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Nikkei **24033.79** 0.39% ▲Hang Seng **27942.74** 1.61% ▲U.S. 10 Yr **1/32 Yield** 3.093% ▲Crude Oil **72.14** -0.19% ▼Yen **112.83** -0.12% ▼

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<https://www.wsj.com/articles/oil-soars-to-four-year-high-on-supply-fears-1537871242>

OIL MARKETS

Oil Continues to Soar on Supply Concerns

OPEC's lack of specific plans to raise production seems to defy Trump's calls to increase output and cap prices

By Christopher Alessi and Dan Molinski

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Oil prices rose further Tuesday, building on large gains from a day earlier after OPEC and its production allies decided to maintain their current production targets.

Light, sweet crude for November delivery ended 0.3% higher at \$72.28 a barrel on the New York Mercantile Exchange, marking its highest closing value since early July. Brent crude, the global benchmark, rose 0.8% to \$81.87 a barrel, its highest closing price since Nov. 10, 2014.

Meeting in Algiers on Sunday, the Organization of the Petroleum Exporting Countries and its production allies, led by Russia, reiterated that they want to adhere to current production quotas first implemented at the start of 2017. That means continuing a gradual ramp-up in production as the producers had agreed on at the start of the summer in an effort to bring down over-compliance with the initial agreement. However, the producers declined to announce specific plans to raise production further, seemingly defying calls by President Trump for the cartel to increase output to put a cap on prices—sending prices soaring on Monday.

Mr. Trump reiterated at a United Nations speech in New York on Tuesday that he feels OPEC is “ripping off the rest of the world” by pushing oil prices higher. Markets didn't react much to those remarks.

OPEC and Russia's public comments “showed comfort and satisfaction with today's price levels and little willingness to additionally boost output,” said Norbert Ruecker, head of macro and commodity research at Julius Baer. “Supply concerns rise as the Iran embargo nears, which supports oil prices,” he added.



U.A.E. Energy Minister Suhail bin Mohammed al-Mazroui and OPEC Secretary-General Mohammed Barkindo at the Algiers meeting. PHOTO: RAMZI BOUDINA/REUTERS

Tyler Richey, commodities analyst at the Sevens Report in Palm Beach Gardens, Fla., said other factors are providing additional upward momentum to prices.

“The perfect combination of an easing dollar, clarity—but not necessarily progress—on trade relations between the U.S. and China, expectations of declining U.S. production into year-end, U.S. sanctions on Iran, and most recently, a Trump-defiant OPEC-plus-Russia group deciding against an immediate increase to collective production targets to offset declining production elsewhere, have been the key pillars behind the rally across the energy complex,” Mr. Richey said.

Oil investors on Wednesday will turn their attention away from OPEC and back to the U.S., when the Energy Information Administration is due to release its weekly oil report. Analysts surveyed by The Wall Street Journal are expecting, on average, a 1.3-million-barrel decline in U.S. crude oil inventories, which could add to the market's bullish tenor. U.S. crude stockpiles saw a counterseasonal decrease in last week's report that put the total at 394 million barrels, the lowest since February 2015.

"The glut is gone," said Phil Flynn at Price Futures in Chicago, referring to oversupply problems in a recent oil-price downturn that saw U.S. oil inventories as high as 536 million barrels in March 2017. "Global oil prices are surging because we are now facing a market that is undersupplied."

The American Petroleum Institute, an industry group, said late Tuesday that its own data for the week showed a 2.9-million-barrel increase in crude supplies, a 949,000-barrel rise in gasoline stocks and a 944,000-barrel decrease in distillate inventories, according to a market participant.

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The U.S. sanctions targeting Iran's oil exports are set to take effect Nov. 4, raising concerns about a global supply crunch toward the end of the year. Saudi Arabia—the de facto head of OPEC—and Russia have indicated they can produce more to fill

the gap, despite concerns over dwindling spare capacity. But there is still widespread disagreement on how the cartel and its allies should contain crude prices once the Iran sanctions take effect.

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Among refined products, gasoline futures for October delivery rose 0.6% to \$2.0677 a gallon. Diesel futures rose 0.8%, to \$2.3053 a gallon.

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