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OIL SLIDES AS BOOST FROM DEMAND, IRAQ TENSION SEEN AS TEMPORARY

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Oil slid in New York after its biggest monthly gain in more than a year as the boost from seasonal demand and political tensions in Iraq was expected to fade.

Futures dropped to their lowest in a week, just days after reaching a five-month high on concerns a Kurdish independence referendum in Iraq might lead to a disruption in oil exports. Prices will be affected by the end of the summer surge in fuel consumption, consultants JBC Energy GmbH said. Meanwhile U.S. drilling has gathered pace, indicating the price rebound is encouraging supply.

Oil returned to a bull market last week on signs that rising demand and production cuts by OPEC and its allies are finally clearing a global crude surplus. Prices also rallied after Turkey threatened to halt oil exports from Iraqi Kurdistan when the semi-autonomous territory voted for independence from the rest of Iraq.

Everyone realizes crude oil is somehow strong, but probably has not enough fuel to go higher, Johannes Benigni, managing director of JBC Energy, said in a Bloomberg Television interview. There was first of all good support to bring prices higher -- you can name hurricanes, you can say Kurdish referendum, seasonality in middle distillates. But when you go forward, I would rather call it normalization.

West Texas Intermediate for November delivery lost as much as $1.20 to $50.47/bbl on the New York Mercantile Exchange, the lowest since Sept. 25, and was at $50.57 as of 12:57 p.m. London time. Total volume traded was about 14% below the 100-day average. Prices climbed 9.4% in September, the biggest monthly increase since April 2016.

Brent for December settlement fell $1.04 to $55.75/bbl on the London-based ICE Futures Europe exchange. The November contract expired Friday up 13 cents at $57.54. The global benchmark crude traded at a $4.90 premium to December WTI.

Tensions remain high in the aftermath of the Kurdish independence vote, but the feared escalation has not yet materialized, said Norbert Ruecker, head of commodity research at Julius Baer Group Ltd. in Zurich. We still believe that the odds of a meaningful and lasting oil-supply disruption are low. Fundamentally, the market is entering a soft patch as the summer driving season wraps up.

Rigs targeting crude in the U.S. increased by six last week, bringing the total to 750, according to Baker Hughes data reported Friday. Drillers added rigs for the first time since Aug. 11, following a period that included Hurricane Harveys sweep across the Eagle Ford Shale region and coastal shipping terminals.

The Williston region of North Dakota was the only one of the four biggest oil plays to add a rig this week, according to Baker Hughes. Drilling crews laboring in smaller, unidentified regions of the country, which Baker Hughes classifies as others, led this weeks growth with nine rigs going back to work.

Kaynak/Source: