



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

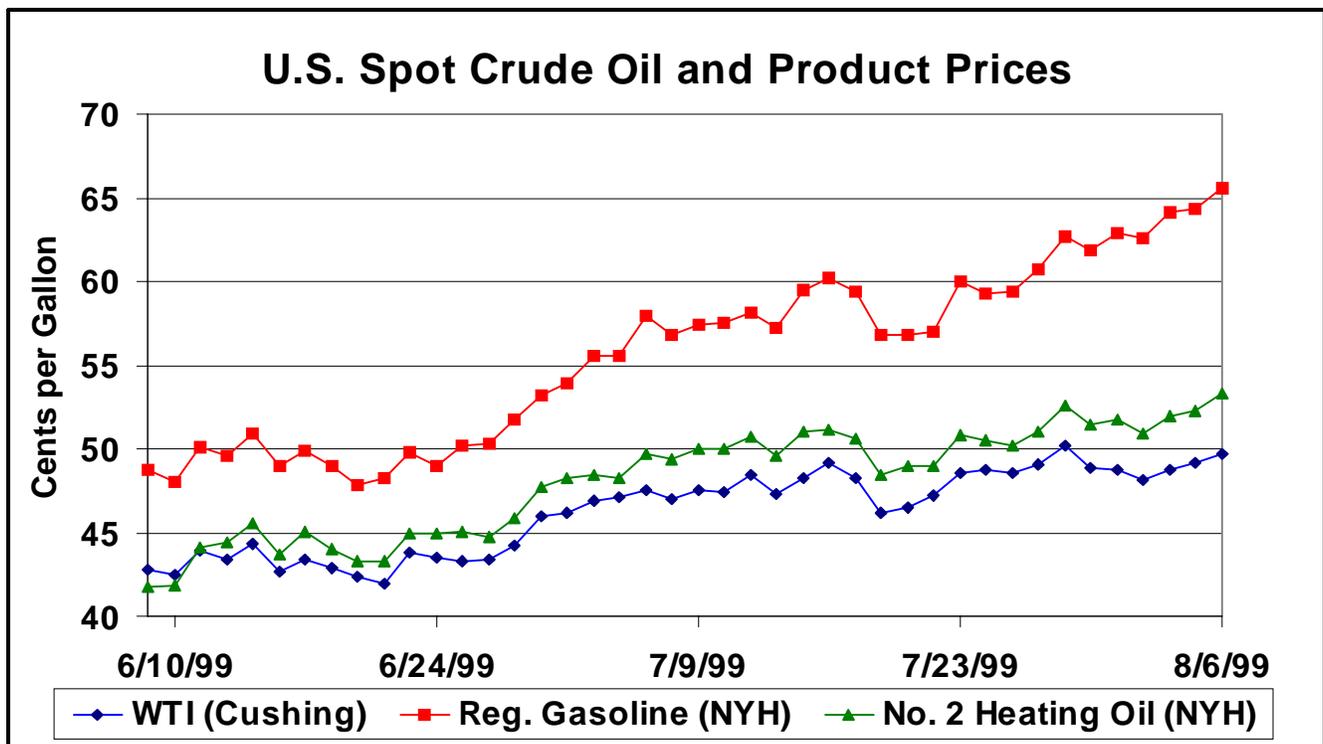
MARKET SUMMARY

Continuing strength in gasoline markets led U.S. petroleum prices upward last week, taking some products to new post-1997 highs. Prices generally dipped through Tuesday, adjusting downward after hitting multi-year peaks the previous week, before climbing for three straight days through Friday. A larger-than-expected crude oil stockdraw, along with Russia's announcement of sharp reductions in product exports, provided a boost on Wednesday. Reports of continued high OPEC compliance with crude oil output reductions in July added support late in the week.

Crude oil - WTI spot and futures prices closed within a narrow range all week, nearing the \$21-per-barrel mark by Friday, but failing to match the previous week's high. A strong stockdraw for the week ending July 30 pulled U.S. inventories to their lowest level since February, and over 12 million barrels lower than a year ago. Shell's lifting of *force majeure* on shipments from two Nigerian terminals caused a brief price dip on Wednesday, but was overshadowed by the bigger issue of output restraint by OPEC and others.

Gasoline - prices were the strongest element in U.S. petroleum markets, despite mixed weekly inventory reports from API and EIA and apparent improvements in long-troubled California refinery operations. By week's end, Tosco's Avon refinery was reportedly returning to full operations, and Chevron expected to restart its Richmond FCC unit by mid-August. A reformer problem at Equilon's Wood River refinery had limited impact on Friday.

Distillate - posted solid gains, outpacing crude oil, despite API's report of a large stockbuild for the week ending July 30, while EIA reported inventories flat. New York Harbor spot heating oil prices reached their highest point since November 1997.



CHRONOLOGY OF RECENT MARKET EVENTS

- 8/6 - rising** - spot and futures prices climbed for a third day, again led by gasoline, as pre-weekend shortcovering pushed WTI spot and futures back near \$21 per barrel. A report of high OPEC July compliance with output cuts, along with a reformer shutdown at Equilon's Wood River, Illinois refinery, provided further price support.
- 8/5 - rising** - prices rose marketwide for a second straight day, though less strongly, largely attributed to carryover from Wednesday's news of Russian export cuts and a strong crude draw. Gasoline weakened slightly in the afternoon, amid reports of improvements in California refinery status.
- 8/4 - rising** - gasoline led all prices higher, following a larger-than-expected weekly crude oil stockdraw and announced sharp reductions in Russian product exports. Shell's lifting of *force majeure* on Nigerian crude oil shipments caused a price dip in afternoon trading.
- 8/3 - falling** - all prices eased in relatively uneventful trading ahead of the weekly API and EIA supply reports, with little news to influence markets. The small declines still left prices near their recent peaks at the highest levels since 1997.
- 8/2 - mixed** - crude oil prices eased slightly in profit-taking, while products gained for the day, led by gasoline. The continued strength in gasoline was attributed to ongoing stockdraws at a greater-than-seasonal pace, especially on the West Coast, where refinery troubles persist.
- 7/30 - mixed** - most prices fell back from Thursday's peaks, pressured by pre-weekend profit-taking and NYMEX August product contract expiration. NYMEX crude and product futures prices ended below session highs, with only gasoline posting a net gain for the day.
- 7/29 - rising** - prices climbed across the board for a second day, sending spot WTI and New York Harbor gasoline to their highest levels since October 1997. Bullish market sentiment continued to stem from global production restraint, augmented by U.S. refinery troubles and inventories returning toward seasonal average ranges.
- 7/28 - rising** - gasoline led all prices higher on the combined influence of bullish weekly supply reports and further refinery problems. Both API and EIA reported larger-than-expected stockdraws for crude oil and gasoline, while a fire in a hydrogen unit cut operations at Mobil's Torrance, California refinery, and two other plants were reported experiencing difficulties.
- 7/27 - falling** - prices fell early, extending Monday's profit-taking, then strengthened late in the day on expectations for the weekly API and EIA supply reports. Gasoline prices gained further support from news of yet another fire at a California refinery, this time at Arco's Carson facility.
- 7/26 - mixed** - all prices fell back after Friday's sharp increases, as profit-taking cut into gains brought on by market sentiment that OPEC would likely retain output cuts at its September meeting. U.S. product prices were additionally weakened by restarting of units at two Texas refineries.