

Oil market

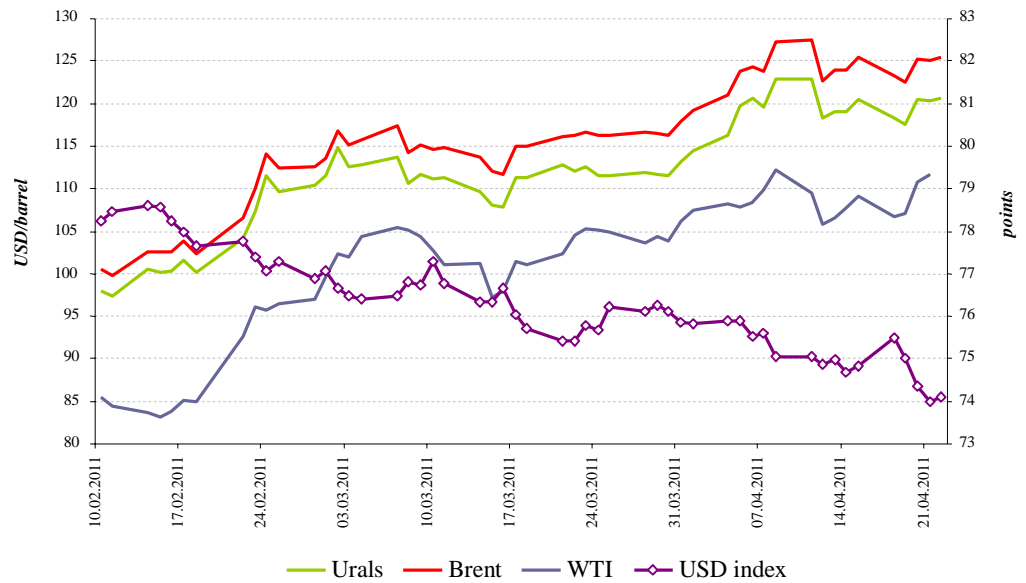
Current state of the oil market

In the course of the oil market monitoring conducted within the period from February 21, 2011 to April 22, 2011, the price for oil exceeded the rate of \$120 per barrel, which was the maximum price during the last two years (from September 2008).

Change in the average prices for oil:

On average within the reporting period	Urals		Brent		WTI	
	prices, USD / barrel	change, % compared to the prev. period	prices, USD / barrel	change, % compared to the prev. period	prices, USD / barrel	change, % compared to the prev. period
01.01.2011-18.02.2011	95,9	-	98,9	-	87,9	-
21.02.2011-22.04.2011	114,1	119,0	118,0	119,4	104,0	118,4

Source: Reuters



For the first time after the crisis, oil overcomes an important resistance level of \$100 per barrel in the mid of February 2011. That time the raw products market was strongly influenced by the events in Egypt; after resignation of the President of Egypt, the situation in market was stabilized for some time, however, soon the prices for raw products considerably increased due to disorders in Libya. At the beginning of April 2011, the price for oil exceeded \$120 per barrel.

Libya produces about 2.3 percent of oil, consumed in the world; moreover, it is one of the largest oil-producing countries in Africa (37.3 percent of proved oil resources of the African continent).

Another factor, which provided oil prices increase (also affecting the commodity market – nominated in USD), included the USD index weakening against increase in the interest rate of the European Central Bank as well as the problems of budgetary consolidation in the USA and decrease in forecast for the US sovereign credit rating. Increase in the interest rate of the European Central Bank (by 0.25 percentage point up to 1.25 percent) made EURO even more attractive currency for investors. In the United States of America, increase in the rates, which has been historically low (0-0.25 percent), is not expected: the Federal Reserve System continues the program of quantitative expansion of monetary supply, stimulating recovery of the American economy growth. However, rapid increase in oil prices may reduce economic growth rates in the

United States of America.

News background still promotes growth of oil quotes:

1. Participation of the NATO countries on the side of rebels may cause a long-term military confrontation in Libya; so, the country will not be able to restore stable oil extraction and oil export in the nearest future;
2. Growth of prices for oil futures also provides expectation for increase in oil and derivative energy products demand in Japan. Market participants hardened to the view that in Japan would need more oil and oil products the nearest future for recovery of its economy in order to generate sufficient amount of electric energy due to available heat power plants, while its atomic power plants cannot operate with full power.

From the technical point of view, tendencies in the oil market are as follows:

1. Spread between the European oil brand “Brent” and American oil brand “WTI” remains “non-traditional¹”; oil prices in the USA fall behind oil prices in Europe by more than \$14. According to the market analysts, the main reasons, stipulating the current situation, include large reserves of oil and oil products in the United States of America and harsh US legislation, which limits speculations in commodity and financial markets.
2. Time structure of “Brent” brand oil futures in the nearest 10 months describes descending trend, i.e. market participants expect decrease in prices for oil of the brand “Brent” in future. The structure of WTI oil futures for the nearest 10 months demonstrates ascending trend, which is traditional for the oil market and testifies about moderate speculative component in the market.

Forecasts for short- and mid-term prospects

According to opinion of the oil market analysts, if the military operation in Libya goes on, then the oil prices will remain in the range of \$120-125 per barrel. Increasing tensions in the “oil-and-gas” region (Arabia) also have influence on this situation. End of the Libyan war may quickly reduce prices by 10-13 percent.

In general, the current level of oil prices is the result of activity of speculators, who try to get profit from continuous war in Libya, unpredictable situation in Arabia and consequences of natural disaster in Japan. Herewith, considering the fact that there are no fundamental reasons for oil prices growth, the “bubble” formed in the oil market is very fragile.

OPEC

Expecting the deficit of raw products in the world market due to instability situation in Libya, the International Energy Agency asked the OPEC countries to increase the oil production volume. As a result, Saudi Arabia increased oil production by 8.4 percent up to 700 thousand barrels per day (according to the Information Agency “RBC”).

At the end of March, the OPEC countries cancelled the special session on consideration of the situation in Libya, motivating this decision by the statement that the situation in the oil market was generally stabilized. Libyan rebels, who took the control over the oil-loading terminal and the petroleum processing plant in the cities Ras-Lanuf and Marsa-el-Brega, concluded the first contract for raw products supply with Qatar (according to the Information Agency “RBC”).

The Organization of Petroleum Exporting Countries forecasts further increase in demand and prices for oil until the end of 2011 (according to information, provided by the Information Agency “RBC” with the reference to the statement of Iran representative, who presiding in OPEC by now). In accordance with the available evaluations, in 2011 the increase in oil demand

¹ “WTI” brand oil is more high-quality and easier in processing in comparison with “Brent” brand oil, so traditionally the “Brent” brand oil is more expensive by \$1-3.

will constitute 1.3-1.6 million barrel per day.

USA

World prices for oil went down on Monday (April 18, 2011) against bargain sales, caused by the statement about decrease in the forecast for the US sovereign credit rating (according to the Information Agency “RBC”). The International Rating Agency «Standard & Poor's» decreased the forecast for the US sovereign credit rating from “stable” to “negative”, pointing at absence of political consensus in the USA with regard to the program of budgetary consolidation. The rating itself remained unchanged at the highest level – AAA.

According to the report of the US Department of Energy, within the week from April 9 to April 15, 2011, the volumes of the US oil and oil products reserves and import were characterized by the following changes:

(million barrels)

№		Reserves			Crude oil import (million barrels per day)
		Crude oil	Gasoline	Heavy distillates (fuel oil, diesel fuel)	
1	Increase(+) Decrease(-)	-2,3	-1,6	-2,5	-0,5
2	Total:	357,0	208,1	148,3	8,0

Source: Information Agency “RBC”

According to the Information Agency “RBC” (with reference to the Information Agency “Associated Press”), special agency for control over oil prices will be created in the United States of America. The newly created agency will detect and suppress the cases of financial frauds on the oil market, in particular, concentrating on the research of speculators’ role with regard to increase in oil prices.

Russia

Minister of Finance of the Russian Federation forecasts the oil price of \$150-200 per barrel. However, such level will remain for short while and oil prices will get back to the level of \$100 per barrel (according to the Information Agency “RBC”). Minister of Finance of the Russian Federation stated that the growth of oil quotes will be of speculative and short-term character, making reference to opinion of analysts.

Kyrgyzstan

Prices and data on changes in retail prices for gasoline and diesel fuel as of April 20, 2011 compared to the prices as of March 16, 2011 :

№	Cities	A-80		AI-93		Diesel fuel	
		price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)	price, KGS	change, in % (+/-)
1	Bishkek	30,0	-0,7	31,2	0,0	32,8	0,0
2	Osh	33,0	-3,5	35,0	-2,8	38,0	+5,6
3	Jalalabat	33,0	0,0	35,0	0,0	40,0	+15,9
4	Karakol	32,5	+7,3	34,8	+11,5	35,6	+1,7
5	Naryn	31,8	+4,3	32,5	+2,2	32,0	+2,2
6	Talas	30,0	+0,7	31,5	0,0	32,5	+1,6
7	Tokmok	30,3	+2,7	31,2	+1,3	34,0	+6,9
8	Batken	33,8	-2,3	35,8	-0,8	37,9	+6,2
9	Average value in the Republic	31,8	+0,9	33,4	+1,3	35,4	+5,1

Source: The State Agency on Antitrust Regulation under the Government of the Kyrgyz Republic.

Within the framework of intergovernmental negotiations between Kyrgyzstan and Russia, arranged on March 18, 2011, the parties agreed about continuation of exempt from duties supply of light oil products to Kyrgyzstan (according to the Information Agency “AKI-press”).

According to the Minister of Foreign Affairs of the Kyrgyz Republic, it is planned to sign the agreement on supply of fuels and lubricants to the Kyrgyz Republic for the purpose of such products re-export to third countries; this statement was made during the press-conference, devoted to the results of intergovernmental meeting (according to the Information Agency “24.kg”).

The Fund of State Material Reserve plans to provide the farmers of Kyrgyzstan with 7.5 thousand tons of the Russian diesel fuel at the price of 25 soms per liter (according to the Information Agency “24.kg” with reference to the statement of the Vice Director of the Fund). According to his words, fuel-and-lubricants will be distributed between farmers from all oblasts of the Kyrgyz Republic. Diesel fuel will be distributed by petroleum-storage depots in the cities of Balykchy, Kant and Osh. Also, the fuel will be provided on the basis on special coupons in gasoline service station “Gazprom neft Asia”.

According to information, provided by the Ministry of Agriculture of the Kyrgyz Republic, 40.0 thousand tons of diesel fuel is required for arrangement of spring field operations.

The review was prepared based on the data of the State Agency on Antitrust Regulation under the Government of the Kyrgyz Republic, Information Agency “24.kg”, Information Agency “AKI-press”, Information Agency “Reuters”, Information Agency “RBC”, Information Agency “Associated Press”.

Annex 1:

Chart 9: Urals 01.01.2009 – 22.04.2011

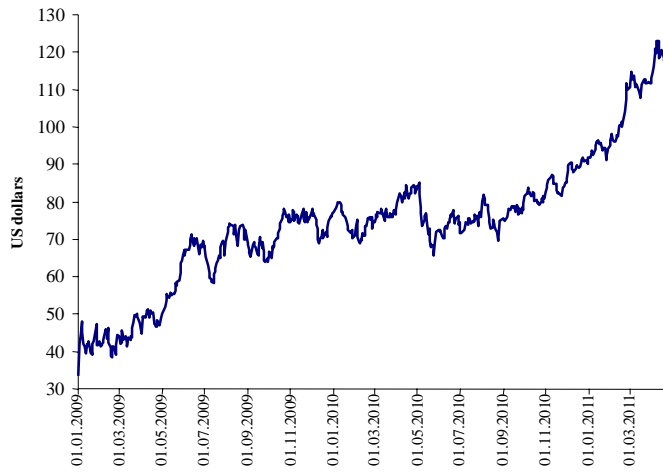


Chart 10: Urals 17.02.2011 – 22.04.2011

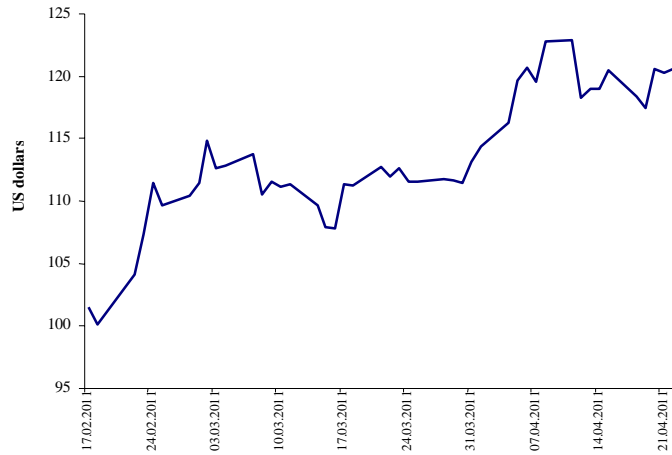


Chart 11: Brent 01.01.2009 – 22.04.2011

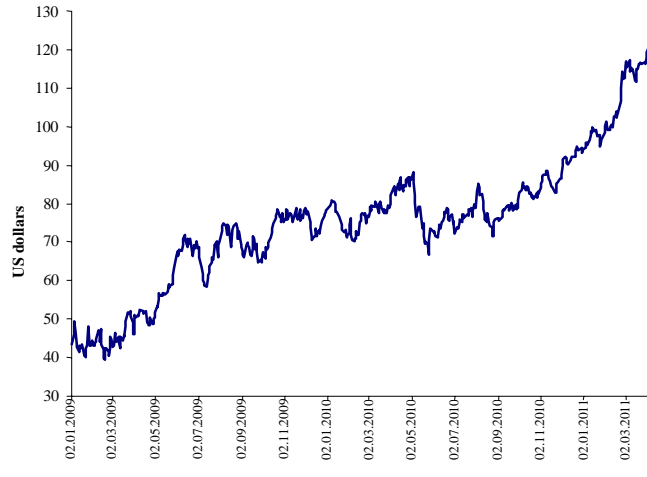


Chart 12: Brent 17.02.2011 – 22.04.2011

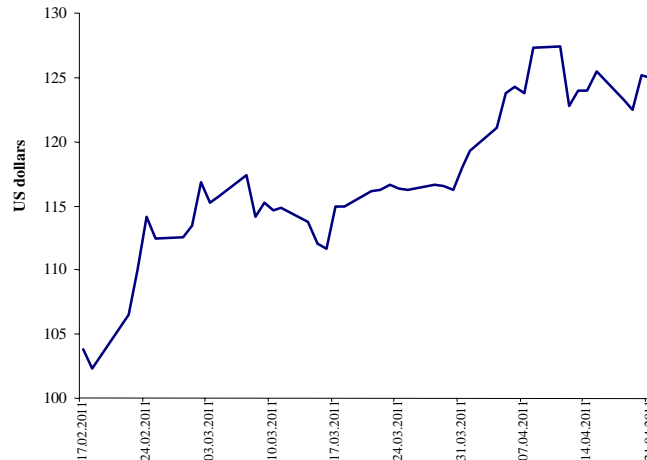


Chart 13: WTI 01.01.2009 – 22.04.2011

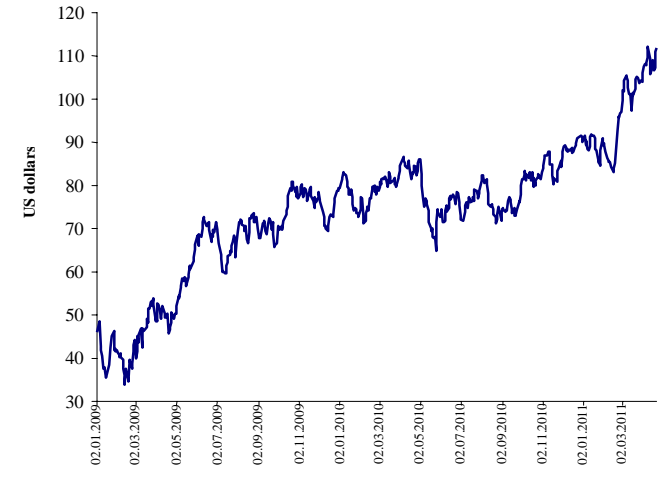


Chart 14: WTI 17.02.2011 – 22.04.2011

