

10:59 01Apr2009 RTRS-INSTANT VIEW 8-US crude stocks rise on imports-EIA

NEW YORK, April 1 (Reuters) - U.S. crude oil stockpiles rose in line with expectations to a fresh 16-year high last week on higher imports and continued soft demand from domestic refiners, according to data issued by the U.S. Energy Information Administration on Wednesday.

Refined product inventories, meanwhile, rose unexpectedly, according to the report.

HIGHLIGHTS FROM EIA REPORT (In million barrels)

- Crude +2.8 (forecast +2.5)
- Distillate +0.3 (forecast -0.8)
- Gasoline +2.2 (forecast -1.4)
- Refinery utilization -0.3 pts (forecast +0.2 pts)

HIGHLIGHTS FROM TUESDAY'S API REPORT (In million barrels)

- Crude +3.3
- Distillate +1.800
- Gasoline -0.451

[Click here for the EIA status report](#) [ID:nEIA000027]

[Click here for Tuesday's API report](#) [ID:nAPI000032]

ANALYST COMMENTS

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

"On the surface the numbers appeared bearish for the energy complex given the bigger-than-expected build for gasoline, but when you look under the hood the culprit behind the bigger build was driven by a large gain for gasoline blending

components in preparation for the switch to the summer blend and coming driving season.

"Demand for gasoline was down year-over-year, but comparisons were difficult for this week and the month for that matter as last March went down as one of the warmest March's on record, which helped spur increased demand for gasoline as consumers took advantage of the warm weather.

"In short, the continued drawdown in stocks at Cushing and somewhat decent demand for gasoline relatively speaking should mitigate the bearishness of today's headlines. With that being said, we do expect the \$47 level to hold if the equity markets continue to stage their upward march north."

JIM RITTERBUSCH, PRESIDENT, RITTERBUSCH & ASSOCIATES, GALENA, ILLINOIS:

"The EIA report generally confirmed the API crude data but appeared more negative within the product supply categories. The 2.2 million barrel and 300,000 barrel builds in gasoline and distillate stocks respectively were counter-seasonal and suggest a weaker demand pace than generally perceived.

"Product output remains strong despite modest run cuts. The 4-week average year-over-year gains in gasoline demand have shrunk to a minuscule (negative) 0.2 percent. Gasoline imports remain strong. Although the crude curve could garner some support from the 800,000 million barrel draw at Cushing, the increase in total crude cover to the highest level in 16 years will limit upside progress in the crude.

"Overall, no major surprises but data could narrow the crack spreads. Nothing here that is likely to extract nearby crude from \$47-50 zone."

AMANDA KURZENDOERFER, COMMODITIES ANALYST, SUMMIT ENERGY,
LOUISVILLE:

"It seems like what we saw a few weeks ago with inventories falling has now come to an end. Overall this is a solid bearish report. Crude may not have fallen by as much as some forecast, but to see a build like this is still impressive. Gasoline looked very good. The fall in Cushing (crude inventory) numbers is probably just related to the WTI time spread that makes storage less attractive. There's nothing much to be gleaned from Cushing when it comes to the health of the market as a whole."

MIKE ZAREMSKI, SENIOR COMMODITIES ANALYST,
OPTIONSXPRESS, CHICAGO:

"I think there is only one big surprise which was the gasoline build, when everyone was expecting a draw.

"If there is anything supporting this market, it's the stock market. That's going to be the trend today to watch.

"The draw in Cushing, Oklahoma supplies was a surprise. It was the second week of draws despite the contango in the crude market. I'm not sure what to make of it."

PHIL FLYNN, ANALYST, ALARON TRADING, CHICAGO:

"The EIA numbers are bearish. While at first glance you might think that the 2.8 million crude stock build is not quite as big as the API's 3.3 million barrel increase and therefore supportive, you have to look at the gasoline data. It shows a build of 2.2 million barrels, which is opposite forecasts for a sizable drawdown. It seems that every time the price of gasoline rises at the pump, demand suffers. In other words, gasoline is price-sensitive. At the same time you have to look

at refinery runs here, which is down to 81.7 percent of capacity. Taking this altogether, the bottom line is, the demand side of the equation is weak."

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

"The increase in crude stocks is in line with expectations but sets a new post-1990 record for the season. Very bearish, and that's certainly going to put pressure on prices. But the surprise is the build in products. Expectations were mostly for seasonal draws. So that's counterseasonal and very bearish. And the contraction in distillates continues to deepen, which is consistent with other economic indicators such as industrial production, international trade, container traffic at ports. It's not an aberration but it's very heavy. So, an unhappy report both for reasons that were expected and reasons that were unexpected."

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

"The stats look somewhat negative across the board. Crude stocks are pretty large. Gasoline stocks up -- not good there. Distillate stocks continue to build at a time when they should should be drawing.

"Cushing stocks are down 800,000 (barrels) which is a pretty big drop and is providing a little support to the market, which sold off quickly but is still holding support down near the lows.

"We are seeing battling inventories versus technical support of \$47.25 (a barrel). There is also the Dow so oil is battling outside factors."

ADDISON ARMSTRONG, ANALYST, TRADITION ENERGY, STAMFORD,
CONNECTICUT:

"The gasoline numbers are clearly a surprise here, and the sizable build in stocks is likely to keep gasoline (prices) under pressure. The distillate numbers are fairly inconsequential at this point (in springtime). The headline here is bearish gasoline. The rest of the numbers are in line with expectations. Cushing (crude supplies) had a sizable drawdown. It's hard to say why yet, since refinery runs were down."

JOSEPH ARSENIO, MANAGING DIRECTOR, ARSENIO CAPITAL MANAGEMENT,
LARKSPUR, CA:

"They were generally bearish. Crude was up more or less as expected. For distillates and gasoline, the build was against expectations of withdrawal. The only thing that I saw in the numbers that was bullish was the draw in Cushing.

"There is no indication in these numbers that the economy is strengthening. It looks like more of the same."

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