

## **Oil Falls as Stock Losses Signal Concern Over U.S. Bailout Plan**

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Crude oil fell for the first time in a week, paring yesterday's record gain, as declining stock indexes signaled investor concern over a U.S. government bailout plan for financial companies.

Oil dropped as the Europe's Dow Jones Stoxx 600 Index slid on speculation growth in the U.S. economy will slow, cutting energy demand. The October oil futures contract, which expired yesterday, had climbed by a record \$16 a barrel to the highest since Aug. 21 as traders unwound positions and the dollar declined the most against the euro since January 2001.

"We're seeing a struggle between the strength from the softer dollar and the likelihood of further declines in demand as stock markets around the world fall again," said Christopher Bellew, a senior broker at Bache Commodities Ltd. "I think the latter will prove more important."

Crude oil for November delivery declined as much as \$3.30, or 3 percent, to \$106.07 a barrel in electronic trading on the New York Mercantile Exchange. It was at \$107.56 a barrel at 1:25 p.m. London time.

Yesterday, the contract rose \$6.62, or 6.4 percent, to \$109.37 a barrel. The October contract rose \$16.37, or 16 percent, to expire at \$120.92 a barrel yesterday on the Nymex. It touched \$130 in intraday trading, as traders who sold the October contract last week, when oil dipped close to \$90, had to buy the futures back.

"This sharp move reflected extreme tightness in the prompt physical market as participants that were short oil scrambled to find physical oil before expiration," Goldman Sachs Group Inc. analysts said in a report dated yesterday.

'Quite Extraordinary'

Other analysts said a fundamental supply crunch was not a convincing explanation for the price surge.

"Does this mean the world suddenly ran out of oil today, on expiry of all days?" said Harry Tchilinguirian, senior oil market analyst at BNP Paribas SA. "It would be quite extraordinary and we certainly do not think so. It's more likely the market was bid in relation to trades at settlement price."

The dollar was little changed at \$1.4743 per euro at 1:09 p.m. London time, from \$1.4774 yesterday. It fell as low as \$1.4866 yesterday, the weakest level since Aug. 22, on concern the U.S. bailout package, which would buy assets from financial firms, would inflate the budget deficit.

Brent crude oil for November settlement fell as much as \$3.40, or 3.2 percent, to \$102.64 on London's ICE Futures Europe exchange. It was at \$103.75 a barrel at 1:10 p.m. London time. The contract yesterday rose \$6.43, or 6.5 percent, to settle at \$106.04 a barrel.

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U.S. crude-oil and fuel inventories probably declined last week because production platforms, refineries and ports along the Gulf of Mexico were shut in the aftermath of hurricanes Gustav and Ike, a Bloomberg News survey of analysts showed.

Supplies of crude oil probably fell 2.5 million barrels last week from 291.7 million barrels, according to the median of responses by nine analysts before an Energy Department report this week. Gasoline stockpiles probably declined 3.6 million barrels from 184.6 million barrels the week before, the survey showed.

**Source: Bloomberg**