

11:29 22Jan2009 RTRS-INSTANT VIEW 8-US crude, gasoline stocks surge

NEW YORK, Jan 22 (Reuters) - U.S. crude oil and gasoline supplies rose by sharply more than expected last week amid higher import levels and weak demand, the U.S. Energy Information Administration said on Thursday.

Crude oil futures on the New York Mercantile Exchange fell by \$3 a barrel after the report. [O/N]

HIGHLIGHTS FROM EIA REPORT (In million barrels):

- Crude	+6.1	(forecast +1.4)
- Distillate	+0.8	(forecast -0.5)
- Gasoline	+6.5	(forecast +1.9)

[Click here for the EIA status report \[ID:nEIA000003\]](#)

[Click here for the API status report \[ID:nAPI000032\]](#)

ANALYST COMMENTS

ANTOINE HALFF, FIRST VICE-PRESIDENT OF RESEARCH, NEWEDGE GROUP, NEW YORK, NY:

"Demand continues to be incredibly weak. Industrial demand and trucking demand (for diesel) is extremely weak. The container trade on the West Coast in December plummeted to the very bottom of the five-year range, both for imports and exports.

"Loaded inbound trade fell below the five-year average for the first time. There is increasing evidence of a collapse of not only domestic industrial manufacturing activity but also in U.S. foreign trade.

"The crude build comes as a surprise. The increase in crude imports comes despite extended closures at Mexican export terminals last week. It shows that crude supplies are more than adequate despite the OPEC cuts. But it could be a one-off, we could see the impact of the closures next week."

PHIL FLYNN, ANALYST AT ALARON TRADING IN CHICAGO

"This is a blindside for the market. It's a reflection that demand is just horrible. You have the coldest winter in years and distillates supplies rose. I don't know how many ways you can say it's bearish. There's support in the \$30s (for a barrel of crude), but we have so much oil we don't know what to do with it. It's going to take a major turnaround in the economy to burn off all this oil."

JAY LEVINE, BROKER, ENERJAY, LLC, PORTLAND, MAINE:

"The reports are in keeping with the recent trend of big builds in crude, thereby confirming supply isn't an issue but demand still is."

GENE MCGILLIAN, ANALYST, TRADITION ENERGY, STAMFORD, CONNECTICUT:

"Though there were some supportive factors that pulled up crude earlier today, the trend is still downward and the latest EIA data gives the market additional pressure."

TIM EVANS, ENERGY ANALYST, CITI FUTURES PERSPECTIVE, NEW YORK:

"The headline inventory numbers are all bearish. The crude stock build of 6.1 million barrels came on both an increase in imports and a drop in refinery crude runs."

"Distillate stocks rose despite a drop in refinery production and an increase in demand relative to the prior week, with four-week average demand down year-on-year."

"Gasoline stocks swelled by a dramatic 6.5 million barrels on a jump in imports versus a decline in demand."

STEPHEN SCHORK, EDITOR, THE SCHORK REPORT, PHILADELPHIA, PA:

"There is no demand from the industrial complex and industry is retrenching accordingly. The market is reacting

correctly. The supply/demand picture in present is poor.

I'm cautiously bearish."

TOM BENTZ, SENIOR COMMODITY ANALYST, BNP PARIBAS COMMODITY FUTURES, INC, NEW YORK, NY:

"Obviously with runs dropping as sharply as they did, it kind of highlights how demand has really come off because gasoline inventories grew, up 6.1 million barrels. Even the distillate, in probably one of the more strong demand periods of the year, still built 800,000 barrels. It just shows you how weak demand actually is."

ADDISON ARMSTRONG, DIRECTOR OF MARKET RESEARCH, TRADITION ENERGY, STAMFORD, CONNECTICUT:

"Quite shocking. We now have crude stocks about 15 percent higher than this time last year and about 11 percent higher than the five year average. This certainly isn't helping out anyone who expects to see oil go higher. It's going to put a lot of downward pressure on the market. That, coupled with today's news out of China of their falling GDP. I would expect we are going to start to see spreads widen back out."

CHRIS JARVIS, SENIOR ANALYST, CAPROCK RISK MANAGEMENT, HAMPTON FALLS, NEW HAMPSHIRE:

"The reports showed much bigger-than-expected builds for crude and gasoline stocks, once again driven by contango and improved gasoline crack spreads. Demand, year-over-year against difficult comparisons, was somewhat decent but certainly not enough to offset the incentive to build crude stocks to sell forward.

"Overall, bearish headlines, again, coming out of the energy complex with much of it already priced into the market. Regardless of today's data, the entire energy complex is being

dictated by outside markets, specifically, global equity indices led by the S&P 500."

KYLE COOPER, DIRECTOR OF RESEARCH, IAF ADVISORS, HOUSTON:

"This EIA report is bearish, bearish, bearish. Supply is not falling but demand is."

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