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Oil prices slide, supply overhang in focus

LONDON (Reuters) – Crude oil prices fell yesterday because of lingering concerns over a supply overhang and after a Saudi-Venezuela meeting showed few signs that steps would be taken to boost prices.

Global benchmark Brent futures were down 43 cents at \$33.63 at 9.43am ET, while US crude futures lost 66 cents to \$30.23.

Both contracts had lost over \$1 a barrel earlier during the session.

"There's still a lot of concerns about the state of the crude oil stocks in the United States," said Olivier Jakob, oil analyst at Petromatrix.

Weekly US crude and gasoline inventories hit record highs, data from the Energy Information Administration (EIA) showed last week. The latest weekly stock data is expected to be released tomorrow.

Morgan Stanley warned yesterday that a global supply overhang was unlikely to start clearing before 2017.

"We see limited upside for Brent (and range-bound) pricing over the next 12 months as the supply overhang is worked off," the bank said.

However, investors in Brent crude now hold more futures and options contracts that bet on the price rising than at any time since the



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InterContinental Exchange's records, began in 2011, data from the exchange showed yesterday.

Money managers raised their net long position in Brent crude futures and options by 31,346 contracts to 292,300 lots in the week to February 2.

No tangible signs emerged from a meeting on Sunday between Saudi Arabia's oil minister Ali al-Naimi and his Venezuelan counterpart that OPEC and non-OPEC suppliers were ready to meet to discuss the price slump.

"It was a successful meeting and (conducted)

in a positive atmosphere," Saudi news agency SPA cited Naimi as saying.

Venezuela's oil minister Eulogio Del Pino, who is on a tour of oil producers to lobby for action to prop up prices, said his meeting with Naimi was "productive".

"The chances of a deal are slim now, but will increase if prices stay around \$30 a barrel, which they will if Iran and Iraq come through on their intended volumes," PVM Oil Associates analyst David Hufton said in a note yesterday.