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Oil prices rise on Greek deal hopes

LONDON – Oil prices rose towards \$64 a barrel yesterday, joining stronger financial markets on speculation that European Union leaders could avert a Greek bankruptcy.

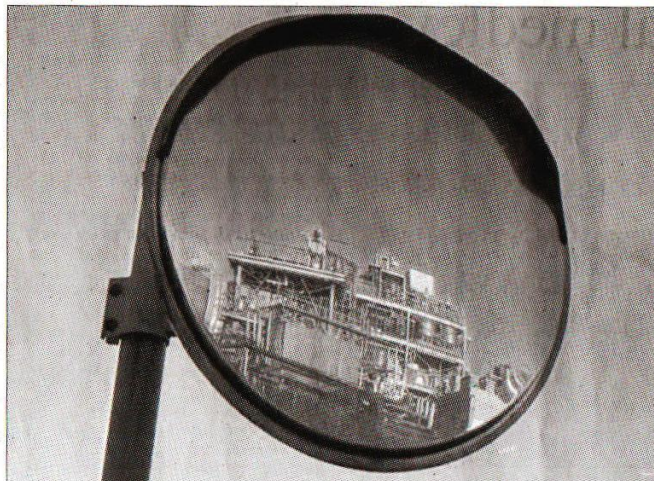
Global stocks, the euro and peripheral eurozone bonds all rose yesterday, lifted by a wave of optimism that Greece and its international creditors will strike a last-minute deal that will see Athens avert default.

Brent crude for August delivery was up 53 cents at \$63.55 a barrel by 7:30am EDT, after falling nearly 2 per cent on Friday over worries about a potential Greek debt default.

Front month US crude was 40 cents higher at \$60.01 a barrel.

Prices rebounded from early lows after the EU's positive response to Greek Prime Minister Alexis Tsipras's latest proposals to try to resolve the country's debt crisis ahead of a meeting of European leaders yesterday evening in Brussels.

"Hopes that agreement could be reached in the debt dispute with Greece at today's



A PETRO-INDUSTRIAL factory is reflected in a traffic mirror in Kawasaki near Tokyo.

EU summit are lending buoyancy to oil prices as the new week begins," Commerzbank analysts said in a note to

clients. But a crude oil overhang, particularly in the Atlantic basin, is limiting gains.

Around 10 million barrels of unsold crude, mainly from Nigeria, are held in offshore storage despite strong summer demand, Morgan Stanley said in a research note yesterday, potentially creating a negative outlook for oil in the second half of the year.

"If there are this many challenged cargoes in this strong demand environment, we worry about the outlook for physical oil this fall (autumn), when crude runs and gasoline demand fall seasonally," the note said.

High domestic US oil production, which has held up at around 9.6 million barrels a day, the highest level since the early 1970s, continued to weigh on oil prices.

US oil producers added a rig each in the key Permian and Bakken shale basins last week, fuelling worries over high domestic oil output, even as the total number of active US rigs fell last week, data on Friday showed.

Although US oil production was expected to decline slightly between the second and third quarters of 2015, output "would continue to grow in 2016 by 150,000 barrels per day at the current rig count," Goldman Sachs said in a note.