

INTERNATIONAL
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Oil prices drop despite Venezuela, Nigeria announcing output cuts

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LONDON Oil prices turned lower Monday as traders apparently shrugged off worries about whether production cuts by two key producing nations were harbingers of further restrictions by other OPEC members.

On Friday, Venezuela said it would reduce oil output by 50,000 barrels a day to try to stem the recent fall in crude prices. Nigeria on Saturday said it was cutting oil exports by 5 percent, which the state-owned oil company described as a routine seasonal reduction.

By midafternoon in Europe, light, sweet crude for November delivery fell 39 cents to US\$62.52 a barrel in electronic trading on the New York Mercantile Exchange. The contract rose 15 cents on Friday to settle at US\$62.91 a barrel. November Brent crude on the ICE futures exchange in London fell 39 cents to US\$62.09 a barrel.

Heating oil futures were down 0.39 cents at US\$1.7498 per gallon while gasoline prices were slightly lower at US\$1.5530 a gallon. Natural gas futures rose 10 cents to US\$5.726 per 1,000 cubic feet.

Petromatrix analyst Olivier Jakob said speculation about OPEC cuts urged prices higher, while the market was "torn between the macro players wanting to be long on OPEC policy and the micro players wanting to be short on the ever deteriorating fundamentals."

While the 11-member Organization of Petroleum Exporting Countries decided earlier this month to hold to a 28 million barrel a day output quota, many traders say the group would like to rein in production if crude-oil futures drop much lower than US\$60 a barrel.

"The market seems to have reached a floor in the low-US\$60s due to the widespread feeling among traders that OPEC may be galvanized to control output or cut production if prices are below US\$60 a barrel," said Victor Shum, an analyst with Purvin & Gertz in Singapore.

The cuts announced by Nigerian National Petroleum Corp. take 115,000 barrels of crude oil a day from Nigeria's current OPEC quota of 2.3 million barrels daily. The reduction was to begin on Sunday. Refiners often decrease their output to conduct maintenance during the slow season.

Venezuela, a major oil supplier to the U.S. and a founding member of OPEC, is already thought to be producing well below its OPEC quota — around 2.5 million barrels a day instead of the 3.2 million barrels it reports to the cartel.

World oil prices have dropped to six-month lows recently as demand slackens with the end of summer travel in major oil consuming regions. Meanwhile, supplies are generally believed to be ample, and experts say the latest production cuts will have little impact on the fundamental supply-demand picture.

"Hawkish comments from members will only increase in frequency the lower the price goes, but in trying to gauge quota policy, the most weight should be attached to comments from Saudi Arabia," BNP Paribas said in a research note.



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