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Oil trades close to multi-month lows, Brent below \$50

LONDON (Reuters) – Oil traded near multi-month lows yesterday with Brent under \$50 a barrel as a supply glut persisted despite record US refinery runs, and little sign of any reduction in production.

Brent crude futures were down 30 cents at \$49.29 a barrel after dipping to \$49.02 on Wednesday, the lowest since Jan. 30. US crude was down 46 cents at \$44.69 a barrel at 10:52 GMT, just off an intraday low of \$44.55.

"Prices are likely to consolidate or weaken further," Carsten Fritsch, an oil analyst at Commerzbank, said. "The perception is that over-supply will be there for much longer."

Analysts at Goldman Sachs said in a note that because US shale oil had dramatically reduced the time between when capital is committed and when oil is produced, prices needed to remain lower

for longer to "keep capital sidelined and allow the rebalancing process to occur uninterrupted".

Although US crude oil inventories fell by more than expected last week, gasoline stocks unexpectedly rose.

Ole Hansen, senior commodity strategist at Saxo Bank, said this was an early indication that the US summer driving season was coming to a close.

This raises the question as to what will happen when the peak gasoline demand season is over. Some US refiners are running at record high rates to take advantage of strong refining margins. But US crude stocks remain at much higher levels than the long-term seasonal average, Fritsch said.

"If they continue to run at these levels then we will see massive builds in distillates and gasoline stocks when the peak demand season is over for gasoline,"

he said. It is therefore more likely that refiners will cut runs in response to falling margins or head into seasonal maintenance, leading to fresh builds in US crude stocks.

September production from the North Sea's Brent, Forties, Oseberg and Ekofisk crudes, which underpin the Brent benchmark, is expected to be the highest so far this year, at 1 million barrels per day (bpd).

Meanwhile, Organisation of the Petroleum Exporting Countries (OPEC) oil output reached its highest monthly level in recent history in July and Iran is poised to return to the market.

"Under the current Saudi oil policy, it is still more likely ... that any sustained price recovery will come through another OPEC country breaking down than from North American crude oil production collapsing," Olivier Jakob, an oil analyst at Petromatrix, said in a note.