



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

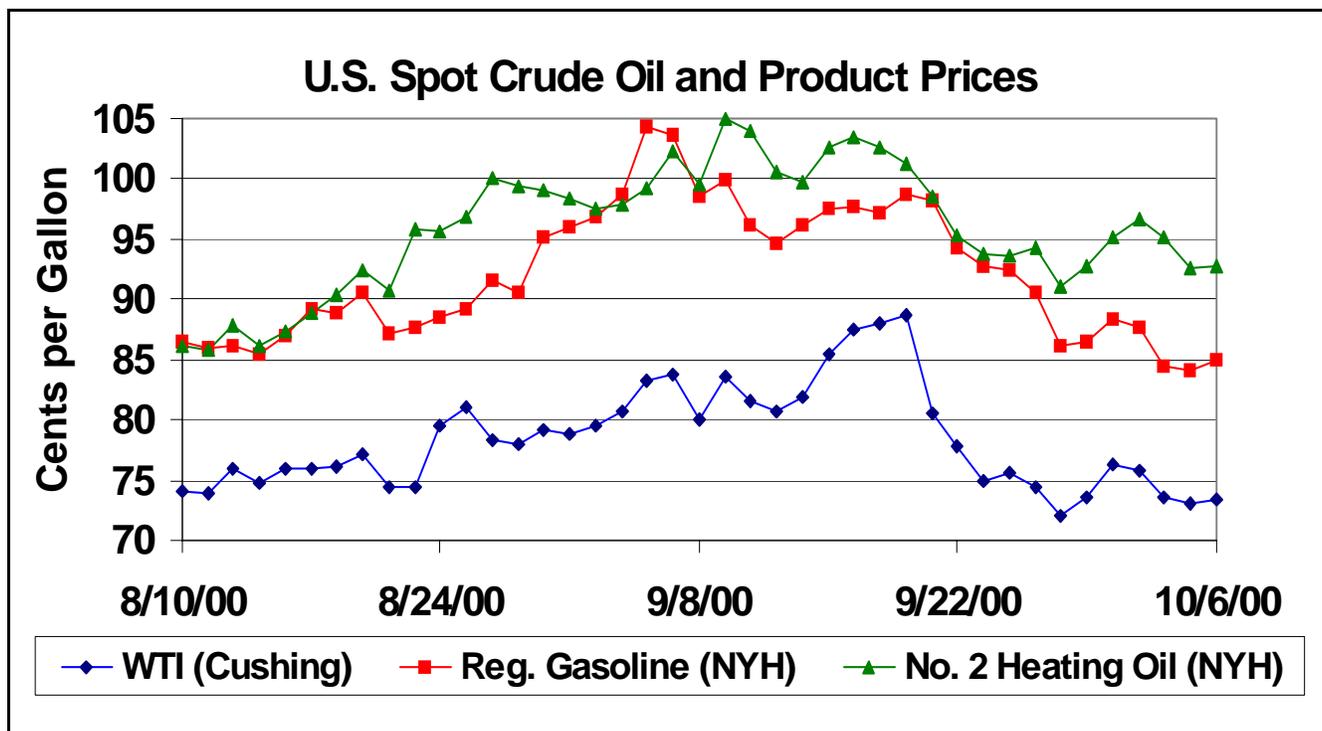
MARKET SUMMARY

Oil prices on U.S. spot and futures markets saw little net change last week, as offsetting international and domestic influences pushed prices higher, then back down, ending the week much as they had started out. The week began with a continuation of the previous Friday's upturn from six-week lows, supported by further tensions between Iraq and Kuwait, along with movement of Hurricane Keith through the western Gulf of Mexico. Prices turned downward in midweek, first responding to crude oil and gasoline stockbuilds, then the announcement of the winning bids in the Strategic Petroleum Reserve crude oil swap. Ahead of the Columbus Day weekend, prices recovered slightly, despite a lack of significant market events.

Crude oil - prices rose significantly only on Monday, sending WTI briefly back over \$32 per barrel, on hurricane concerns and Kuwaiti counter-accusations of past oil theft against Iraq. Anticipation of stockbuilds in the weekly supply reports, later proved correct, pushed prices downward Tuesday and Wednesday, and downward momentum was sustained by the SPR award announcement late Wednesday. Some traders and analysts were apparently surprised that the swap was fully subscribed, pushing WTI back near \$30 by Thursday, before modest pre-weekend shortcovering on Friday.

Gasoline - posted declines in futures and most spot markets, largely in response to an unexpectedly large 5-million-barrel stockbuild for the week ending September 29. Despite problems in restarting key units at two refineries, and rumored problems at a third, adequate inventories and a seasonal decline in demand have greatly reduced upward price pressures.

Distillate - closely followed crude oil price trends, with slight additional strength coming from mixed reports on inventories for the last week in September. EIA showed a small stockdraw to 114.2 million barrels, nearly 31 million barrels lower than a year ago.



CHRONOLOGY OF RECENT MARKET EVENTS

- 10/6 - rising** - crude oil and product prices rose modestly, attributed to a slight rebound from heavy selling the previous two days, in the absence of significant market-moving news. Mexican Gulf Coast ports were reopened after the passing of Hurricane Keith.
- 10/5 - falling** - prices fell marketwide for the second straight day, largely credited to the announcement late Wednesday of winning bids for the 30-million-barrel Strategic Petroleum Reserve swap. With little other news of significance to drive markets, some traders and analysts ascribed the reaction to earlier assumptions that the swap would be undersubscribed by oil companies.
- 10/4 - falling** - gasoline led all prices lower after generally bullish supply reports from both API and EIA, including a 5-million-barrel stockbuild in gasoline, and a smaller gain in crude oil inventories. Later in the day, after NYMEX closed, the Department of Energy announced winning bids for the entire amount of Strategic Petroleum Reserve crude oil offered for swap.
- 10/3 - mixed** - crude oil and gasoline prices eased, while distillates continued upward, all in anticipation of the weekly API and EIA supply reports. Hurricane Keith was downgraded to a tropical storm, then a tropical depression, as it moved across the Yucatan Peninsula, while two U.S. refineries announced delays in restarting key units.
- 10/2 - rising** - all prices rose for a second day, lifted by ongoing tensions between Iraq and Kuwait, along with a hurricane moving through the western Gulf of Mexico. WTI spot and futures prices rose back over \$32 per barrel, pushing most product prices up by 2 or more cents.
- 9/29 - rising** - spot and futures prices rebounded moderately to finish the week, after dropping on Thursday to the lowest levels since mid-August. Traders and analysts cited short-covering after more than a week of rapid declines, including a drop of nearly \$7 per barrel in crude oil prices.
- 9/28 - falling** - prices dropped sharply across the board, largely attributed to Saudi Arabia's pledge, at the OPEC summit conference in Caracas, to export sufficient crude to stabilize the world market. Additionally, Republican leaders dropped an attempt to block the SPR release, and Iraq appeared unlikely to halt exports to protest U.N. approval of reparations to Kuwait.
- 9/27 - mixed** - crude oil and gasoline prices fell, while distillates rose, in response to a variety of influences, including weekly supply data. Product prices largely responded to inventory changes, while crude oil dropped despite lower stocks, attempts to block the announced SPR swap, and doubts that European nations will release strategic stocks.
- 9/26 - mixed** - price changes were varied ahead of the weekly API and EIA supply reports, effectively stalling the sharp market decline since the middle of the previous week. Amid public comments from European nations about a possible release of strategic stocks, OPEC's president warned that such a move could send prices too low, forcing the group to take corrective action.