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Oil rises after Kuwait sees higher prices ahead

LONDON (Reuters) – Oil prices rose yesterday after Kuwait's oil minister said economic growth and the removal of high-cost producers would help tighten global fuel balances.

Kuwait Oil Minister Ali al-Omair told Reuters the Organisation of the Petroleum Exporting Countries would stick to its output policy, which has focused on building market share at the expense of higher cost non-OPEC producers.

"There are indications that a lot of high-cost oil production" is starting to get out of the market and this will help improve prices," Omair said.

The comments followed data from oil services company Baker Hughes Inc (BHI.N) that showed the number of US rigs drilling for oil fell for a consecutive sixth week. Drillers have

cut 70 rigs over the last six weeks.

"Bullish rhetoric from OPEC is helping drive prices higher," said Tamas Varga, market analyst at London brokerage PVM Oil Associates. "Rig count data is also supporting sentiment."

Global benchmark Brent crude oil LCOc1 rose 50 cents a barrel to \$53.15 by 0800 GMT. US light crude CLc1 was up 45 cents at \$50.08.

Brent fell to a six-year low just above \$42 a barrel in August, down from a peak above \$115 in June 2014.

Since hitting an all-time high of 1,609 a year ago, the number of US rigs operating has fallen by an average of 20 a week as higher cost drillers curb costs due to low prices.

"The current rig count is pointing to U.S. production declining sequentially between 2Q15 and 4Q15 by 255,000 barrels per day," Goldman Sachs said in response to the data.

The bank said, however, that "a rapid drawdown of the observed back-

log of uncompleted wells could lead to higher production later this year and in 2016".

Barclays said "downside price risks" for oil were receding as supply restructuring gathered pace, but said the market could stay weak for some time.

"The bottoming out process is likely to last for a while yet," Barclays said, adding that it had cut its 2015 Brent and U.S. crude price forecasts slightly to \$54.50 and \$50 a barrel from \$57.50 and \$51.60 respectively.

Oil drew a little support from a weaker U.S. dollar, which makes purchases cheaper for holders of other currencies.

The dollar hovered near a three-week low versus a basket of major currencies .DXY, anchored by doubts the U.S. Federal Reserve will raise interest rates by the end of the year.

"Upside (in oil prices) is likely limited, and we continue to see a range-bound market through year-end," Morgan Stanley analysts said.