



This week's Petroleum News

March 12, 2012

Market Outlook

Monday (3/5/12)

Traders were paying real close attention to the Enbridge Pipeline which is a major player in transporting Canadian Crude to the US. The first of the two lines are expected to be restarted sometime Wednesday with the second line restart on Thursday.

Some bearish feel came to the market today with China announcing they were pulling back the economic growth target to 7.5% after being set at 8% for the last 8 years.

Continued rhetoric out of Iran continues to fuel the fire in the market. Obama met with Netanyahu to discuss the events that are transpiring in the region. Obama stressed diplomacy being the first step but would support force if necessary. Sanctions against Iran are scheduled to start mid-summer, hopefully, force Iran's hand to come to the table to negotiate their nuclear program.

Tuesday (3/6/12)

Traders saw some relief today with Iran allowing the International Atomic Energy group to plan an inspection within the Iranian nuclear development.

U.S. retail gasoline demand was down 6.5% Year on Year up to March 2nd. Week to week comparison shows down 1.5% according to MASTERCARD.

Some traders are warning this smells like a profit taking day. With the recent push higher on the NYMEX, the funds money taking extremely long positions in this market and a relatively strong dollar, we only saw modest losses. As we saw last week, one little hint or rumor of a happening in Saudi Arabia, or any oil rich country, can send this market into next week. The bears have been harder to find.

Wednesday (3/7/12)

Gasoline started the day strong after a report came out showing solid jobs data in February. RBOB tightness continues to be a concern in the PADD 1 region (Northeast US) which helped carry RBOB to that higher premium to other products all day in trade.

Heating Oil and Crude lagged behind and actually went negative after the DOE report came out until the Fed announced they are considering another bond buying strategy. The market gained strength from there.

Thursday (3/8/12)

Lending support to the markets, the European Central Bank left its key interest rate unchanged at a record low of 1 percent, holding off on further measures to boost the shaky economy in the 17 countries that use the euro. Market concern over some debt-stricken European governments such as Spain and Italy, has eased recently and investors and analysts are waiting to hear whether ECB president Mario Draghi gives a slightly more upbeat assessment of prospects for growth.

Household wealth in the U.S. climbed from October through December for the first time in three quarters as an increase in stock prices outpaced a decline in home values. Net worth for households and non-profit groups increased by \$1.19 trillion in the 4th quarter, up 2.1 percent from the previous three months, to \$58.5 trillion, according to a report by the Federal Reserve. Since reaching a five year low of 50.5 trillion in the first quarter of 2009, net worth has improved by \$8 trillion. This still leaves it \$8.4 trillion below the record high of \$66.8 trillion reached in the quarter ending in June, 2007, about six months before the recession began.

Household debt rose at a .3 percent annual rate last quarter, the first increase in more than three years, today's report showed. Other forms of consumer credit including auto and student loans rose at a 6.9 percent pace, the biggest gain in at least seven years.

Friday(3/9/12)

Runaway oil speculation is costing the airline and trucking industries \$39 billion a year in added expenses, according to recent data released by the CFTC. It is estimated that the airline industry could save as much as \$9.8 billion if Wall Street speculation is curbed, according to Commissioner Bart Chilton of the Commodity Futures Trading Commission this week. The trucking industry stands to save even more, as much as \$29.1 billion a year according to Chilton.

These staggering numbers are the latest salvo in the bitter battle over the impact that oil speculators are having on fuel prices, which have sailed past \$106 a barrel over \$4 a gallon in some areas at the retail level.

At the center of the Feud is the CFTC, which passed new rules last October to limit certain traders, those who don't take physical delivery of crude or oil supplies, to 25 percent of the deliverable supply per month. Groups representing Wall Street are suing to squash those rules, saying that the CFTC never analyzed the numbers to prove their case. They are currently pressing a federal judge to halt the rules.

Chilton estimates that the "speculative premium" on oil adds about .56 cents to every gallon of gas, which he calls "an enormous drain" on business. Chilton has previously said that oil speculation costs every consumer up to \$757 extra a year

Market Fundamentals

Jobless Claims: New applications for unemployment benefits in the U.S. rose to the highest level in five weeks, climbing by 8,000 to a seasonally adjusted 362,000 however they remained in a range usually associated with better labor-market conditions.

Consumer Credit: Yesterday the consumer credit report showed that U.S. consumers increased their debt in January by a seasonally adjusted \$17.8 billion, according to the Federal Reserve. This increase in January was larger than the roughly \$10 billion gain expected.

European Central Bank: The European Central Bank leaves rates unchanged as the Bank of England holds fire as economic data show signs of stabilization giving additional bullish momentum to the Euro.

Ethanol: The EIA is reporting that U.S. ethanol exports last year tripled from 2010 to average a record 77,750 barrels per day on Brazil needs as they suffered from a poor sugar cane harvest.

Unemployment Report: The U.S. economy added 227,000 jobs in February while hiring in January and December was revised up by a combined 61,000. The unemployment rate remained at 8.3%, largely because more people entered the workforce in search of jobs.

U.S. Trade Balance: The U.S. trade deficit widened by 4.3% in January to \$52.6 billion, the largest gap since October 2008. The government also revised the deficit in December to \$50.4 billion from \$48.8 billion. This could trim estimates of fourth-quarter gross domestic product, now estimated to have grown at a 3.0% annual pace.

China: China's consumer prices rose at their slowest pace in 20 months in February, sending inflation below the benchmark deposit rates for the first time in more than two years, and providing policy makers more leeway for stimulus to help prop up the economy.

Keystone Pipeline: Meanwhile, a Republican proposal to grant a to the Keystone XL crude oil pipeline was defeated in the Senate yesterday as the ability to increase pipeline capacity to the Gulf Coast continues to be difficult.