Oil Falls to 5-Year Low With Stockpiles Seen at Year-End Record

By Grant Smith and Sharon Cho - Dec 30, 2014

Oil fell to a five-year low in New York and London amid speculation that U.S. crude inventories will stay at the highest for the time of year in at least three decades.

Futures dropped as much as 1.7 percent in New York. U.S. stockpiles are projected to remain at 387.2 million barrels last week, the highest for the period in data going back to 1982, a Bloomberg News survey shows before government statistics tomorrow. U.S. oil drillers idled the most rigs since 2012, Baker Hughes Inc. said on its website yesterday.

Oil has slumped 46 percent this year, set for the biggest annual decline since 2008, as the highest U.S. production in more than three decades contributed to a global surplus estimated by Qatar at 2 million barrels a day. Saudi Arabia, which is steering the Organization of Petroleum Exporting Countries to resist cutting output, has said it's confident that prices will rebound as economic growth boosts demand.

“Nowhere are signs of a rising crude glut more visible right now than in the U.S.,” David Wech, an analyst at consultants JBC Energy GmbH, said in a report. Global refinery runs will fall in the first quarter, “further highlighting the looming weakness in the global oil balance.”

Five-Year Low

West Texas Intermediate for February delivery slid as much as 91 cents to $52.70 a barrel in electronic trading on the New York Mercantile Exchange, the lowest since May 2009, and was at $52.94 at 9:27 a.m. London time. The contract decreased $1.12 to $53.61 yesterday, the lowest close since May 2009. The volume of all futures traded was about 4.9 percent below the 100-day average for the time of day.

Brent for February settlement fell as much as $1.14, or 2 percent, to $56.74 a barrel on the London-based ICE Futures Europe exchange, also the lowest since May 2009. It dropped $1.57 to $57.88 yesterday. The European benchmark crude traded at a premium of $4.01 to WTI.

U.S. crude inventories have risen to almost 13 percent above the five-year average level of 343.1 million barrels for this time of year, according to the Energy Information Administration. Supplies were probably unchanged in the seven days ended Dec. 26, based on the median estimate in the Bloomberg survey of seven analysts before the EIA report.
Stockpiles will have added 2.1 percent this month if the survey is correct, the second time since 2000 that inventories have increased in December. Inventories gained 7.4 percent this year.

**Fracking Boom**

Production expanded to 9.14 million through Dec. 12, the most in weekly data that started in January 1983, said the Energy Department’s statistical arm.

U.S. production from fracking is flooding the market, Venezuela President Nicolas Maduro said in a speech broadcast on state television yesterday. The South American country had called for an output cut at OPEC’s Nov. 27 meeting in Vienna.

Still, U.S. rigs targeting oil declined by 37 to 1,499 in the week ended Dec. 26, the lowest since April, Baker Hughes Inc. said on its website yesterday, extending the three-week decline to 76.

OPEC, which supplies about 40 percent of the world’s oil, pumped 30.56 million barrels a day in November, a separate Bloomberg survey of companies, producers and analysts shows. That exceeded its collective target of 30 million for a sixth straight month.

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