

Crude oil futures higher on US stock draw, hurricane forecasts

Platts.com, 11th Sep 2018

Crude oil futures were stable to higher during mid-morning trade in Asia Tuesday amid expectations that latest US crude stocks data will show a decline and participants monitored geopolitical tensions and developing hurricanes in the US.

At 10:20 am Singapore time (0220 GMT), November ICE Brent crude futures were up 14 cents/b (0.18%) from Monday's settle at \$77.51/b, while the NYMEX October light sweet crude contract was 7 cents/b (0.10%) higher at \$67.61/b.

Analysts surveyed Monday by S&P Global Platts were looking for US crude stocks to have declined by 2.7 million barrels in the week ended September 7 and for US refinery utilization to have dipped 0.9 percentage points to 95.7% of capacity in the week.

Despite strong runs and implied demand, US gasoline inventories were expected to have remained unchanged in the week and US distillate stocks to have risen another 2.3 million barrels -- despite the four-week average of implied demand holding above 4 million b/d for the past two reporting weeks.

The preliminary data is for release by the American Petroleum Institute later Tuesday and more definitive US Energy Information Administration data on Wednesday.

The impact of US sanctions on Iran continued to dominate market attention Tuesday, with Turkey, Russia and Iran reaching an agreement to conduct bilateral trades in their own currencies to avoid the use of US dollars, Turkey's state-owned Anatolia news agency reported.

That announcement follows a meeting between Iranian President Hasan Ruhani, Turkish President Tayyip Erdogan and Russian President Vladimir Putin in Tehran on Friday.

"We opine that market watchers may continue to monitor potential supply surges, especially from Saudi Arabia and Russia, which in turn are effective in cushioning the production shortfall from Iran," OCBC Commodity economist Barnabas Gan in a note Tuesday.

Elsewhere, three hurricanes developing in the Atlantic Basin could potentially impact oil demand in the near term, analysts said. The closest, Hurricane Florence, appears to be heading toward the Carolinas, according to the US National Hurricane Center.

"For oil and natural gas, this storm is bearish because of the risk of demand destruction. Of course, after a major storm hits, that demand could surge back during the rebuilding stage. Hurricane Isaac could also impact oil operations and refineries," The PRICE Futures Group analyst Phil Flynn said in a note.