



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

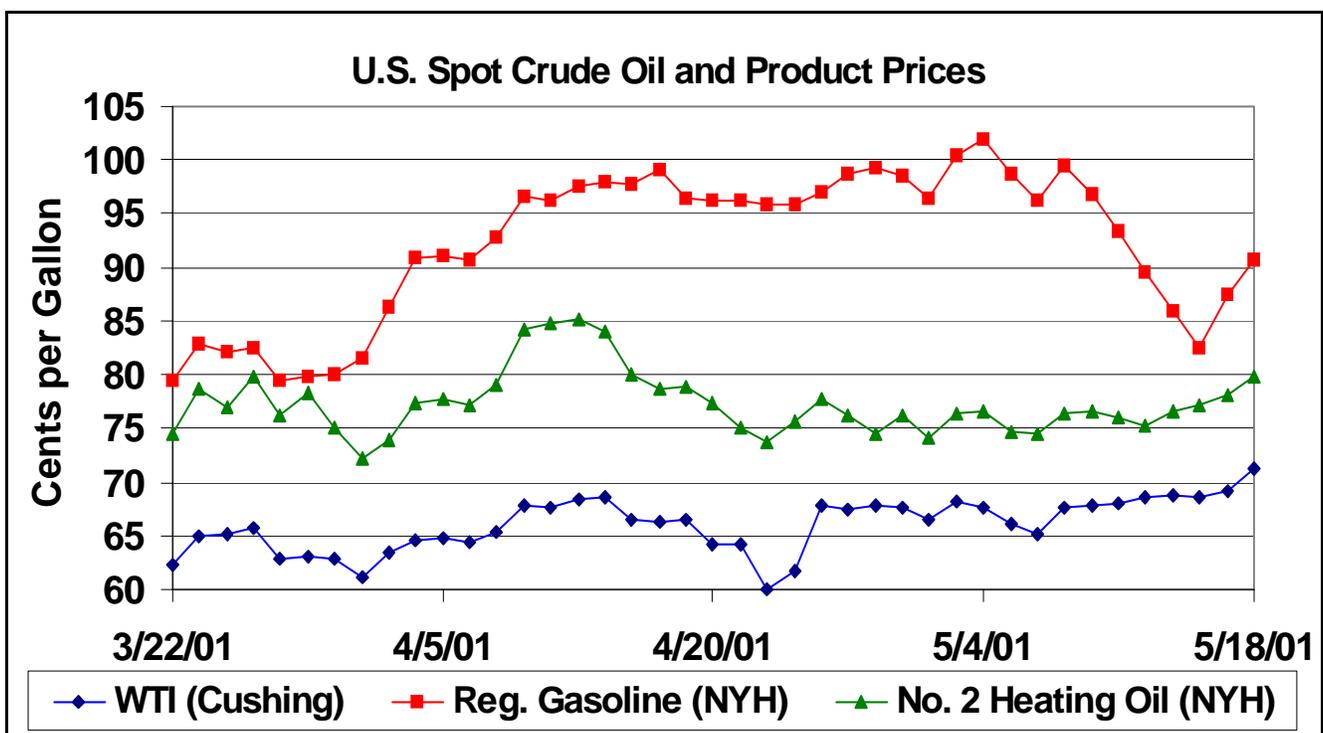
MARKET SUMMARY

A midweek reversal in gasoline price direction was the most significant development in U.S. petroleum markets last week, as gasoline spot and futures prices ended five days of decline to turn strongly upward starting Thursday. Crude oil and distillate prices trended mostly upward all week, with relatively little in the way of strong influences seen driving markets. Refinery status remained the most significant factor underlying gasoline prices, while crude oil markets continued to anticipate the coming June OPEC meeting, and reacted to fresh conflict in the Middle East late in the week. President Bush's National Energy Policy was released on Thursday, but had little immediate impact on markets.

Crude oil - spot and futures prices drifted generally upward in a very narrow range through Thursday, before climbing almost \$1 on Friday to a 3-month high just under \$30 per barrel (WTI). An unexpected stockbuild, pushing U.S. inventories to over 19 million barrels above year-ago levels, resulted in a slight decline on Wednesday, the only decrease all week. Friday's strength was generally attributed to a joint U.S.-British airstrike on an Iraqi missile site and new violence between Israelis and Palestinians.

Gasoline - price movements dominated U.S. market activity again last week, as a 5-day downward correction ended emphatically with 8 cents of gains in two days. The week began with U.S. refinery operating status steadily improving, and prices continued to decline despite a fire at Hovensa's Virgin Islands facility and trouble restarting a Venezuelan cat cracker. The turning point came on Thursday with a rumor of crude unit maintenance at a major East Coast refinery in June, reigniting concerns about ongoing supply adequacy through the summer.

Distillate - prices closely followed crude oil upward, further boosted by an unexpected stockdraw which left U.S. inventories just above year-ago levels.



CHRONOLOGY OF RECENT MARKET EVENTS

- 5/18 - rising** - all prices climbed for a second day, again led by gasoline, attributed to pre-weekend shortcovering on refinery concerns and new conflicts in the Middle East. A U.S./British airstrike on a missile site in southern Iraq and renewed Israeli/Palestinian violence were seen as providing some support to crude oil markets.
- 5/17 - rising** - prices rose across the board, led by a sharp reversal in gasoline after five days of declines. Rumored June crude unit maintenance at an East Coast refinery was seen as a significant influence, while release of President Bush's National Energy Policy had little immediate impact.
- 5/16 - mixed** - gasoline prices fell solidly for a fifth day, following larger-than-expected stockbuilds in the weekly supply reports, while crude oil dropped slightly and distillates rose. News that PDVSA had restarted its Cardon cat cracker after delays, and that the impact of a fire at the Hovensa Virgin Islands refinery was less than expected, contributed to gasoline price weakness.
- 5/15 - mixed** - crude and distillate prices rose, while gasoline continued to decline, ahead of the weekly API and EIA supply reports. An expected gasoline stockbuild, along with improving U.S. refinery operational status, overshadowed recent problems at two major Caribbean refineries.
- 5/14 - mixed** - crude oil prices ended higher, while products continued downward, further narrowing refinery crack spreads. Refinery unit restarts, accomplished or anticipated, are adding to already-high utilization rates, reducing earlier supply concerns, especially for gasoline.
- 5/11 - mixed** - product prices fell strongly, led by gasoline, while crude oil was slightly higher. Despite continued unrest in Nigeria, U.S. markets continued to focus on refinery activity, where the news has been largely positive all week.
- 5/10 - mixed** - crude oil and distillate prices rose slightly, attributed to export problems in Nigeria, while gasoline fell as U.S. refinery operations improved. Sunoco said its Point Breeze refinery would run at full capacity during repairs, while Orion said it had restarted its Norco FCC unit after delays.
- 5/9 - rising** - gasoline led all prices higher, boosted by moderately bullish weekly stocks data and a problem at Sunoco's Point Breeze (Philadelphia) refinery. Gasoline inventories grew less than expected during the week ending May 4, while crude oil and distillate stocks showed little change. Mexico's energy minister joined with OPEC in saying that no output increase is needed at present.
- 5/8 - mixed** - all but heating oil futures prices fell for a second day, ahead of the weekly API and EIA supply reports, expected to show crude and product stockbuilds. A statement by the Saudi oil minister that output might be raised in the third quarter of the year was also seen as a factor.
- 5/7 - mixed** - most prices dropped, led by gasoline, with only NYMEX June heating oil futures up slightly. Gasoline briefly rose to a contract high, before falling in profit-taking, aided by President Bush's statement that he is "very concerned" about rising gasoline prices, but will resist "quick fixes."