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WTI Crude Rises for Second Day; Goldman Forecast Changes

By Grant Smith and Konstantin Rozhnov - Apr 9, 2013

West [Texas](#) Intermediate rose for a second day after [China](#) reported inflation eased more than forecast last month. U.S. crude stockpiles probably increased to the highest level in 22 years, a Bloomberg survey showed.

Futures gained as much as 0.5 percent in [New York](#) after advancing the most in almost two weeks yesterday. [Goldman Sachs Group Inc. \(GS\)](#) forecast that supplies at the U.S. delivery hub in Cushing, [Oklahoma](#), will shrink at the end of next month, and pushed back its recommendation for trading the discount on WTI versus Brent. U.S. crude inventories climbed by [1.5 million barrels](#) in the week to April 5 to 390 million, according to a Bloomberg survey before the Energy Department releases data tomorrow.

“Any healthy demand for oil will have to come from [Asia](#) or the [Middle East](#),” said Michael Poulsen, an analyst at Global Risk Management in Middelfart, [Denmark](#). “Hopes for a Chinese money bazooka have increased.”

WTI for May delivery advanced as much as 46 cents to \$93.82 a barrel in electronic trading on the [New York Mercantile Exchange](#), and was at \$93.56 at 1:45 p.m. London time. The volume of all futures traded was 39 percent below the 100-day average. The contract increased 66 cents to \$93.36 yesterday, its biggest gain since March 26 and the highest close since April 3. Prices dropped 4.7 percent last week.

Brent for May settlement rose 57 cents to \$105.23 a barrel on the London-based ICE Futures Europe exchange. The European benchmark grade was at a premium of \$11.67 to WTI futures. The spread was \$11.30 at the close of trading yesterday, the narrowest gap since June 22.

Chinese Inflation

[Consumer prices](#) in China, the world’s second-biggest crude consumer, rose 2.1 percent in March from a year earlier, the National Bureau of Statistics said today in Beijing. That trailed the 2.5 percent median estimate in a Bloomberg News survey of economists. Inflation gained 3.2 percent

in February, the most in 10 months, when spending for the Lunar New Year holiday pushed up prices.

Investors should buy September 2013 WTI futures and sell Brent contracts for the same month as the spread between the two grades narrows, Goldman Sachs said in a report e-mailed today. The bank previously recommended buying WTI for June 2013 delivery and selling Brent for the same month.

Goldman Sachs said it shifted the strategy because weaker production growth in Texas and [New Mexico](#) “greatly reduces” the risk that U.S. Gulf Coast refineries face an oversupply of light crude that would depress WTI prices in the second half of the year.

Oil Supplies

Oil in New York has technical support along its 100-day moving average, which is about \$92.22 a barrel today, according to data compiled by Bloomberg. Futures halted an intraday decline near that indicator for a second day on April 5. Buy orders tend to be clustered close to chart-support levels.

U.S. crude stockpiles may have risen last week after Exxon Mobil Corp. shut the Pegasus pipeline, which moves oil from [Illinois](#) to Gulf Coast refineries, a Bloomberg survey showed. Supplies reached the highest level since July 1990 the previous week. Exxon hasn't said when it will restart the line, which was shut March 29 after heavy Canadian crude leaked in [Arkansas](#).

“Crude inventories just keep on building and that means any increase in demand is being met by more than adequate gains in supplies,” said Ric Spooner, a chief market analyst at CMC Markets in Sydney.

Gasoline supplies probably fell [1.8 million barrels](#) last week, while distillate inventories, a category that includes heating oil and diesel, probably slid by [1.7 million](#), according to the median of eight estimates in the Bloomberg survey.

The industry-funded [American Petroleum Institute](#) will release separate inventory figures later today. The API collects stockpile information on a voluntary basis from operators of refineries, bulk terminals and pipelines. The government requires that reports be filed with the Energy Information Administration, the Energy Department's statistics unit, for its weekly survey.

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