

MARKET WATCH

Crude price falls below \$55/bbl in New York

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HOUSTON, Jan. 30 -- Energy prices fell Jan. 29, wiping out nearly all gains from the previous trading session as uncertain markets continued to waffle.

The near-month crude futures contract fell below \$55/bbl again on the New York market as traders waited to see if members of the Organization of Petroleum Exporting Countries would trim oil production by another 500,000 b/d to 25.8 million b/d effective Feb. 1. Most analysts say OPEC has not yet completed its last reduction of 1.2 million b/d, which was scheduled for Nov. 1, 2006.

Meanwhile, increased violence in the Middle East and forecasts for lower-than-normal temperatures in the US Northeast this week kept crude prices above \$54/bbl in New York, as traders took profits from earlier increases in crude and gas markets.

The latest rollback of crude futures prices "must be put in the context of weakness across the whole commodity board, which suffered from weak industrial metals and agriculture that could not hold to recent support," said Olivier Jakob, managing director of Petromatrix GMBH, Zug, Switzerland.

Moreover, he said, "Energy derivatives are in the midst of expiries; yesterday it was natural gas and tomorrow [heating oil] and gasoline." Markets often are more volatile when a front-month contract expires, forcing traders to cover exposed market positions.

"Weather in the US Northeast continues below normal throughout the 15-day period and the market continues to be undecided on how to read the OPEC lack of transparency," said Jakob. "Some shipment trackers have been reporting heavy cuts but there are also reports of increasing Nigerian exports." He also noted reports of Saudi Arabia making and ready to make further cuts. "The OPEC picture has been blurry for the last 3 months, and the only judge left will be the crude imports into the US reported by the Department of Energy."

Analysts in the Houston office of Raymond James & Associates Inc. said: "A closer eye will be placed on crude imports [by] the US beginning in February, as speculation continues to surround OPEC's compliance with its second supply cut announcement. Allusions to a continued tightening of the oil supply can be gained from a recent announcement by a senior Saudi official who recently advised customers of the upcoming 158,000 b/d output cut, which represents over 30% of the 500,000 b/d production cut agreed upon by OPEC."

Energy prices

The March contract for benchmark US sweet, light crudes dropped \$1.41 to \$54.01/bbl Jan. 29 on the New York Mercantile Exchange. The April contract fell by \$1.48 to \$54.77/bbl. On the US spot market, West Texas Intermediate was down by \$1.41 to \$54.02/bbl. Heating oil

for February delivery lost 4.25¢ to \$1.55/gal on NYMEX. The February contract for reformulated blend stock for oxygenate blending (RBOB) dropped 4.24¢ to \$1.44/gal.

The expiring February natural gas contract continued to fall, down 25.8¢ to \$6.92/MMbtu on NYMEX. But that was a marked improvement over January's expiring price of \$5.84/MMbtu, said Raymond James analysts. "We continue to believe that gas storage at the conclusion of this winter will come in below consensus expectations, providing further support for natural gas prices," they said. On the US spot market, however, gas at Henry Hub, La., escalated by 34.5¢ to \$7.34/MMbtu.

In London, the March IPE contract for North Sea Brent crude lost \$1.61 to \$53.68/bbl. Gas oil for February slipped by 50¢ to \$493.50/tonne.

The average price for OPEC's basket of 11 benchmark crudes inched up by 25¢ to \$51.20/bbl on Jan. 29.

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