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Sent: Sunday, February 8, 2015 10:55 PM
To: 'jeevacation@gmail.com'
Cc: Vahe Stepanian; [REDACTED]
Subject: Fw: EOD Commodities Note - 6 Feb

Classification: Public

See below. Implied vols went down on Friday and index was up 1.11% to 228.63 from 226.13. You entered at 255.8709.

From: Prateek Jain
Sent: Friday, February 06, 2015 04:15 PM
Subject: EOD Commodities Note - 6 Feb

OIL

The bullish price action continued today, with both crudes up well over 2%. It was interesting as for the first time over the past few trading sessions, crude completely decoupled from the USD. The USD rallied hard after the payroll data, but crude continued its rally. I take this to be a sign that the macro community is cutting its losses and getting out of the crude short. BRE almost hit 60\$ today, which in my mind is probably the resistance level in the short term; a close above 60\$ would probably signal that the lows are in for good in the medium term from a technical perspective. As I have said before the marginal seller which took us from the 60s to the 40s has been the non oil specialist macro. As they stopout, we basically are coming full circle. Newswise, Baker Hughes oil rig counts dropped again by 82, 79 of which were horizontal! This is significant as horizontal rigs produce the most output. The Big 3 plays lost 58, most of which were horizontal. Interestingly, Baker Hughes said that worldwide rigs were down 8% in January yoy. Most of this can be attributed to US/Canada but it is interesting that there are some cutbacks in other regions as well (as these might be more permanent given that non shale/unconventional plays do not have a quick turnaround time). Across the pond, the North Sea was again Bid and forties diffs are the strongest of the past 3 weeks. Med crude and Urals were also strong. Even more interesting, BRE/Dubai is weakening, making it more economic to ship crude east from the Atlantic Basin to Asia. In the US, USG diffs eased a bit today after the recent rally. An interesting piece of news I saw is that many oil companies operating in Kurdistan have ceased exports as the KRG has been unable to pay them their export payments (presumably because the KRG itself is short cash as Baghdad has not sent it cash it owes it from SOMO exports from the north). Such companies include Gulf Keystone Petroleum, MOL, and DNO. Thus, the risk of northern Iraqi exports disappointing is increasing. Another interesting piece of news was that January OPEC production was seen down 90kbd to 29.94M bpd in a Platts survey.

Oil Vols

| | WTI (/change) | BRE (/change) |
|-----|---------------|---------------|
| H15 | 59.00% -6.00% | 45.20% -8.50% |
| M15 | 51.30% -1.60% | 47.25% -1.25% |
| Z15 | 38.80% -0.10% | 36.40% -0.60% |
| Z16 | 29.30% +0.30% | 29.05% +0.05% |

Regards,

Prateek

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