



Petroleum Market Report

September 20, 1999

Energy Information Administration
Office of Oil & Gas

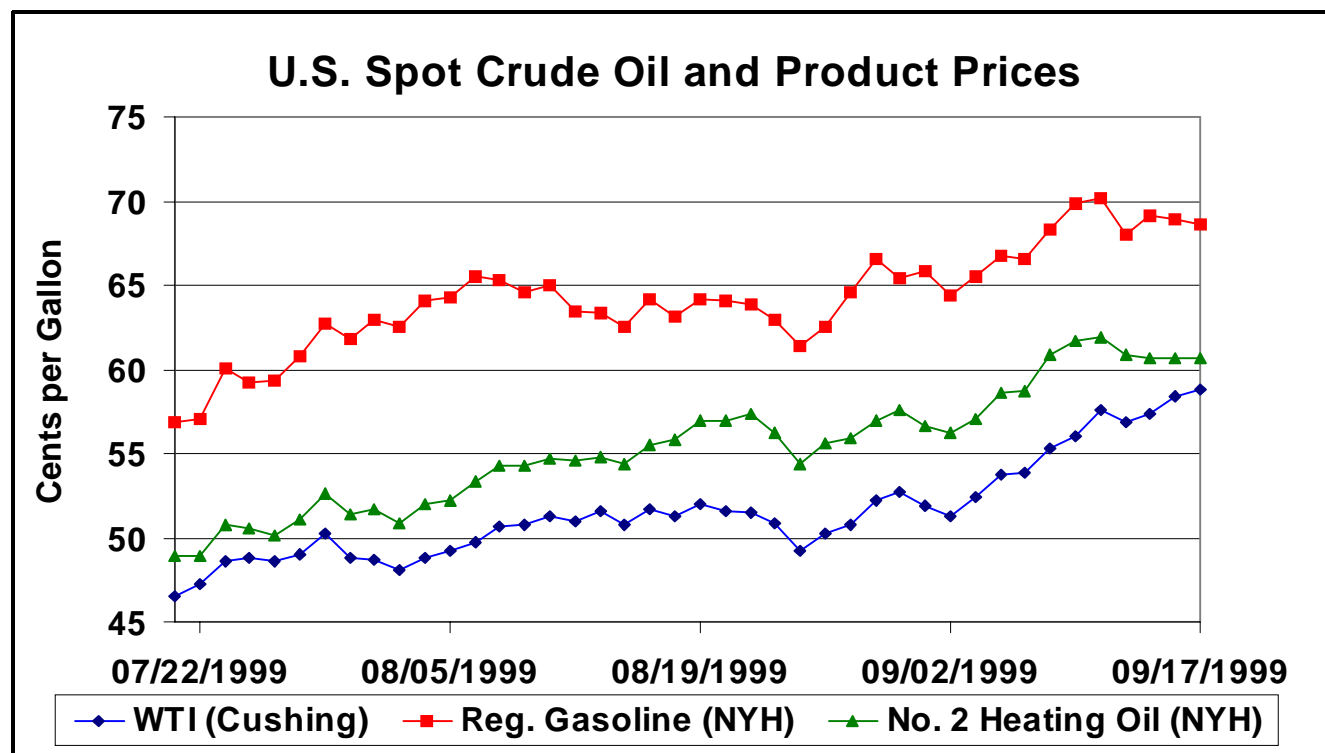
MARKET SUMMARY

U.S. spot and futures market prices for crude oil and petroleum products headed in different directions last week, as crude continued its upward climb, but products posted a weekly net loss for the first time in over a month. The September 22 OPEC meeting in Vienna remained the primary source of strength in global crude oil prices, while softness in domestic product markets appeared to reflect adequate inventories and a lull in demand between the summer driving and winter heating seasons. Hurricane Floyd, though causing major flood damage in the mid-Atlantic region, had little impact on the oil industry except for some brief refinery and pipeline shutdowns and a shortened NYMEX trading day on Thursday.

Crude oil - prices began the week in a continuation of the previous week's steady rise, then corrected downward on Tuesday before resuming an upward path the remainder of the week. WTI spot prices set successive new 31-month highs on Monday, Thursday, and Friday, ending the week at \$24.72 per barrel. A strong U.S. stockdraw for the week ending September 10 and coming expiration of the October NYMEX futures contract were also significant factors during the week.

Gasoline - spot prices in New York Harbor hit their highest level since August 1997 on Monday, before easing the rest of the week to close only slightly lower. Small, but conflicting, weekly inventory changes reported by API and EIA provided little direction for markets. Refinery closures related to Hurricane Floyd had no significant impact on supplies or prices.

Distillate - followed a similar path to gasoline, briefly rising to a new multi-year high on Monday before slowly declining through Friday. Stock reports for the previous week were mixed, but totals remained well above seasonal averages, though lower than last year's.



CHRONOLOGY OF RECENT MARKET EVENTS

- 9/17 - mixed** - crude oil again finished higher, along with distillate futures prices, while gasoline and most spot distillate prices fell slightly. Markets ended the week focused on next week's OPEC meeting in Vienna, amid public assurances from many OPEC member countries of continued output cuts.
- 9/16 - mixed** - crude prices posted another solid gain, distillates were barely higher, and gasoline ended lower in active but shortened trading, as NYMEX closed early due to Hurricane Floyd's advance up the East Coast. WTI ended above \$24.50 per barrel for the first time since January 1997.
- 9/15 - mixed** - crude oil and gasoline prices closed higher, reversing much of Tuesday's losses, while distillate was flat to slightly lower. Solid crude oil stockdraws reported by both API and EIA provided support, along with statements from Saudi Arabia and Venezuela on output discipline.
- 9/14 - falling** - spot and NYMEX futures prices fell in profit-taking, but gave back only a small portion of gains accrued over the last few days. Market-moving news remained scarce, with Hurricane Floyd expected to make landfall in South Carolina, affecting very little petroleum infrastructure.
- 9/13 - rising** - prices increased marketwide for the third straight day, taking spot and futures to new multi-year highs. Expectations both for next week's OPEC meeting and for a crude oil stockdraw in the weekly supply reports were cited for the bullish market sentiment.
- 9/10 - rising** - all prices again posted increases, sending WTI over \$23.50 per barrel, despite a lack of significant new developments. Many analysts and traders reportedly remain bullish, with little if any market weakening expected ahead of the September 22 OPEC meeting.
- 9/9 - rising** - prices rose across the board, regaining strength, as WTI spot and futures surged to 2½-year highs above \$23 per barrel. Larger-than-expected crude oil stockdraws, reported by both API and EIA, pulled inventories down to their lowest levels in nearly a year.
- 9/8 - mixed** - most prices continued upward, but at a more cautious pace, as traders awaited the holiday-delayed weekly API and EIA supply reports. Bullish sentiment continued to dominate, bolstered by a statement from OPEC's secretary-general about possible extension of output cuts past March.
- 9/7 - rising** - markets resumed trading after the extended Labor Day weekend with a continuation of Friday's strong upward move. Production discipline by major exporters remained the most important factor, but further support came from a threatened Venezuelan oil workers' strike and the release of EIA's September Short-Term Energy Outlook with a higher price forecast for winter.
- 9/3 - rising** - gasoline led all prices higher in a shortened NYMEX trading session ahead of the 3-day holiday weekend. Market activity was characterized as short-covering after midweek losses and pre-weekend position-squaring, further complicated by mixed reports on August OPEC output.
- 9/2 - falling** - prices moved lower across the board, with profit-taking reportedly ruling markets in the last full trading day before the Labor Day weekend. Gasoline led the decline, as the peak summer driving season came to an end with supplies still ample despite record demand.