



Oil Slides With Ample Supplies in Storage for Winter Demand

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By Grant Smith and Reg Curren

Nov. 26 (Bloomberg) -- Oil fell in New York on speculation that inventories at a four-week high will be adequate to meet U.S. fuel demand this winter.

Crude stockpiles increased to 337.8 million barrels in the week ended Nov. 20 and distillate inventories, which include heating oil and diesel, were 26 percent above the five-year average, the Energy Department said in a report yesterday. A strengthening dollar also pushed crude prices lower. A stronger dollar reduces demand for commodities as a currency hedge.

"On the fundamental side, it's not justified for oil prices to go higher," said [Gerrit Zambo](#), a trader with Bayerische Landesbank in Munich. "Even with a cold winter there wouldn't be any problem with supply as storage is so full and demand isn't as high as two years ago."

Crude oil for January delivery fell \$1.73, or 1.7 percent, to \$76.23 a barrel in electronic trading on the New York Mercantile Exchange at 1:14 p.m. The contract fell as low as \$76.05. Futures have gained 71 percent this year and climbed 2.6 percent yesterday as the U.S. currency slumped.

There is no floor trading in New York today because of the U.S. Thanksgiving holiday. Electronic trading ended at 1:15 p.m. in New York with no settlement of prices. Electronic trading, which resumes at 6 p.m., and tomorrow's floor session will count toward the settle. All trading will stop at 1:45 p.m.

Distillate supplies were 166.9 million barrels, 26 percent above the five-year average, according to Energy Department data.

Weak Fundamentals

"Fundamentals are a bit on the bearish side," said [Chris Jarvis](#), president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "Demand is sluggish. We're swimming in heating oil right now."

U.S. gasoline inventories increased to 210.1 million barrels last week as imports rose and refiners boosted output, Energy Department data showed.

The Dollar Index, which tracks the greenback against the currencies of six trading partners, rose 0.7 percent to 74.816 after it reached a 15-month low yesterday on speculation the U.S. will keep interest rates near zero.

"Crude is going to be very sensitive to dollar moves just because there are no other players in the market," said Jarvis. "Wherever the dollar drifts to, you'll see the inverse with crude."

The dollar strengthened against most of the other main currencies, except the Japanese yen, after Dubai's attempt to reschedule its debt spurred investors to seek the safety of assets perceived as lower risk.

Dollar Moves

The U.S. currency yesterday fell to \$1.5144 against the euro, the lowest since August 2008, amid speculation the Federal Reserve will keep interest rates low. A weaker dollar bolsters the investment

appeal of commodities.

“With the U.S. on holiday today, both the upper side and lower side should be limited,” said **Ken Hasegawa**, a commodity derivatives sales manager at Newedge in Tokyo.

Brent crude oil for January delivery on the London-based ICE Futures Europe exchange fell \$1.45, or 1.9 percent, to settle at \$76.99 a barrel. Yesterday, it rose 2.6 percent, the most since Nov. 16, to \$78.44 a barrel.

To contact the reporter on this story: **Grant Smith** in London at gsmith52@bloomberg.net; **Reg Curren** in Calgary at rcurren@bloomberg.net

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