
OIL PRICES RISE, BUT DOUBTS GROW OVER RUSSIA'S DEAL COMMITMENT

- 12.10.2016

Market Watch, 12 October 2016

Crude oil prices returned to the positive zone in early Asian trade Wednesday, but the growth momentum has slowed on heightened uncertainty over Russias willingness to cut production even as global oil supplies increased last month.

On the New York Mercantile Exchange, light, sweet crude futures for delivery in November CLX6, +0.39% traded at \$50.96 a barrel, up \$0.17, or 0.3% in the Globex electronic session. December Brent crude LCOZ6, +0.55% on Londons ICE Futures exchange rose \$0.23, or 0.4%, to \$52.56 a barrel.

The increase in oil production comes at a time when oil producers inside the Organization of the Petroleum Exporting Countries are in discussions with Russia, a non-OPEC player, on ways to chip away the glut and pull prices up. Russian President Vladimir Putin has expressed support for a collective cut, but several media reports say that Igor Sechin, the head of Russias state-own energy company Rosneft and Russias largest oil producer, is snubbing the proposal.

Rosneft produces nearly 40% of the countrys oil production and over 5% globally, according to the companys website.

Lack of clear commitment from Russia to slash production is exacerbating investors doubts whether or not the preliminary agreement OPEC members reached in late September to cut production by between 200,000 to 700,000 barrels a day, will materialize. A condition of the cut is the understanding that Russia would be on board.

Read: [Why Goldman sees oil dropping to \\$43 if OPEC cant get a deal done this time](#)

Investors are not convinced on higher prices, said Barnabas Gan, an economist at OCBC Bank, noting that despite prices been below the \$100 mark for over two years, global supply has remained on an uptrend.

In September, global oil supply hit 97.2 million barrels a day, 600,000 barrels more than the previous month and 200,000 barrels a day higher than the corresponding month a year ago, the International Energy Agency said. The data showed the majority of the rise came from Russia.

OPEC boosted its output by 160,000 barrels a day to a record 33.64 million barrels a day in September, the IEA said.

The increase in supply adds concerns that even if OPEC finalizes the production cut agreement at its November 30 meeting, the scope might be too small to shift the global supply and demand balance to the deficit needed to draw down excess inventories, said Tim Evans, a Citi Futures analyst.

OPECs own monthly oil report will be published later today.

Energy investors will also be eyeing the U.S. weekly inventories data due Thursday. Analysts expect a drawdown in U.S. crude stocks as local demand was battered by the recent Hurricane Matthew in southeast U.S. If the analysts are right, it would be the sixth consecutive weekly decline.

China is also scheduled to publish its preliminary September oil trade data on Thursday. In August, Chinas crude import rose to the second highest ever, climbing 23.6% on-year to 32.85 million tons. Year-to-date, Chinas foreign crude buying has risen 13.5% on-year.

Nymex reformulated gasoline blendstock for November RBX6, +0.13% □ the benchmark gasoline contract □ rose 41 points to \$1.4870 a gallon, while November diesel traded at \$1.5876, 3 points higher.

ICE gasoil for November changed hands at \$3.233 a metric ton, down \$0.004 from Tuesdays settlement.

Kaynak/Source: