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Oil Slips from Four-Month High

Crude inventories, gasoline and distillates stock fall, helping prices to rally

By Sarah McFarlane
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- U.S. oil prices retreated slightly Thursday but remained near a four-month high above $60 a barrel after a sharp fall in U.S. crude inventories sparked a rally.

- West Texas Intermediate futures, the U.S. oil standard, were down 0.2%, at $60.12 a barrel, on the New York Mercantile Exchange. On Wednesday, WTI prices closed at their highest level since Nov. 12.

- Brent crude, the global oil benchmark, was trading down 0.2% at $68.37 a barrel on London's Intercontinental Exchange, having earlier reached $68.69, its highest level since November.

HIGHLIGHTS

U.S. Stocks: Crude inventories fell by 9.6 million barrels, weekly data published by the U.S. Energy Information Administration showed Wednesday, sending a bullish signal to the market. Stocks of gasoline and distillates also fell, helping oil prices rally to four-month highs. "Since U.S. oil inventories make up around 44% of OECD inventories, there is a good chance that we shall see some stock draw in the latter by the end of this quarter," said Tamas Varga, an analyst at brokerage PVM.

Oil pumps at Daqing oil field in China's Heilongjiang Province. Rising oil prices, combined with signs of slowing global economic growth, are worrying for future demand growth.

PHOTO: WANG YUNLONG/ZUMA PRESS

Trade Talks: Investors awaited the next round of talks between the U.S. and China as the world's two largest economies sought to end a yearlong trade dispute. U.S. trade representatives are expected to fly to Beijing next week, with the countries aiming to close a deal by late April.

Venezuela: Developments in oil-rich Venezuela continue to support oil prices nearly two months after President Trump on Jan. 23 said he no longer recognizes Nicolas Maduro as the country's president. Venezuelan oil production has since dwindled to just over a million barrels a day, with widespread power outages complicating efforts to boost output.

"The situation in Venezuela has progressively evolved into a stalemate, with no quick resolution in sight," said analysts at Energy Aspects. "As a result, we have reduced our second-half 2019 Venezuelan output projections."

INSIGHT

Demand: Rising oil prices, combined with signs of slowing global economic growth, are worrying for future demand growth, analysts said. "My concern is that, at some point, when does demand destruction kick in?" said Michael Hewson, chief market analyst at brokerage CMC Markets, adding that higher oil prices are likely to act as a "brake." In recent months, many companies have pointed to weaker global trade growth hitting their bottom line.

International shipping company FedEx Corp. was the latest, reporting on Tuesday weaker sales than expected in its third quarter, which ended in February. Due to its global reach, FedEx is widely considered a macroeconomic bellwether.

In its latest monthly report published last week, the International Energy Agency maintained its forecast for global oil demand to grow by 1.4 million barrels a day in 2019, up from 1.3 million barrels the previous year.

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