

Oil steady below \$43 after plunging on US report

Written by reporter

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Oil prices were steady below \$43 a barrel Thursday in Asia after a higher-than-expected increase in U.S. inventories sparked a 12 percent plunge in crude overnight.

Light, sweet crude for February delivery dipped 14 cents to \$42.49 a barrel in electronic trading on the New York Mercantile Exchange by midday in Singapore.

On Wednesday, the contract tumbled \$5.95 to settle at \$42.63 after the Energy Information Administration said that inventories of commercial crude oil inventories rose 6.7 million barrels. That was well above the 1.5 million-barrel build expected by analysts surveyed by Platts, the energy information arm of McGraw-Hill Cos.

"Those inventory numbers reminded the market that demand remains weak," said Toby Hassall, an analyst with investment firm Commodity Warrants Australia in Sydney. "Any price rallies are likely to be short-lived in the near term."

More dismal economic and corporate news from the U.S. also suggested demand is slowing and helped push prices lower.

Chip maker Intel Corp. warned about falling revenue for a second time since November while aluminum producer Alcoa Inc. and media giant Time Warner Inc. gave bleak outlooks, highlighting the deepening recession. In addition, the ADP National Employment Report said private sector jobs fell by a greater-than-expected 693,000 in December. On Wall Street, the Dow Jones industrial average slid 2.7 percent.

Oil prices had risen earlier this week to above \$48 from a five-year low of \$33.87 a barrel on Dec. 19 on investor concern that the conflict between Israel and Hamas in Gaza could spread to the rest of oil-rich Middle East and affect supplies.

Israel resumed its Gaza offensive Wednesday, bombing heavily around suspected smuggling tunnels near the border with Egypt after a three-hour lull to allow in humanitarian aid. Some 668 Palestinians and 10 Israelis have been killed in the 12-day assault.

"There was a shift of focus to geopolitical issues last week," Hassall said. "If the situation calms down a little over there, the market's focus will come back to

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the weak global demand outlook, and that should keep prices pretty suppressed."

In other Nymex trading, gasoline futures rose 1.1 cents to \$1.09 a gallon. Heating oil gained 1.4 cents to \$1.56 a gallon while natural gas for February delivery fell 1.2 cents to \$5.86 per 1,000 cubic feet.

In London, February Brent crude dipped 2 cents to \$45.84 a barrel on the ICE Futures exchange.