

REVERSING GAINS

Oil down 3% after US reports crude drawdown within forecasts

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Oil prices fell nearly 3% on Thursday, reversing early gains after the US government reported a weekly crude draw that was within analysts' forecasts, disappointing market bulls who had expected larger declines.

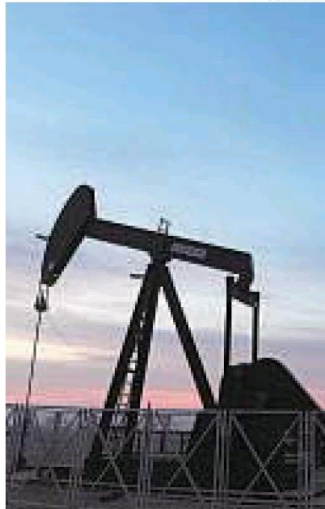
The Energy Information Administration (EIA) said crude stockpiles fell 2.2 million barrels for the week ended 1 July, drawing for a seventh week in a row.

The EIA's figure came in just below the decline of 2.3 million barrels forecast by analysts in a *Reuters* poll, but far less than the 6.7 million-barrel draw reported by trade group the American Petroleum Institute on late Wednesday.

The EIA also reported a gasoline draw just about a third of market expectations at 122,000 barrels, sending gasoline futures tumbling as well.

Crude inventories at the Cushing, Oklahoma, delivery hub for US crude futures fell by a modest 82,000 barrels.

"Expectations were high for this report, and they were dashed," said John Kilduff, partner at New York energy hedge



Low draw: *The Energy Information Administration said crude stockpiles fell 2.2 million barrels for the week ended 1 July, drawing for a seventh week in a row.*

fund Again Capital.

Brent crude futures were down \$1.35, or 2.8%, at \$47.45 per barrel by 11:54 am EDT (1554 GMT). It rose 1.6% earlier to a session high of \$49.59.

US crude futures were down \$1.30, or 2.7%, to \$47.13.

Oil prices have risen more than 70% from 12-year lows of around \$27 for Brent and \$26 for US crude in the first quarter,

driven by unexpected crude supply outages from Nigeria to Canada.

US gasoline inventories also fell less than expected in the government report, slipping 122,000 barrels versus forecasts of 353,000 barrels, adding to fears of a glut of the motor fuel despite the busiest season for driving. Vessels carrying gasoline-making components could not unload at the New York Harbor delivery point for futures this week because of lack of space.

After the data, US gasoline futures fell 3% to below \$1.40 per gallon.

In Nigeria, Shell lifted force majeure on exports of Bonny Light crude, leaving just two grades from that country under force majeure. Libya's export terminals, shut since 2014, could reopen, potentially restoring 600,000 barrels per day of crude export capacity.

Fears of economic turmoil after Britain's exit from the European Union are also hanging over global markets. German industrial output plunged unexpectedly in May for its steepest monthly drop since August 2014.

REUTERS

Libby George in London and Henning Gloystein in Singapore contributed to this story.