

Oil Scores Best Opening Week in Half a Decade

By **Meenal Vamburkar**

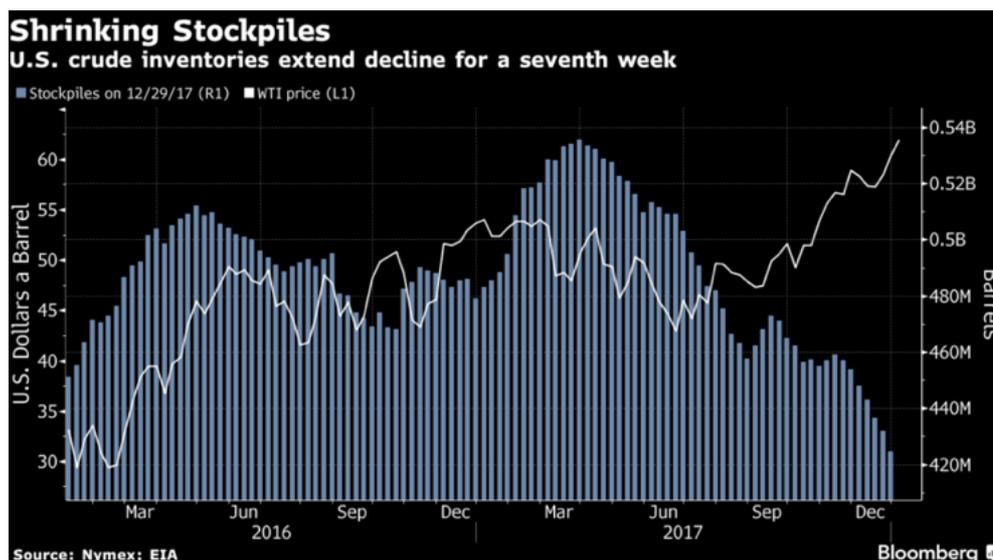
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- U.S. crude stockpiles have been shrinking since mid-November
- West Texas Intermediate closed Thursday at a 3-year high

Oil had its strongest opening week for any year since 2013 as refiners and exporters whittled away at crude inventories tucked away in U.S. storage tanks.

Futures rose 1.7 percent this week in New York. The pull on oil stockpiles in the world's biggest economy accelerated to 7.42 million barrels last week, a level last seen in early August. U.S. inventories are shrinking at a time when OPEC and allies producers including Russia are working to trim a global glut that triggered the 2014 market crash.

"We have supportive elements in the market that didn't exist before," said Bob Yawger, director of futures at Mizuho Securities USA Inc. in New York. With supplies declining and a healthy global economy, "all the pieces are in place."



Oil in New York has reached a level where profits are high enough to [encourage](https://www.bloomberg.com/news/articles/2018-01-05/from-bromance-to-break-up-4-ways-the-opec-deal-could-end-early) [a further expansion in U.S. drilling, compounding speculation that Organization of Petroleum Exporting Countries' effort to tame the](https://www.bloomberg.com/news/articles/2018-01-05/from-bromance-to-break-up-4-ways-the-opec-deal-could-end-early)

oversupply may prove self-defeating.

West Texas Intermediate crude for February delivery fell 57 cents to settle at \$61.44 a barrel on the New York Mercantile Exchange. The contract's Thursday settlement at \$62.01 was the highest close since December 2014.

See also: [Saudi Aramco Cuts Oil Pricing to U.S. Amid Record-Low Supply](https://www.bloomberg.com/news/articles/2018-01-04/aramco-cuts-february-oil-pricing-to-u-s-as-saudis-target-glut)

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Brent for March settlement lost 45 cents to close at \$67.62 on the London-based ICE Futures Europe exchange.

U.S. oil output rose to 9.78 million barrels a day last week, near a record high, according to the Energy Information Administration. Gasoline inventories jumped by 4.81 million barrels and distillates increased by 8.9 million.

“There’s been a one-way, very steep and uninterrupted rally off the last minor low in mid-December near \$56, so it won’t be surprising to see a pause here,” said Ric Spooner, a Sydney-based analyst at CMC Markets. “Prices are getting into shale oil country and the market may wait for evidence as to whether producers are increasing output or not.”

Oil-market news:

- Supplies at Cushing, Oklahoma, the delivery point for WTI, fell to the lowest since February 2015.
- While WTI has surged, further gains may waver near \$62.50 a barrel, just as they did in May and June of 2015, according to Spooner at CMC Markets. Technical guides are also showing the potential for a retreat with relative strength index indicating futures are likely overbought.
- CME Group Inc. cut the margin requirement for the WTI front-month contract to \$1,950 from \$2,100, according to its website.

— *With assistance by Ben Sharples, and Grant Smith*