



# Petroleum Market Report

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Energy Information Administration  
Office of Oil & Gas

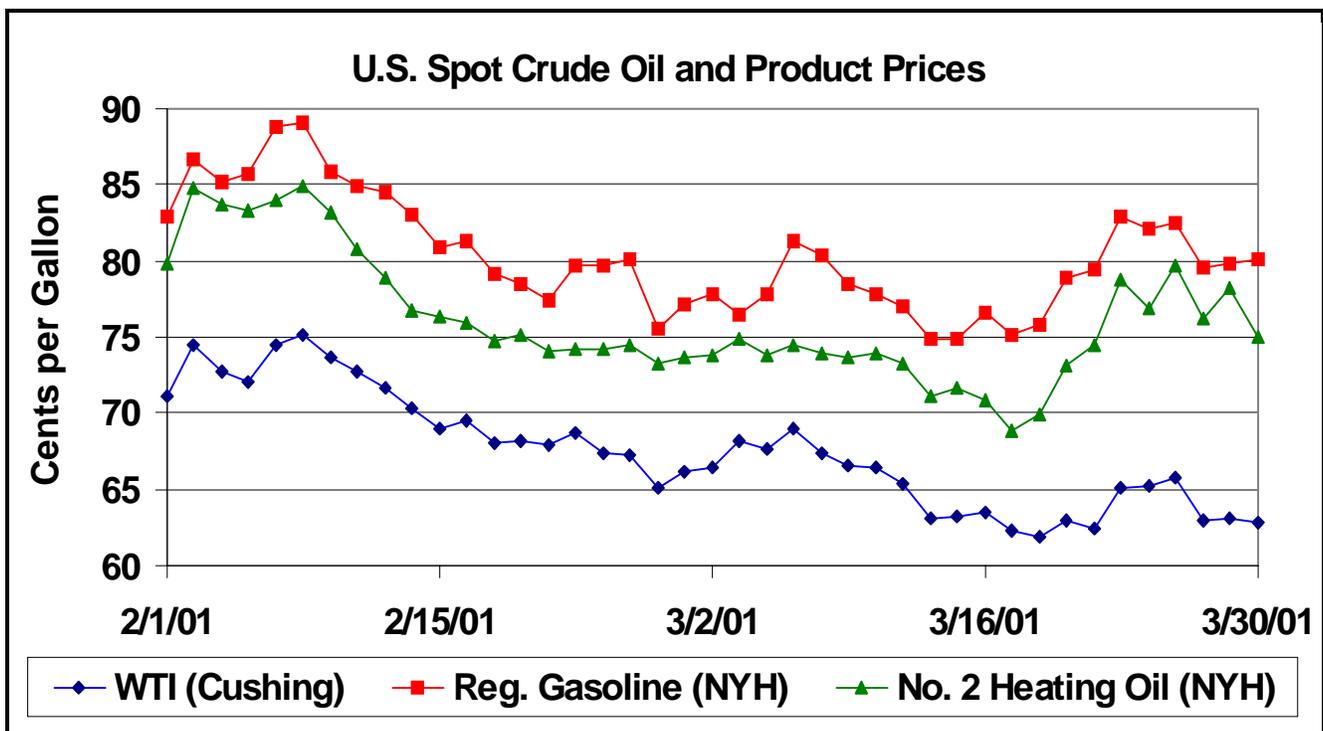
## MARKET SUMMARY

U.S. petroleum spot and futures prices posted moderate declines last week, partially reversing the previous week's solid gains. A very large, and mostly unanticipated, rise in U.S. crude oil inventories during the week ending March 23, to their highest levels in 10 months, was the most significant market-moving event of the week. Further downward price pressure came from news that the Department of Energy will accept later repayments of crude oil swapped from the Strategic Petroleum Reserve last fall. Other influences during the week included NYMEX product futures contract expiration, a strike by Venezuelan oil workers, and reports of incoming gasoline cargoes from Europe.

**Crude oil** - prices finished the week with a net decline of about \$1 per barrel, less than their one-day decline on Wednesday following release of API and EIA supply reports showing a third consecutive large crude stockbuild. The week began with modest increases Monday and Tuesday, partially attributed to a threatened strike by Venezuelan oil workers. Following Wednesday's sharp decline, markets stabilized through the end of the week, as a potential upward correction was offset by reaction to the news that SPR crude oil replacement will be delayed, allowing more supply flexibility this summer.

**Gasoline** - markets generally softened on the East and Gulf coasts, while Midwest and West Coast prices rose. Summer supply concerns continue to gain attention, despite a wave of imports reportedly in transit from Europe. A seasonal stockdraw for the week ending March 23 left U.S. inventories 7 million barrels (about 4 percent) below year-ago levels.

**Distillate** - prices moved unsteadily downward last week, as late-March cold weather interrupted the seasonal dissipation of winter heating fuel demand, soon to be followed by spring agricultural demand. The expiration of April NYMEX product futures contracts on Friday was also a factor.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 3/30 - mixed** - price movements varied, with gasoline rising, and crude oil and distillate falling, the latter more sharply. Product market activity reflected the expiration of April NYMEX futures contracts at the close of trading.
- 3/29 - rising** - spot and futures prices ended higher in volatile trading, featuring an upward correction from Wednesday's declines, coupled with a downturn on news that the Department of Energy will allow deferred repayment of crude oil released from the Strategic Petroleum Reserve last fall.
- 3/28 - falling** - prices dropped solidly marketwide, following a huge build in crude oil inventories shown in supply data for the previous week. The stockbuild overshadowed all other influences, including another escalation in violence between Israeli and Palestinian forces.
- 3/27 - rising** - all prices rose ahead of the weekly API and EIA supply reports, with distillates posting the largest increases, aided by forecast colder weather. New York Harbor spot heating oil neared 80 cents per gallon for the first time since mid-February.
- 3/26 - mixed** - crude oil and NYMEX gasoline prices increased slightly, while others retreated following Friday's sharp gains. A threatened strike by Venezuelan oil workers, though expected to have little impact on supplies, provided some support to crude oil markets.
- 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.