



# Petroleum Market Report

January 22, 2002

Energy Information Administration  
Office of Oil & Gas

This is the last issue of the *Petroleum Market Report*. A replacement product called *This Week In Petroleum* is now available at: <http://tonto.eia.doe.gov/oog/info/twip/twip.asp>.

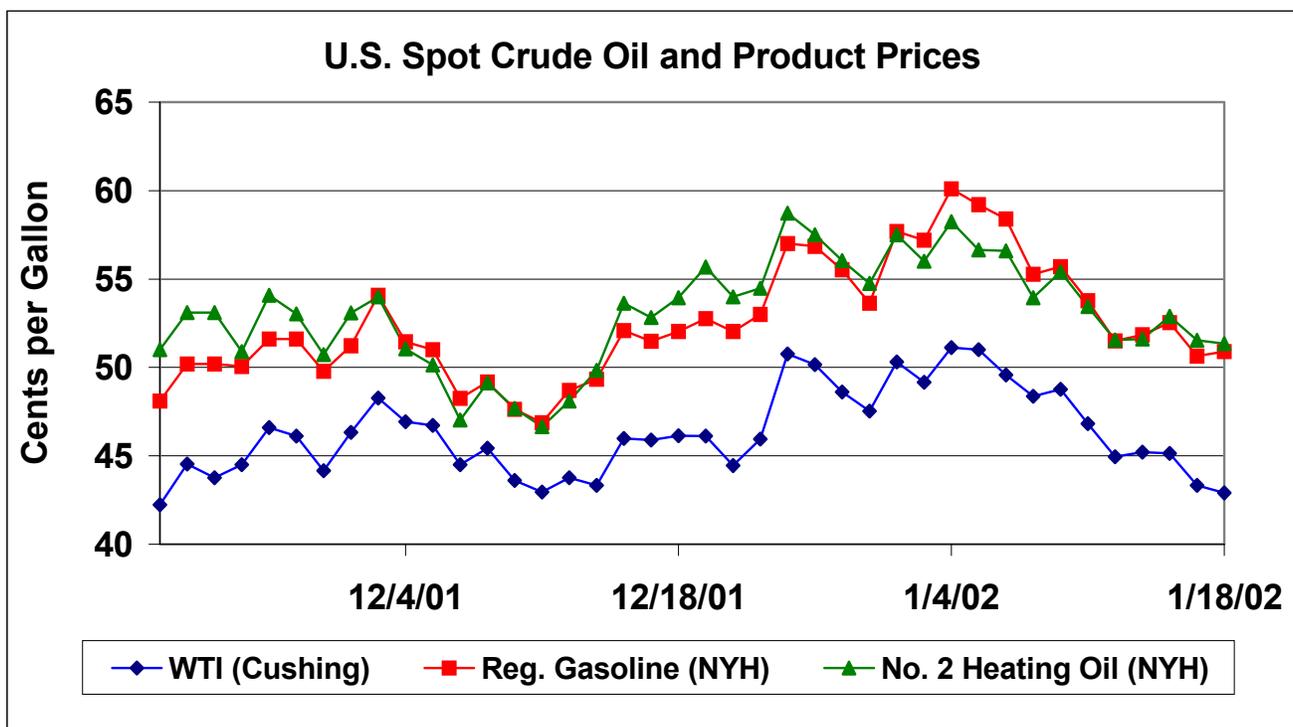
## MARKET SUMMARY

U.S. petroleum spot and futures prices moved solidly lower last week, taking NYMEX crude oil to its lowest level in 2 months. With the impact of OPEC/non-OPEC output cuts not yet seen in inventory levels, soft demand has continued to be the dominant influence. Weak refinery margins have prompted some companies to begin cutting runs, which will further soften crude oil prices in the short run, but is expected to tighten product supplies over time. Late in the week, the approaching holiday weekend and NYMEX crude oil expiration, along with the monthly IEA report, were seen as significant factors.

**Crude oil** - prices dropped in increments for the second straight week, as concerns over weak demand overcame the impact of output cuts by OPEC and other major exporting countries. Additional support, from lower Iraqi exports the previous week and an IEA report suggesting firmer prices on the horizon, was insufficient to reverse the decline.

**Gasoline** - was the weakest component of U.S. product markets, due largely to growing inventories and reports of numerous incoming import cargoes. However, refinery maintenance and run cuts may limit the extent of this market softness.

**Distillate** - prices were pulled lower by weak crude oil markets, mild weather, and relatively high inventory levels. Despite a small draw for the week ending January 11, distillate stocks remained nearly 24 million barrels higher than a year ago.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 1/18 - mixed** - price changes were small but varied in a shortened trading session ahead of the 3-day holiday weekend. Some bullish sentiment was prompted by the International Energy Agency's monthly Oil Market Report, which suggested that OPEC/non-OPEC output cuts may set the stage for firmer prices later this year.
- 1/17 - falling** - prices fell across the board in activity characterized as a selloff ahead of the 3-day Martin Luther King holiday weekend. Refinery maintenance and run cuts were cited for a drop in NYMEX crude oil to its lowest price since November 19.
- 1/16 - mixed** - crude oil prices ended slightly lower, while products posted gains. All prices recovered significantly from early lows reached in reaction to the API and, to a lesser extent, EIA supply reports, which showed stockbuilds for crude oil and gasoline.
- 1/15 - rising** - spot and futures prices turned modestly upward, seen as a slight correction after a week of declines. Unit outages at several Gulf Coast refineries and a drop in Iraqi crude oil exports last week were seen as supportive factors, despite expectations of crude and gasoline stockbuilds in the weekly supply reports.
- 1/14 - falling** - all prices fell solidly for a second day, nearly mirroring Friday's movement, on bearish sentiment largely attributed to weak demand. Distillate prices were influenced by mild weather in the Northeast, while gasoline was affected by a reported large number of expected import cargoes.
- 1/11 - falling** - prices fell amid growing market skepticism about the adherence of OPEC and non-OPEC producing countries to the production cut agreement. Russia announced it would lift restrictions on fuel oil exports from its Baltic and Black Sea ports in January, prompting some analysts to wonder how serious Russia was about its production cut pledge.
- 1/10 - rising** - NYMEX crude futures rebounded, but not enough to erase losses in the previous days. Iraqi oil minister Mohammed Saleh said that Iraq plans to continue exporting 2 million barrels per day of crude oil in 2002.
- 1/09 - falling** - the release of government inventory data pushed prices down again, as increases in crude oil, gasoline, and distillate stocks, as well as weak demand, put bearish pressure on the market.
- 1/08 - falling** - NYMEX crude futures lost more ground ahead of the release of weekly inventory data. Brent sold at a premium to NYMEX crude, which discouraged U.S. imports and would tighten supplies if the trend continued in coming weeks. Gasoline and heating oil futures also showed losses.