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Crude Prices Jump After Inventory Data

Published July 29, 2015 | Reuters

Oil prices jumped about 2 percent on Wednesday, springing from near six-month lows, after U.S. government data showed a surprisingly large crude stockpile draw that signaled the market may have been wrong in predicting slumping demand for energy.

Crude futures have lost over $10 a barrel since early June on fears that peak summer demand for gasoline in the United States was not enough to offset a growing global glut in oil supply. A resurgent dollar weighing on commodities and a stock market tumble in No.1 energy consumer China also contributed to the decline.

However, latest data from the U.S. Energy Information Administration showing a 4.2 million-barrel draw in crude stockpiles last week, more than twenty times analysts' expectations for a decrease of 184,000 barrels, indicated demand for energy may have been stronger than some thought.

The draw diverged sharply from the prior week's inventory build, which had taken stockpiles to above a five-year seasonal average.

The EIA also reported that averaging 9.51 million barrels per day (bpd) over the past four weeks, U.S. gasoline demand was up 6.2 percent from the year-ago period.

"Although just one data point, the latest weekly data may have been enough to provide some support in the face of major headwinds for oil prices," said Chris Jarvis, analyst at Caprock Risk Management in Frederick, Maryland.

Brent crude futures were up 42 cents, or 0.8 percent, at $53.72 barrel by 12:20 a.m. EDT (1551 GMT), after rising more than $1, or nearly 2 percent, earlier.

U.S. crude futures were up $1.05, or 2.2 percent, at $49.03. The session high was $49.52.

U.S. crude's discount to Brent <CL-LCO1=R> was at its narrowest in three weeks, a sign of its better fundamentals after the EIA data.

The rebound was not as great as the selloff in oil over the past few sessions that pulled prices to near six-month lows. Brent traded at an early February low of $52.28. U.S. crude fell to $46.68 in the previous session, the lowest since March.

"It's all a matter of expectations," said David Thompson, executive vice-president at Powerhouse, an energy-specialized commodities broker in Washington. "Given the vast majority of bearish pronouncements on crude over the past few weeks, any sort of draw was likely to elicit a response like this."

A mounting global surplus of oil has stripped about 8 percent off crude futures so far this year. Notwithstanding the weekly U.S. stock draw, the build in global inventory is showing few signs of reversing.

A Reuters survey on Tuesday showed members of the Organization of the Petroleum Exporting Countries produced around 3 million bpd of oil more than daily demand in the second quarter.

The U.S. Federal Reserve will issue a policy statement later on Wednesday, but market expectations for a September rate hike were fading, leaving the dollar flat. (Additional reporting by Amanda Cooper in London; Editing by Dale Hudson and Marguerita Choy)

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