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Oil falls as Iran, China discuss more supply

LONDON (Reuters) – Brent crude oil fell below \$58 a barrel yesterday on signs of growing oversupply as Iranian officials visited Beijing to seek more oil sales after a framework nuclear deal that could lead to the lifting of sanctions.

China is Iran's largest trade partner and has bought roughly half of its crude exports since 2012, when sanctions against the Islamic Republic were tightened.

Oil markets were also pressured by a Goldman Sachs report saying prices needed to remain low for months to slow US oil output growth. Brent LCOc1 was down 50 cents at \$57.62 a barrel by 11:00 GMT. US crude CLc1 was down 60 cents at \$51.54 a barrel.

Representatives of state-run National Iranian Oil Company will meet China's biggest crude buyers including Unipet, the trading arm of top Asian refiner Sinopec Corp. (0386.HK), and state trader Zhuhai Zhenrong Corp. officials told **Reuters**.

Global oil markets already face a supply glut with producers pumping over 1.5 million barrels per day (bpd) more than demand in the first half of this year, analysts say. "There is a massive oversupply, stocks are rising and now we have the prospect of more Iranian oil coming onto

the market," said Carsten Fritsch, analyst at Commerzbank in Frankfurt.

Goldman said in a research note it expected US crude inventories to top out in April and subsequently draw down at 350,000 bpd during May-September, when demand for fuel to power cars and air-conditioners is at its greatest.

Still, the bank said it saw little upside for its \$40-a-barrel forecast over the next three months, anticipating inventories would rise again by October, pressuring prices into 2016.

"Prices need to remain low in coming months to achieve a sufficient and sustainable slowdown in US production growth," the bank said, adding that the US outlook for 2016 made its forecast for \$65-a-barrel oil next year look too high.

On Monday, energy information group Genscape said its data showed stocks at the Cushing, Oklahoma oil hub rose by 169,000 barrels in the week to April 3.

The American Petroleum Institute will release weekly oil inventories data on Tuesday at 4:30pm EDT (20:30 GMT), while the Energy Information Administration will publish its data today at 10:30am EDT. US commercial stocks were seen extending their record build for the 13th consecutive week, a Reuters survey showed.