

Oil Prices Idle Near Six-Month High

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By Gregory Meyer

NEW YORK -- Crude oil stalled Monday near last week's six-month high, holding steady despite weak U.S. stock markets and expectations of higher inventories.

Light, sweet crude for June delivery settled down 13 cents, or 0.2%, at \$58.50 a barrel on the New York Mercantile Exchange. Brent crude on the ICE Futures exchange settled 66 cents lower at \$57.48 a barrel.

Nymex crude touched but failed to breach Friday's close of \$58.63 a barrel, the highest settlement since Nov. 11. While up 31% in 2009, oil is still less than half levels of a year ago.

Hopes for an economic turnaround have encouraged investors to put money on commodities and other risky bets, pushing up prices, analysts say. Some companies that are big fuel consumers, such as airlines, have also been tiptoeing back into the market.

Buyers will struggle against plentiful oil inventories, however, as volumes of U.S. stockpiles are at the highest since September 1990. Analysts polled by Dow Jones Newswires project stockpiles likely rose another 1.2 million barrels in the week ended May 8.

"We're still in an indecisive mode," said Phil Flynn, a broker and analyst at Alaron Trading Corp. in Chicago. "There's still strength in this market, but we're putting off decisions of whether to drive the market higher until tomorrow."

Oil has moved closely with stock markets as traders look for hints of stronger demand. The Dow Jones Industrial Average was down about 100 points at the 2:30 p.m. EDT end of Nymex floor trading. U.S. stock markets are up sharply since their mid-March lows.

"Recent price strength is not based on fundamentals, but on financial flows," Societe Generale said in a note. The bank's analysts warned the market is "due for a correction," as weak demand has diverted unused oil into storage.

Fresh estimates of global demand are due later this week, with the Energy Information Administration, the Organization of Petroleum Exporting Countries and the International Energy Agency scheduled to update their oil market outlooks respectively on Tuesday, Wednesday and Thursday.

The global slowdown will cut world demand by 2.4 million barrels a day this year, the IEA said in its last outlook. Lower oil use has inflicted pain on producers and exporting countries.

"Recession and uncertainty in the world economy is continuing to impact energy demand and energy prices," said Helge Lund, chief executive of Norwegian oil and gas producer StatoilHydro ASA, as the company announced new cost reductions Monday.

Uncertainty over future supply persists, however. Venezuela's congress last week passed a law giving the state oil company the right to nationalize a number of oil service contractors.

The country's latest Official Gazette said the country will seize the maintenance and pipeline substitution business of Gulmar Offshore Middle East, a United Arab Emirates-based contractor, and of Tidewater Inc., a U.S. contractor that operates ships and barges in the Lake Maracaibo area. The two firms are among 39 listed as affected by Venezuelan President Hugo Chavez's renewed nationalization campaign.

Front-month June reformulated gasoline blendstock, or RBOB, fell 2.53 cents, or 1.5%, to settle at \$1.6802 a gallon. June heating oil fell 1.75 cents, or 1.2%, to \$1.5009 a gallon.