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Management Institute

# Register Today!

See Registration Form Inside for Details

# Oil Market Pricing Interrelationships

October 20-21, 2010 • Sheraton Lincoln Harbor • New York City Area

*Understand oil market pricing interrelationships and position yourself to operate profitably in the international oil complex.*





# Oil Market Pricing Interrelationships

October 20-21, 2010 – Sheraton Lincoln Harbor – NYC/NJ Area

*Oil prices have been in a major price recovery since early 2009 even though the fundamentals are once again biased toward the bearish side and the global economy is poised to enter a period of slow growth. Why is this happening and is this the so called new normal? Many factors are driving the price of oil to its current levels...including the value of equities and direction of the major currency markets and it all comes down to the myriad of the various non-oil and oil inter-market relationships that continue to impact the sentiment of the trading and hedging sectors and ultimately the price of oil. We will sort out the important relationships that you will need to navigate through the volatile waters called the international oil complex as we enter the next phase of the global economic recovery.*

*If you are in the oil industry or even thinking about being in this dynamic industry you need to register for this course to understand and grasp all of the tools needed to survive. Irrespective of the infrastructure level you are working in, it is certain that both internal and external relationships will play a major part in your everyday thinking and decision making. Register for our dynamic course to be competitive with your peers both inside and outside of your company.*

## What You Will Learn

The oil industry is very complex and international, and, since the worst economic downturn since the Great Depression, it has become even more complex with many more drivers impacting price on a daily if not hourly basis. The various interrelationships drive every aspect of this complex, industry and every trading, purchasing and hedging decision. This course will delve into the detailed internal and external interrelationships from the wellhead to the final consumption points around the world. To understand the interrelationships is to position oneself to operate profitably in this highly volatile and dynamic industry.

This 2-day course will introduce you to all of the important interrelationships from the various macro and micro fundamentals to the intricacies of the various financial and economic indicators. The course approaches the price and direction of oil from many perspectives...supply, demand, inventories, value of the US dollar, global equities as well as various economic indicators.

It also approaches the oil market with a view of the main elements that not only impact price and volatility but how these elements are also part of the decision making tools needed to manage price, volatility and most importantly the margins of your particular business.

This course inter-twines the relationships of:

1. Market macro & micro fundamentals
2. Supply, demand and inventories
3. Global equity markets
4. Us dollar and its relationship to currencies from around the world
5. The impact of economic growth and contraction and how the various indicators provide guidance as to the direction of oil prices.
6. Techniques to put all of the above pieces together

## Course Times

8am - 4:00pm, October 20  
8am - 4:00pm, October 21

## Venue Location

### Sheraton Lincoln Harbor

500 Harbor Boulevard  
Weehawken, NJ 07086  
[www.sheraton.com/lincolnharbor](http://www.sheraton.com/lincolnharbor)

## Registration Fees

1st delegate: \$1,895  
2nd delegate: \$1,595  
3rd delegate: \$1,395

Fee includes full course, expert instruction, course materials, continental breakfast & lunch.

## 3 Easy Ways to Register

1 Call PMA Conference Management at 201.871.0474 or send email to: [register@pmaconference.com](mailto:register@pmaconference.com).

2 Complete & fax this form to 253.663.7224.

3 Complete & mail the form to: PMA Conference Management, POB 2303, Falls Church, VA 22042.



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## What You Will Learn (continued)

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Based on the above approach and you will be exposed to specific inter-market analysis for each and every step in the process of developing an oil price strategy. This will allow you to develop your own specific understanding of the many drivers of oil prices and how that information is suited to meet the objectives of your company.

Each of the individual sessions will include numerous real life examples from the perspective of each of the areas mentioned above. These examples will bring the theory into reality.

You will be able to understand the myriad of the normal or what some are calling the new normal of what is moving oil prices on a daily basis. Some of the areas we will focus on are:

- All about the economics of oil trading.
- Macro economics of worldwide energy complex. What is driving oil prices?
- The impact on price from the supply side.
- The impact on price from the demand side.
- The impact on price from the inventory side.
- How the micro fundamentals from around the globe impact price.
- How the non-economic drivers like shipping and transportation impact price.
- How the myriad of various economies both emerging and developed impact price.
- How various Central Bank strategies that are employed to manage the global economies impact on oil prices.
- The performance of oil prices under various economic cycles.
- The impact of oil prices from moves in the various global equity markets.
- How and why the US dollar impacts prices.
- What is the impact on prices if OPEC moves away from the US dollar as the currency for dealing in oil.
- How and why other commodities impact oil prices.
- Is oil the new inflation hedge?

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## Who Should Attend

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- Major Oil & Large Independent:
  - Refiners
  - Marketers
  - Supply and distribution personnel
  - Exchange personnel
  - Risk managers
  - Wholesale and commercial managers
  - Traders
- Wholesale/Marketing companies
- Jobbers/Diesel fuel distributors
- Every level of the trading community (physical & financial)
- Truck stop & retail chain operators:
  - Fuel purchaser
  - Hedgers
  - Marketers
- End-Users
  - Trucking companies
  - Barge and shipping companies
  - Commercial and private airline fleets
  - Government agencies – Federal – State- Municipal
  - Shipping companies
- Lenders to the oil industry
- Futures & OTC brokers
- Media companies
- Oil reporters
- Oil analysts

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## CPE Credits

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This course earns 12 CPE credits. EMI awards credit hours towards CPE and Certified Purchasing Manager status (CPM).



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## Course Syllabus - DAY ONE: MOSTLY FUNDAMENTAL DRIVERS

### Session 1: State of the State of the International Energy Complex – The Macro Stage

The session will delve into every aspect of this dynamic and evolving segment of the Global economies. Why are energy prices where they are? History will help understand the reason. What are the causes for high prices and what are simply symptoms? Why are Geopolitics and security of supply so important today and significantly less important just 10 years ago? What is the energy price model and what does that mean for the next few years? This session will delve into the major market drivers with a detailed description as to what to expect going forward. This session will identify all of the risks and resulting volatility and offer insights on how to establish risk parameters and identify market opportunities. It is a perfect lead into to all of the internal and external market drivers and how they interact with the energy complex that will be discussed over the next two days.

### Session 2: Oil Macro Fundamentals I – Supply Side

Yes the oil complex is impacted by many internal and external drivers. However, at some point in time it is the fundamentals that ultimately determine where and when prices reach a steady state. This session will begin with the supply side of the equation. When we talk about supply we not only must delve into OPEC, non-OPEC, peak oil and many other parameters but we also have to look closely at the main geopolitical issues that can result in unplanned interruptions in supply for unknown durations. This session will delve into every aspect of supply and under what conditions it results in both positive and negative impacts on oil prices as well as no impact. We will look at both structural and non-structural changes in supply in all of the main timeframes (short, medium and long term) and when we can expect a price reaction. The session will also highlight the main geopolitical hotbeds and how they could ultimately impact supply (and thus price) and under what circumstances.

### Session 3: Oil Macro Fundamentals II – Demand Side

The world is just now coming out of the most significant economic event since the Great Depression of 1929. For the first time in 20 years places like the US experienced a reduction in energy demand. How demand evolves has all to do with whether the global oil model is either a supply constrained model or a demand driven model? Either one has significant implications on the ultimate price of oil. This session will delve into what is impacting global demand and when we can expect the world to shift back to a demand driven model. So far the current decade has seen over 70% of the growth in oil demand coming from the developing world...there is every reason to expect this trend to continue as the global economies return to growth. What does that mean for short, medium and longer term prices? Demand is likely to be the main fundamental element that will have the single largest impact on oil prices over the medium to longer term. This session will equip you with the tools you will need to walk through this mine field.

### Session 4: Oil Macro Fundamentals III - Inventories

Demand minus supply generally results in oil and Nat Gas either moving into or out of inventory facilities around the world. OPEC views itself as the manager of the world's oil inventories. There are many factors that impact whether inventories will be at normal or abnormal levels including supply flow, demand growth, geopolitical and natural disaster interruptions in supply, the refining sector strategy and the shape of the forward curve among others. All of the interruptions in supply and unexpected surges in demand have been occurring for the last 40 or 50 year (and likely longer) and all have been solved by utilization of surplus capacity and most importantly commercial and strategic inventories. This session will discuss the details of the what, when and where of building both commercial and strategic inventories. Under what conditions will inventories grow or destock and what will be the implication to the price of oil. Inventories can be considered the insurance policy for the energy sector...how effective is this insurance policy (especially going forward) and what is the cost of the insurance? These are just some of the points this session will discuss in detail.

### Session 5: Oil Micro Fundamentals – A Walk around the Globe

The previous three sessions focused on the macro fundamental factors that interrelate with each other and ultimately result in a price reaction. This session will focus on each of the major geographies of the world and delve into the main or key micro fundamental factors that have implications on oil prices around the world. For example the weekly round of oil & Nat gas inventory reports in the US, the IEA, EIA and OPEC monthly global energy market assessments, the monthly import and demand figures from China, refinery run levels in key export refining sectors like Singapore, the Middle East, the Med. The monthly Brent and greater North Sea production schedule (number of cargoes available), the short term weather forecast in key heating fuel consumer regions...US East Coast and Northwest Europe, etc. These are just a few of the specific micro events we will detail and how to interpret each one insofar as its implication to local and global oil prices.

### Session 6: Oil and Non-Economy Supporting Drivers

This session is a continuation of the micro theme. We will look at how oil prices are impacted by the supply and demand of shipping availability and economics. With approximately 65% of all of the oil consumed on a daily basis moving around the world's waterways each day you can quickly see the implications that shipping has on price. Furthermore shipping becomes even more impacting on oil prices when we incorporate the activities around the millions of miles of pipelines around the world. This session will also delve into the recurring and ad hoc events around the world that have an impact on oil prices whether it be for a day or for months and months like what happened to both oil and Nat Gas prices after the twin hurricanes in the US.



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## Course Syllabus - DAY TWO: IT'S THE ECONOMIC DRIVERS

### Session 1: The Inter-relationship of the Macro Global Economy to Oil Price

What are the macro economic conditions that impact the price of oil? This session will set the stage in introducing the participants to all of the macro conditions one needs to follow to understand what will impact the market sentiment of the investor/traders and ultimately how their actions will impact price. This session will study the classical economic cycles of expansion and contraction and what happens to the energy complex during each of these cycles. How do the Central Banks around the world manage these classical cycles and where is the leadership role coming from? In the past it was clearly from the US Central Bank (the US Federal Reserve). However, as a result of the current economic downturn is there a new world order and if so what are the implications for the future insofar as how various key economies grow or not and what that all means for oil prices. Is the emerging market world decoupling itself from the developed nations of the West? If so what does that mean for oil demand and more importantly price? This session will introduce the participants to the macro economic conditions and how each of those key measures of the economy ultimately results in a price move.

### Session 2: Performance of Oil Prices under Various Economic Cycles

The previous session introduced all to the macro implications of the global economy now we will get into the detail impact to oil prices under the two main economic cycles of expansion and contraction and for each of the main consuming and producing regions of the world. The impact on oil prices is very different in the new Global economy as witnessed during 2009. The US and Europe were both in a massive economic downturn yet China and other emerging markets only experienced a very shallow and short contraction resulting in oil prices mounting a significant upside price recovery. Why did this happen? How should we interpret this occurrence...as part of the new world order or just an anomaly? This session will discuss how contraction and expansion means different things in different economies and thus different reactions to oil prices can be expected.

### Session 3: The Inter-relationship of the Global Equity Markets to Oil Prices

The world is certainly changing. It was not too many years ago when oil traders were primarily focused on what was going on in their regional markets in developing a flat price & spread trading strategy. That would certainly lead to a mediocre performance record if one continued to trade as one did in the 80's and 90's. Today we have several other markets that have significant implications on oil prices with the first one being the global equity market. Yes the equity markets are primarily a reflection how investors and traders view

### Session 3 Continued

the forward prospects of individual companies & industry sectors in markets around the world. But how does that impact oil prices? The simple answer is all of those companies operate in a myriad of countries or economies all around the world. How they perform or better put how the investor/traders perceive they will perform under various economic conditions ultimately results in their stock values either increasing or falling. As such the direction of equity prices are an extremely important and accurate surrogate for the direction of each of the economies of world. This session will tie that all into how it then impacts the price of oil both locally and globally.

### Session 4: The Inter-relationship of the Global Currency Markets to Oil Prices

Never since the historic Bretton Woods agreement signed in 1944 that established the International Monetary fund and the post-world War II international monetary system of fixed currency exchange rates has the currency markets had such a huge impact on individual economies as well as the price of oil and other commodities for that matter. This session will present the participants with all of the reasons why the direction of currency markets has significant implications on oil prices. We will start with a bit of history as it helps explain where and why currency markets trade as they do. We will detail the challenges for OPEC who sells their oil in what is quickly becoming one of the weak currencies of the world...the US dollar. Will the dollar continue to be viewed as the world's reserve currency or will it be the Euro or the IMF's Special Drawing Rights (SDR) as being pushed by the UN and countries like Russia and China. Will OPEC continue to sell their oil in US dollars or will more oil move in a basket of currencies as being done by both Iran and Venezuela. Will key Middle East countries like Saudi Arabia and Kuwait decouple their currencies from the US dollar? Which way will the US dollar go in the medium to longer term...what are its main drivers? These are just a few of the questions we will answer as we walk our way through the maze of global currencies and how they all in one form or another impact the price of oil.

**Day Two Continued on Next Page**



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## Course Syllabus - DAY TWO Continued

### Session 5: The Inter-relationship of Other Commodities and the Price of Oil

Gold, silver, copper, iron ore, coal, Nat gas, LNG, grains, soft's are just some of the major commodity classifications that exhibit a pricing relationship at least at times to the price of oil. The why, where and when will be the main questions we will detail for each class of commodities as well as for several individual commodities that all exhibit something other than a random relationship to the price of oil. Using historical pricing relationships (charts & data) as well as correlation and mean reversion analysis we will look at the most important interrelationships with the price of oil. We will identify which ones we will need to incorporate in our short term oil price analysis and others which would be categorized as more macro or stage setting relationships.

### Session 6: Let's Put All the Inter-relationships Together... the Roadmap

Now that we have studied all of the main relationships that impact the price of oil (both the internals and externals) which ones should we pay attention to and when for our short, medium and longer term analysis of the price of oil. This session will put all of the pieces together as we present what we like to call the oil price roadmap. The participants will quickly learn that the road map is far from being static rather it is very dynamic as the influence of the various inter-related markets introduced in this program change sometime on a daily basis. They all ultimately congeal into what many call the market sentiment of the oil market since it is the market sentiment that always results in action by the investor, traders and hedgers. We will present the roadmap in a form of a model that can be updated, analyzed and ultimately deployed in the process of building a degree of confidence as to the next directional move in oil prices. The model approach will elaborate on what will make the ranking and importance of the various inter-related markets change and under what conditions to watch for.





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## *Learn From the Experts that Experts Trust*

EMI experts are frequent editorial contributors to petroleum magazines & are trusted by today's leading news sources.

Our experts have been featured in:

Futures Magazine • The Wall Street Journal • USA Today • The New York Times • The Washington Post • Journal of Commerce • CNN • NBC • CBS • ABC • Bloomberg • Reuters

EMI's leading industry experts have an average of over 30 years of knowledge and experience in:

**Energy • Commodity trading • Risk management  
• Education • Consulting • Financial services**

Plus many years of managing marketing, international trading, manufacturing, consulting, start-up operations and project finance operations of well-known companies; integrated major oil companies as well as international trading companies.

EMI's industry experts have also provided risk and value management analysis, advice, information, and services to a variety of companies in the electric power industry. Clients have included power marketers, integrated utilities, retail power providers, hedge funds, and power plants.

**Highlights of our instructors' experience** include: • Developing a suite of models for a variety of power markets that quantify value and risk • Managing spark spread portfolios for hedge funds in the power markets • Operating in futures trading pits as a market observer in the power markets • Developing working papers for investigations and performing compliance audits in the power industry • Helping Texaco initiate its first use of futures exchanges as an integral part of hedging/trading strategy • Chief Operating Officer of Triwell Marketing and refining • Director of OPIS, Oil Price Information Service, a management-consulting and educational services group that solely focused on the downstream energy industry • Member of Board of Directors of Longview Refinery • Member of the New York Mercantile Exchange Petroleum Advisory Board • Expert witness for a hearing before the subcommittee on surface transportation for the Commerce, Science, and Transportation Committee of the US Senate • Supplied expert testimony to a US Senate sub-committee hearing on diesel petroleum product pricing • Supplied testimony to the Federal Highway Administration regarding fuel tax evasion • Expert witness in a MTBE litigation against the major oil companies • Publishers of The Daily Hedger, BTU's Daily Gas Wire and BTU's Daily Power Report, which advise thousands of petroleum professionals daily.

Our instructors are frequent expert speakers for numerous petroleum industry events and trade associations including: • DOE DESC World Energy Conference • OPIS Fleet Fueling • NYMEX • Fuel Management University • NATSO • ATA • AAA • Dairy Distribution • eyeforEnergy eCommerce • OPIS Supply Summit • CIOMA • American Society of Mechanical Engineers • American Society of Lubricating Engineers • Ambrust Aviation • NACHA.

Over the years EMI has developed a series of intensive courses covering all aspects of Energy from production all the way to managing the impact price and volatility on the margin of end-users, resellers, traders, marketers, shippers, retailers and refiners. Our instructors have had the privilege to instruct thousands of professionals representing all aspects of the energy industry, including every major oil company (i.e. Exxon Mobil, BP, Shell, Equilon, Motiva) major power utilities (i.e. Sempra, Edison Mission, Berkley, Toronto Hydro, Dominion, Conectiv) small marketers (i.e. Sprague, Getty, Southern Counties, Western Petroleum) trucking fleets from 50 to 10,000 (i.e. UPS, U.S. Postal Service, Yellow, Pepsi, Werner), gasoline-powered fleets hyper-markets (i.e. The Pantry, Wawa, BJs Wholesale) and many fortune 500 energy consumers.



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## REGISTRATION FORM

### Registration Fees

\$1,895 for full program

This fee includes expert instruction, course materials and lunch.

### Discount for Additional Attendees

2nd delegate: \$1,595

3rd delegate: \$1,395

### Enrollment Information (Please Print Clearly)

First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email Address: \_\_\_\_\_

### Payment Method

Please invoice my company (payment must be received prior to course date)

Mastercard     Visa     American Express

Card Number: \_\_\_\_\_ Expiration Date:    /    /

Card Holder Name: \_\_\_\_\_

Card Holder Signature: \_\_\_\_\_

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**1** Call PMA Conference Management at 201.871.0474 or send email to: register@pmaconference.com.

**2** Complete & fax this form to 253.663.7224.

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### Venue Location

**Sheraton Lincoln Harbor**  
500 Harbor Boulevard  
Weehawken, NJ 07086  
www.sheraton.com/lincolnharbor

### Refund/Cancellation Policy

Registration fee is 100% refundable with 14 days cancellation notice. 80% refundable with 5 days cancellation notice.

Cancellations are non-refundable day of or after the event.