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Oil prices flat on weak dollar

LONDON (Reuters) – The opposing forces of a weaker dollar and evidence of rising US crude stockpiles in an already oversupplied market kept oil prices steady yesterday.

Crude oil stocks in the United States rose by 2.5 million barrels last week to above the five-year seasonal average, according to data from the Energy Information Administration (EIA), trumping expectations for a drop of 2.3 millions.

US September crude futures were 3 cents lower at \$49.16 by 10:20GMT, having fallen by \$1.67 on Wednesday to settle below \$50 for the first time since April.

Brent crude was down 11 cents at \$56.02 a barrel.

The price of Brent has fallen by about 12 per cent in July, its largest monthly fall since March, pummelled by concern about the ability of the global economy to absorb a surplus of oil.

The oil glut looks set to grow as an Iranian nuclear deal with the West is expected to release millions of barrels of additional supply on world markets.

"The bears are still in control of the market," PVM energy analyst Tamas

Varga said. "A close below (\$55.60 for Brent) is a sell and, in that case, there is nothing really that could stop this contract from falling down to \$53.19, the daily low in the August contract on Jan. 13," Varga added.

Still, OPEC delegates from Gulf states and other nations say that the recent drop in prices is likely to be short-term.

They say that lower prices will not deter the cartel from keeping output high to defend market share.

The dollar headed for its first weekly loss in a month but held near a three-month high, which tends to make it more profitable for non-US investors to sell dollar-denominated assets such as oil or gold.

"Fundamentally, there's not a lot to change the picture dramatically in the short term. Prices seem to be contained in a range for now," said Ben Le Brun, market analyst at OptionsXpress in Sydney.

Volatility in the oil price has calmed this week. Brent has seen a difference of only \$1.54 between this week's intraday high and low, the narrowest range since the last week in 2013.