



# Petroleum Market Report

March 26, 2001

Energy Information Administration  
Office of Oil & Gas

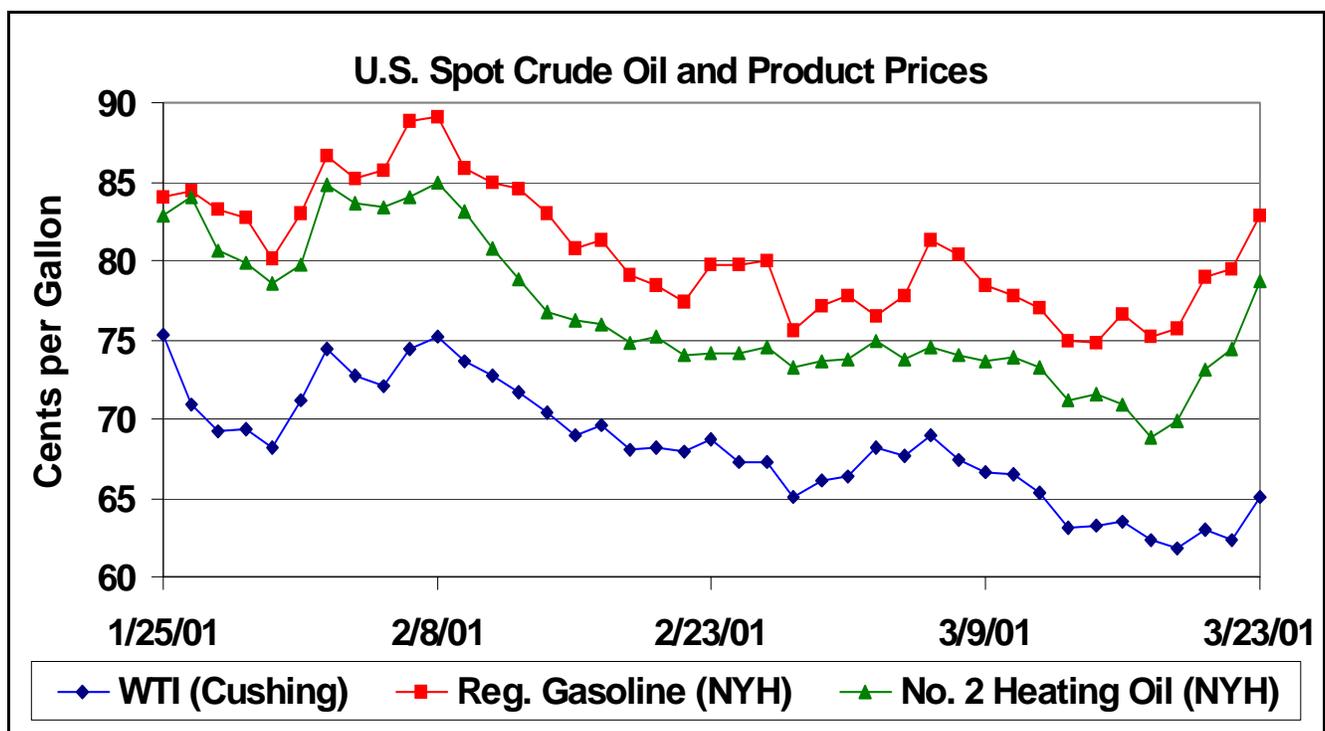
## MARKET SUMMARY

Stronger product prices led U.S. petroleum spot and futures markets higher last week, in the wake of OPEC's decision to cut output quotas by 1 million barrels per day beginning in April. Crude oil prices dropped through Tuesday, despite the OPEC announcement, reaching a new low for the year ahead of April NYMEX futures expiration. However, product stockdraws for the previous week turned markets firmly upward beginning Wednesday. Pipeline and refinery maintenance, the sinking of the world's largest offshore platform, and Mexico's announcement of export reductions added to upward price pressures during the remainder of the week.

**Crude oil** - prices eased on Monday and Tuesday, seemingly ignoring the OPEC output cuts announced the previous Saturday. Although the reduction is expected to reduce supply and lead to firmer prices over the coming months, the amount was only slightly on the high side of expectations already built into market prices. After dropping below \$26 per barrel (WTI) on Tuesday, crude prices rose the remainder of the week, though much less than products. A larger-than-expected stockbuild for the week ending March 16 helped limit price strength at midweek, while an announced 40,000-barrel-per-day cut in Mexican exports, supporting the OPEC decision, supported solid gains on Friday.

**Gasoline** - dropped slightly on Monday, then rose strongly the remainder of the week, aided by a solid stockdraw for the week ending March 16, which left inventories nearly 5 million barrels lower than a year ago. A Gulf Coast refinery restarted from maintenance, while an East Coast plant experienced problems.

**Distillate** - prices were the strongest element in U.S. markets, with expected demand for spring planting and summer power generation displacing earlier concerns about winter heating needs. A moderate stockdraw for the previous week left U.S. inventories still 10 million barrels higher than year-ago levels.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 3/23 - rising** - prices rose sharply across the board, aided by a rebound in the U.S. stock market and Mexico's announcement of a cut in oil exports. Maintenance on two major pipelines and pre-weekend shortcovering were also cited as supporting market firming.
- 3/22 - mixed** - crude oil prices moved moderately lower, while products continued upward, attributed to a mix of economic concerns and shortcovering. Declines in the U.S. stock market have reportedly prompted worries about the impact of a slowing economy on petroleum demand.
- 3/21 - rising** - spot and futures prices climbed marketwide, led by products, following release of the weekly supply reports. Despite a larger-than-expected crude oil stockbuild, declines in product inventories, along with pipeline and refinery maintenance, dominated market sentiment for the day.
- 3/20 - mixed** - crude oil and NYMEX gasoline prices eased, while others rose, ahead of April crude oil futures expiration and the weekly API and EIA supply reports. In an eventful day, the Federal Reserve Bank cut interest rates, the world's largest-capacity offshore platform sunk off Brazil, and WTI crude oil spot and futures prices fell below \$26 per barrel for the first time this year.
- 3/19 - falling** - all prices dropped solidly, despite OPEC's decision over the weekend to cut production quotas by 1 million barrels per day starting in April. Although the reduction is expected to tighten the supply/demand balance and lead to firmer prices over the coming months, analysts saw the decision as only slightly on the high side of expectations already built into the market price.
- 3/16 - mixed** - crude oil and gasoline prices ended higher, while distillates posted moderate declines. Despite OPEC's reported decision to cut production quotas by a larger-than-expected 1 million barrels per day starting in April, markets reacted by dropping from the day's peaks.
- 3/15 - mixed** - crude oil and most product prices rose slightly in cautious trading as OPEC ministers gathered in Vienna for Friday's meeting. The size of the likely cut remained unclear, with a range of volumes between 500,000 and 1.5 million barrels per day still reportedly under discussion.
- 3/14 - falling** - all prices dropped sharply, led by crude oil, in the wake of a huge and unforeseen crude oil stockbuild in the weekly API and EIA supply reports. The stockbuild replaced much of the large mid-February drop which had been attributed to heavy fog on the Gulf Coast hampering imports.
- 3/13 - falling** - prices fell moderately across the board, ahead of weekly API and EIA supply reports expected to show small stockdraws. Public comments by OPEC ministers and others continued to suggest an output cut of less than a million barrels per day, to be decided at Friday's meeting.
- 3/12 - mixed** - crude oil prices settled slightly lower, while most products gained, with markets relatively quiet and focused on Friday's OPEC meeting in Vienna. Most observers expect an output cut between 0.5 and 1.0 million barrels per day, though a great deal of uncertainty remains about commitments from both OPEC members and non-members.