

Oil Falls From Seven-Week High on Forecast for Inventory Gain

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Oil fell from a seven-week high in New York on concern that demand from refiners will fall as they shut plants for maintenance works prior to the northern hemisphere winter.

Oil pared yesterday's 2.1 percent gain before an Energy Department report that may show U.S. crude-oil inventories climbed 1 million barrels last week, according to the median of 11 analyst responses in a Bloomberg News survey.

"A lot of refineries will close from the middle of October to November for maintenance, so typically crude stocks will build," said Clarence Chu, a trader with options dealers Hudson Capital Energy in Singapore. "I don't see any reason why crude oil should rally past \$75, which is the upper bound for prices in the past few months."

Crude oil for November delivery dropped as much as 44 cents, or 0.6 percent, to \$72.83 a barrel, in electronic trading on the New York Mercantile Exchange, and traded at \$73.03 at 1:29 p.m. Singapore time. Yesterday, the contract rose \$1.50 to \$73.27, the highest settlement since Aug. 24. Prices are up 64 percent this year.

U.S. refiners often idle units for repairs and upgrades in October as gasoline demand drops and before heating-oil use rises. Crude-oil imports fell 4.6 percent to 9.1 million barrels a day in the week ended Oct. 2.

"When you look at the supply backdrop, it is pretty large in the U.S.," said Mark Pervan, a senior commodity strategist at ANZ Banking Group Ltd. in Melbourne. "U.S. inventory data, for me, is probably going to be weak" this week, he said.

Fuel Supplies

Supplies of distillate fuel, a category that includes heating oil and diesel, declined 200,000 barrels from 171.8 million the prior week, according to the survey. Stockpiles in the week ended Oct. 2 were at the highest level since January 1983. Six of the respondents predicted a decline and five said there was a gain.

"For heating oil, right now we're oversupplied," said Hudson Capital's Chu.

Gasoline stockpiles probably rose 1.5 million barrels, the survey showed. The Energy Department is scheduled to release its weekly report on Oct. 15 at 11 a.m. in Washington, a day later than usual because of the Columbus Day holiday.

The MSCI Asia Pacific Index rose 0.7 percent to 119.34 at 1:48 p.m. in Tokyo, set to close at the highest level since Sept. 8, 2008. The measure has climbed 69 percent from a five-year low on March 9 as Japan exited recession and growth accelerated in countries from China to Indonesia.

“Chinese activity indicators remain robust,” Goldman Sachs analysts led by Allison Nathan said in a report e-mailed today. “These relatively positive demand indicators against limited expected production growth continue to suggest that the oil market will shift into a seasonally adjusted deficit in the near term.”

Brent crude oil for November settlement declined as much as 52 cents, or 0.7 percent, to \$70.84 a barrel on the London-based ICE Futures Europe exchange, and was at \$71.10 at 1:30 p.m. Singapore time. Yesterday, the contract rose \$1.36, or 1.9 percent, to end the session at \$71.36.

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