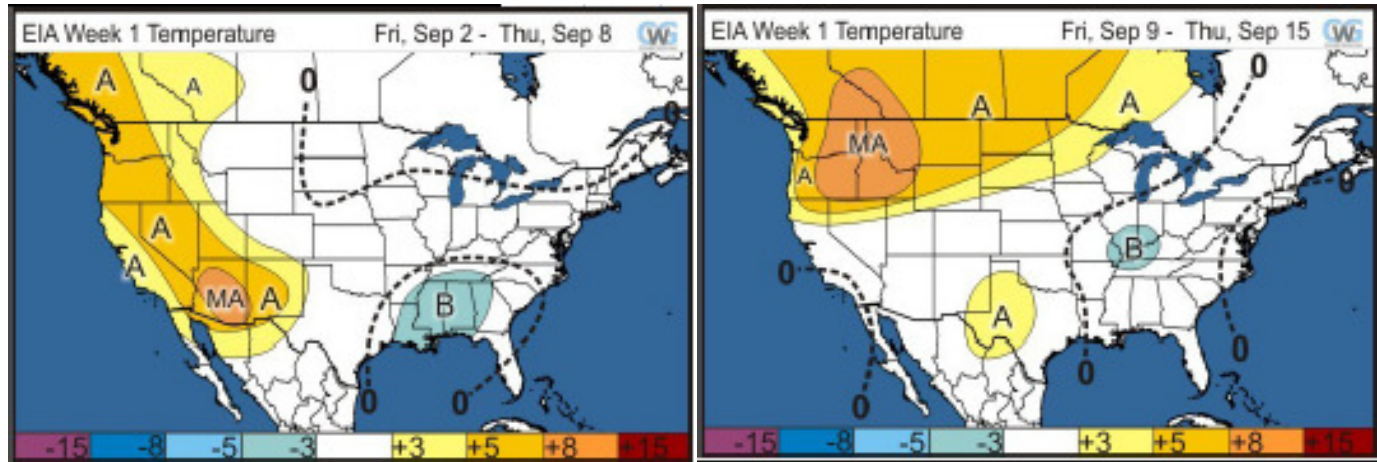
EIA Oil Inventory Preview

Oil inventories are anticipated to fall by only 1.0 MB this week, as a rebound in imports on the East Coast will counter a fall in imports from the Gulf of Mexico. The five-year average shows that a 4.7 MB withdrawal is normal this week, and is followed by a 4.1 MB decline next week before inventories begin growing again. Imports on the East Coast fell 769 kb/d last week due to Hurricane Irene while they increased 73 kb/d in the Gulf Coast. Tropical Storm Lee was upgraded to a storm on Sep 3rd and made landfall on Sep 4th. There was 61.4% of GoM production that was shut down, or 858,935 b/d, and shipping was affected as well. Tropical Storm Nate is currently ongoing and not expected to hurt U.S. GoM output but could impact offshore activities in Mexico and eventually Gulf Coast imports. Refinery production will hold the key to product inventories after last week's demand numbers showed the beginning stages of seasonal declines. Production fell 423 kb/d in gasoline and 160 kb/d in distillates and is likely to rebound this week. Higher production and weaker demand should help inventories rebound 1.0 MB this week in both gasoline and distillates.

Natural gas inventories are anticipated to build 97 bcf this week as temps in pop-weighted cooling areas returned to normal or even slightly below-normal levels. Our CDD forecast is 50.6 which compares to a 10-year normal of 52.5. Our model projects a build of 92 bcf but has under-predicted actual builds this summer by around 5-10 bcf in due to higher production and lower consumption levels. Next week's weather is fairly similar with a pop-weighted CDD at 43.5 vs. 44.5 normal. Such a development would lead to a build in natural gas stocks of around 100 bcf and compare to a five-year average of 73 bcf.

EIA Inventories - w/e September 9th						API Inventories		
	Actual	Market Estimate	MFGR Estimate	Five-Year Average	Last Week	Converge with EIA	Actual	Previous
Crude Oil			-1.0 MB	-4.7 MB	-4.0 MB			-3.0 MB
Gasoline			+1.0 MB	-1.0 MB	+0.2 MB			-0.9 MB
Distillates			+1.0 MB	+1.4 MB	-0.7 MB			+4.0 MB
Utilization			Unch	-2.3%	89.0%			85.7%
Natural Gas			+97 bcf	+80 bcf	+64 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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