



# Petroleum Market Report

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Energy Information Administration  
Office of Oil & Gas

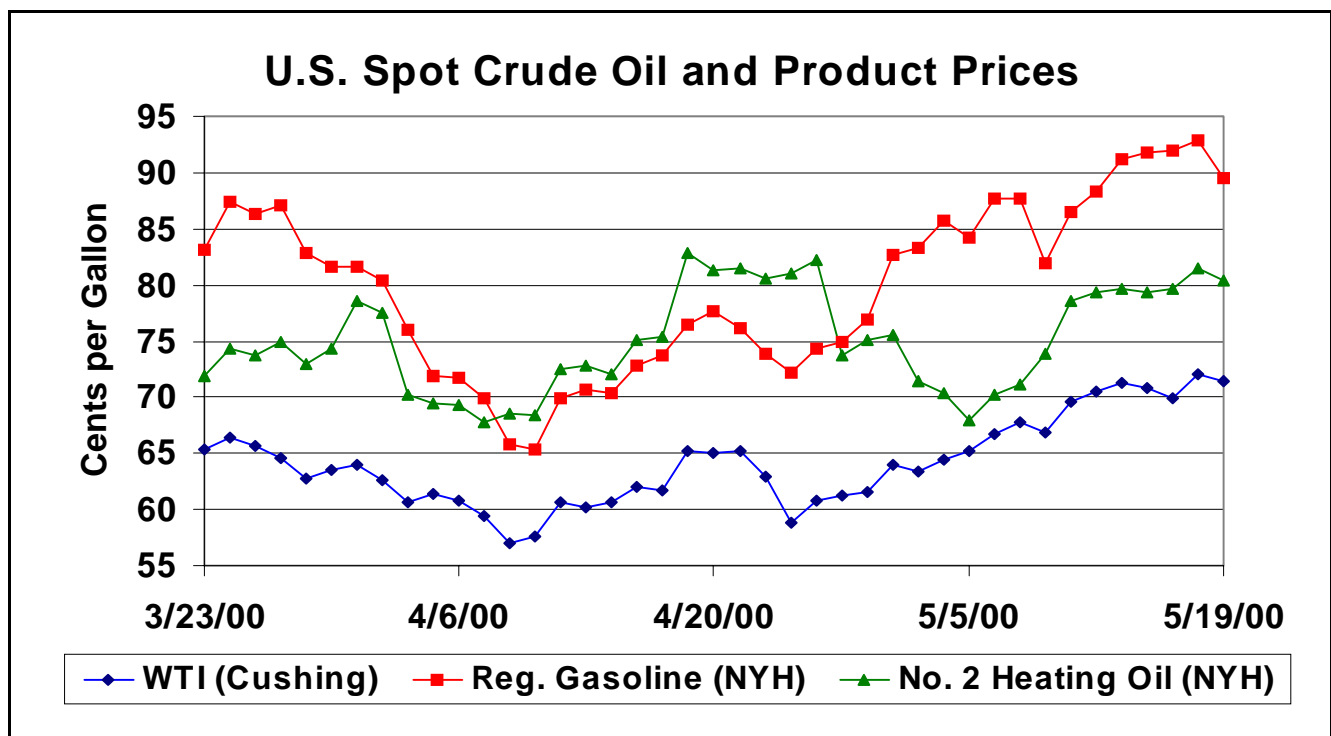
## MARKET SUMMARY

U.S. crude oil and petroleum product spot and futures prices ended modestly higher last week, despite falling back on Friday from highs reached the day before. Overall price levels continued to be supported for most of the week by a combination of expected tight world supplies for the second half of the year, and concern over gasoline prices and supply during the summer driving season. Both of these factors were countered at the end of the week, however, by perceptions that OPEC's "price band" would limit crude gains, and by EPA's issuance of an RFG waiver for St. Louis, and assumptions that more may follow.

**Crude oil** - prices wavered through Wednesday, as generally bullish market sentiment was tempered by concerns that prices over \$30 are not sustainable for more than a short time. Markets were boosted on Monday by a comment from OPEC President Ali Rodriguez that he saw no inclination among members to increase output at their June meeting. A small stockbuild weakened prices through Wednesday, but pre-expiration shortcovering drove WTI to a peak of \$30.28 per barrel on Thursday, its highest level since March 17. Prices weakened on Friday, as gasoline pulled all markets lower.

**Gasoline** - posted strong gains through Thursday, rising to 9-week highs, before falling sharply to end the week with only a 1-cent net increase. Summer supply concerns continued to dominate markets, amplified by the introduction of Phase 2 RFG, the Unocal patent issue, and a number of refinery problems. Inventories also remain low, though RFG rose nearly 5 million barrels in two weeks through May 12. The RFG waiver issue made headlines on Friday, and will remain a significant factor for the near future.

**Distillate** - markets were quiet all week, generally following crude oil price trends. Stocks were virtually flat for the week ending May 12, remaining over 30 million barrels below year-ago levels.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 5/19 - falling** - gasoline led all prices lower, largely attributed to EPA granting a temporary waiver for RFG requirements in St. Louis. With concerns over supply adequacy for Phase 2 RFG seen as driving much of the recent gasoline price firming, the possibility of further waivers prompted heavy selling.
- 5/18 - rising** - spot and futures prices increased across the board, led by a surge in WTI crude oil past \$30 per barrel for the first time since mid-March. Short-covering after two days of crude declines was seen as a factor, along with the approaching expiration of June crude futures on Monday.
- 5/17 - mixed** - market movements varied in the wake of the weekly API and EIA supply reports, with crude oil and June gasoline futures easing, while other product prices were mostly higher. A small build in crude oil stocks was seen as bearish, but gasoline remained generally strong.
- 5/16 - mixed** - crude oil and distillate prices ended lower, after moving higher in the morning, while gasoline retained a moderate gain. The crude oil decline was variously attributed to a correction from recent increases, expectations of a stockbuild in the weekly supply reports, and comments by U.S. Energy Secretary Bill Richardson about concerns over \$30-per-barrel prices.
- 5/15 - rising** - all prices moved upward, led by gasoline, with traders and analysts citing tight supplies and the approaching start of the summer driving season. Crude oil continued its slow-but-steady rise since late April, despite remarks by OPEC President Ali Rodriguez that he saw no inclination among OPEC members to raise production at their June meeting.
- 5/12 - mixed** - prices rose in early trading, then fell in profit-taking, and finally recovered partially to close mostly higher, with only heating oil futures ending with a loss for the day. Fundamental explanations for WTI futures' brief move to \$30 per barrel were scarce, with some observers characterizing the recent bullishness as "irrational" given the current supply/demand balance.
- 5/11 - rising** - products led all prices solidly higher under a combination of influences. The monthly IEA report called for stronger global demand in the second half of 2000, while the energy ministers of Saudi Arabia, Venezuela, and Mexico said that no further actions are needed on world oil supplies. In the U.S., unit outages at several refineries pressured product markets.
- 5/10 - mixed** - crude oil and gasoline prices fell, while distillates continued to rise, in the wake of the weekly API and EIA supply reports. A larger-than-expected crude oil stockbuild was the most influential factor, while gasoline prices additionally responded to an increase in RFG inventories, despite a decline in total gasoline stocks.
- 5/9 - rising** - prices continued to move moderately higher across the board, despite a lack of support from supply fundamentals. The weekly API and EIA supply reports were expected to show stockbuilds, and the strike in Norway was reported over, removing another source of upward pressure.