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Oil rises after huge selloff

LONDON (Reuters) – Oil rose yesterday after one of its biggest selloffs this year but looked vulnerable to more falls after China's stock market took another tumble and Greece moved closer to leaving the eurozone.

Investors kept a close eye on talks in Vienna over Tehran's nuclear programme that could lead to increased exports of Iranian crude at a time of global oversupply.

Brent crude for August was up 90 cents at \$57.44 a barrel by 10:20GMT (6:20am EDT), following a more than 6 per cent drop in the previous session. On Monday, Brent briefly touched \$56.38, its lowest since April 10.

US crude traded at \$53.10, up 57 cents from the close on Monday, when it reached levels last seen in mid-April.

Despite the rally, most analysts were bearish.

"After yesterday's sharp and fierce selloff it is impossible to paint an even remotely bullish technical picture," said Tamas Varga, analyst at brokerage PVM Oil Associates.

"The downtrend should resume shortly."

Influential US investment bank Goldman Sachs said the fall in oil prices was a consequence of oil market oversupply.

"While last week's decline in oil

prices coincided with the escalation of the Greek crisis and weakness in other macro markets, the catalysts for crude's \$6 a barrel move lower have little to do with Greece in our view."

"Instead, last week's oil data pointed to a still oversupplied market: a surge in OPEC production, a rise in the US oil rig count and weakening refining margins," it added.

The global oil glut could deepen if major powers and Iran reach a nuclear compromise that could end sanctions against Tehran and open up exports of crude.

"We hear an Iran nuclear deal may be about to be announced, and that is bearish if it means early sanctions relief and more Iranian oil sooner rather than later," said Olivier Jacob, energy markets analyst at Swiss consultancy Petromatrix.

Expectations of Iranian exports resuming in 2016 have pulled down forward oil prices more than those closer to the present.

The outlook for oil demand looks grim as Greece struggles to remain in the euro and key consumer China faces a sharp stock market selloff.

Chinese equity markets have fallen 30 per cent since June, prompting the government to resort to a series of support measures to stabilise shares.

The measures have so far had only limited effect.