

COMMODITIES – Oil prices slip after rally

Montel Powernews) - Oil prices trade softer after Wednesday's rally which was described as "overdone" by one bank.

The front month contract for Brent North Sea crude oil was last seen changing hands at USD 73.84/bbl on the ICE platform, down USD 0.75 on Wednesday's close.

The contract had traded in a USD 73.53 - 74.74/bbl range so far in the session.

"The markets are taking a pause as the rally on Wednesday was so spectacular," said analyst Amrita Sen of Barclays Capital.

The WTI front month gained more than USD 3/bbl day on day on Wednesday following a massive 8.4m bbl weekly decline in crude stocks.

However, the sustainability of the figures was debatable as imports were low, Sen said.

"The inventory reduction is a pure function of the decline in crude oil imports of 1.4m to 8.1m bbl, the lowest level in eleven months," Germany's Commerzbank said in a research note.

"This development is unlikely to be sustainable and we may see a counter movement as early as next week," the bank added. It said the market reaction to the inventory data appeared to have been "overdone".

However, gasoline inventories decreasing by 2.1m bbl and distillate fuel inventories declining by 0.7m bbl were also key factors signaling a broad recovery in demand, said Sen of Barclays Capital.

Gas ignores oil rally

The Winter 09 contract on the UK gas market was last traded at 40.53p/th, down 0.83p/th on Wednesday's close at one broker.

"The curve has showed little in the way of reaction to yesterday's oil market rally," said consultant Craig Lowrey of JC Rathbone Associates Energy, adding that trading was relatively thin due to a sports event.

The day-ahead contract was last seen at 23p/th, up 0.1p from Wednesday's closing price according to one broker.

"It looks to be a quiet session so far with little to move the market either way," Lowrey said, commenting the prompt prices.

On the API2 coal curve, the Cal 10 contract was last quoted at USD 85-86.25/t at one broker, while no trades had gone through.

Coal prices were stable and liquidity was low during the summer holidays, said Sen of Barclays Capital.

On the European carbon market, the Dec 09 EUA contract last traded at EUR 15.26/t, up EUR 0.33 on Wednesday's close. The contract had opened at EUR 15.05/t.

The move past the EUR 15/t level had triggered substantial selling interest in the market, players said.