

Oil falls to multi-week lows on persistent supply glut

KINIBIZ ONLINE

October 28, 2015

STORY BY REUTERS

Oil prices fell a third straight session to multi-week lows on Tuesday on the persistent global supply glut ahead of data expected to show another increase in US crude inventories.

Futures felt pressure from expectations that US crude inventories rose 3.4 million barrels last week, a fifth consecutive build after gaining 22 million barrels in a four-week span.

At 476.6 million, US crude stocks on Oct 16 were nearly 100 million barrels above the year-ago period, according to Energy Information Administration (EIA) data.

Brent December futures fell 73 cents to settle at US\$46.81 a barrel. The settlement and the US\$46.41 session low were the lowest since Sept 15.

US December crude fell 78 cents to settle at US\$43.20, lowest settlement since Aug 27. Tuesday's intraday low of US\$42.58 was the weakest since Aug 28.

Front-month November US gasoline and ultra-low sulfur diesel (ULSD) seesawed in volatile trading on the day options expired. The November contracts expire on Friday.

"It's still the supply glut weighing on crude and the products are going to be a bit volatile with options expiration," said Phil Flynn, analyst at Price Futures Group in Chicago.

While distillate inventories, which include diesel and jet fuel, were expected have fallen last week, storage utilization for distillates in the United States and Europe is nearing historic highs, Goldman Sachs said on Monday.

Crude pared losses and ULSD futures turned higher in post-settlement trading after industry group American Petroleum Institute's data showed crude stocks rose 4.1 million barrels last week, but fell at the Cushing, Oklahoma, hub, while distillate inventories fell 2.6 million barrels.

EIA data will be released on Wednesday.

US crude oil production cuts – from a peak of around 9.6 million barrels per day to around 9.1 million – and optimism over demand have failed to translate into higher prices, said Ric Spooner, chief market analyst at Sydney’s CMC Markets.

Investors awaited the outcomes of key policy talks this week, including a US Federal Reserve meeting and China’s fifth plenum, a meeting of the Communist Party’s central committee.

“China’s appetite for foreign crude oil has been impressive this year, driven by an accelerated build-out of Strategic Petroleum Reserve storage facilities, and the granting of crude usage and import quotas for independent ‘teapot’ refineries,” Citi said in a report.

But about 4 million barrels purchased by a Chinese state trader for the reserve have been stranded off shore due to a lack of storage, according to trade sources.

— by **Robert Gibbons**

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