

# Oil Extends Rally Before OPEC Meeting After U.S. Stockpiles Fall

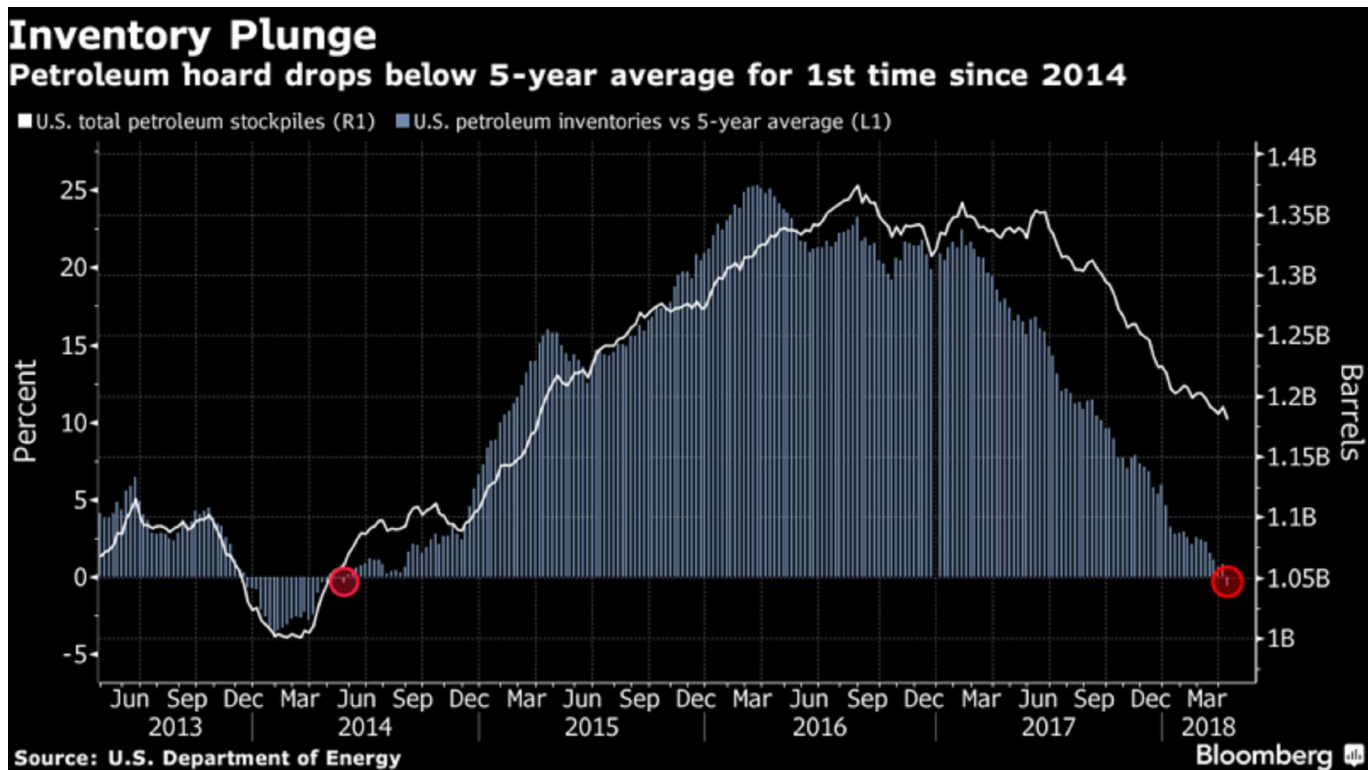
By **Alex Longley**

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- U.S. petroleum inventories drop below their five-year average
- WTI trades at \$68.81 a barrel, after earlier rising above \$69

Oil rallied above \$69 a barrel after a surprise drop in U.S. inventories added to signs the market is in balance before a key OPEC meeting.

Futures in New York rose as much as 1.2 percent after gaining 2.9 percent in the previous session. Focus is now shifting to whether OPEC and its allies will signal an extension of supply cuts at their meeting on Friday in Saudi Arabia. Total U.S. inventories of crude and fuel dropped below their five-year average for the first time since 2014, government data showed Wednesday.



At the gathering in the Saudi city of Jeddah, the Organization of Petroleum Exporting Countries and Russia will discuss prolonging their cooperation, including new inventory targets that extend their output cuts beyond this year. The group’s goal of reducing global stockpiles to their five-year average is nearly reached, according to people with knowledge of the data. The meeting will play out against a backdrop of geopolitical tensions that have lifted prices and risk encouraging more U.S. supply.

“It would be foolish to go against the trend at the moment given how bullish the market has turned,” said Warren Patterson, commodities strategist at ING Groep NV. “The market will remain supported for the next couple of days with the meeting in Jeddah. What will be interesting is if they do readjust their target, in terms of changing from a five-year average.”

West Texas Intermediate for May delivery climbed as much as 80 cents to \$69.27 a barrel on the New York Mercantile Exchange, and traded at \$68.81 at 11:10 a.m.

in London. The contract climbed \$1.95 to \$68.47 on Wednesday. Total volume traded was 30 percent above the 100-day average.

Brent for June settlement added 48 cents to \$73.96 a barrel on the London-based ICE Futures Europe exchange. The global benchmark crude traded at a \$5.10 premium to June WTI.

Futures for September delivery climbed 2.5 percent to 440.6 yuan a barrel on the Shanghai International Energy Exchange. The contract rose 0.5 percent to close at 429.7 yuan on Wednesday. Open interest in the contract rose to 7,314 lots in the previous session, the highest since its debut last month.

In the U.S., total inventories of crude and refined products, excluding strategic petroleum reserves, fell by 10.6 million barrels last week to the lowest level since March 2015, according to Energy Information Administration data. American crude stockpiles slid by about 1 million barrels, versus forecasts for a 650,000-barrel gain.

The EIA data also had another surprise. U.S. gasoline demand surged to a record high of 9.9 million barrels a day before the summer driving season when consumption typically peaks. Stockpiles of gasoline fell by almost 3 million barrels, compared with a 450,000-barrel increase expected in a Bloomberg survey.

Other oil-market news:

- The beginning of summer may herald the end of a boom for the fuel that underpinned crude's rally into a bull market last year.
- Global markets for equities, currencies and metals have all been whipsawed by the uncertainty over what President Donald Trump's next geopolitical move would be. Oil's about to have a turn.