THE WALL STREET JOURNAL.

Oil Prices Regain Some Ground
Gains highlight market volatility and bets on a crude revival
http://www.wsj.com/articles/oil-prices-regain-some-ground-1428570417

By Timothy Puko
April 9, 2015

Oil prices rebounded Thursday, underscoring the volatility of the market and the force of investors who keep bidding on a crude revival.

Light, sweet crude for May delivery settled up 37 cents, or 0.7%, to $50.79 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, gained $1.02, or 1.8%, to $56.57 a barrel on ICE Futures Europe.

Both clawed back from losses of more than 6% on Wednesday. Prices are still down more than 50% from last year's highs.

U.S. oil stockpiles rose more than expected last week and hit a fresh 80-year high, the U.S. Energy Information Administration said on Wednesday. Oil production also increased over the week.

Some of Thursday's gains are likely profit-taking from people who bet successfully on those losses and are buying back in to close out those bets, said Ric Navy, senior vice president for energy futures at brokerage R.J. O'Brien & Associates LLC. Retail investors have also been strong, repeatedly jumping in to buy after prices drop in hopes of a larger recovery for crude, brokers and analysts said.

Many are still betting that a massive shutdown of drilling rigs across the country in recent months will lead to slowing or falling production, balancing the market, said Jim Ritterbusch, president of energy-advisory firm Ritterbusch & Associates. High refinery consumption and other signs of increasing demand also could help rebalance the market, said Norbert Rücker, head of commodities research at Julius Baer. He predicted prices above $60 in the months to come.

"Overall the industry is not behaving like there's a long-term, persistent glut," said Joel Moser, chief executive at Aquamarine Investment Partners, which has about $1 billion in energy infrastructure and real estate. "Nobody credible, smart or authoritative believes that beyond the balance of this year we're going to see prices down or even as low as they are now."

The bears point to a global oversupply of around 1.5 million to 2 million barrels a day. Simmons & Co. International called the growth of U.S. inventories unsustainable in its Thursday morning energy note.

Major producers continue to pump oil at a record pace. Saudi Arabia, the world's top oil exporter, raised its crude output to 10.3 million barrels a day in March.

Mr. Navy and Simmons analyst Jeff Dietert said the crude surplus is starting to cause products like gasoline to build a surplus, too. Even the increase in refinery consumption in the U.S. may not be enough to erase the oil stockpile surplus this summer, Mr. Dietert said in a note. And that increased U.S. consumption isn't being replicated around the globe, analysts said.

"We are seeing little sign of economic acceleration, which might improve the demand picture, and anticipate a meaningful decline in oil production is still a couple of months away," said Robert L. Haworth, investment strategist at U.S. Bank Wealth Management.

The uncertainty around where oil prices are headed next is increasing the volatility on the market. Prices have moved more than 2% up or down on 42 trading days this year, more than the total number of such moves in any of the past three years.

"There will be heavy volatility in the market and this would mean that prices could swing either way," analysts at Phillip Futures said in a report.

Front-month gasoline futures settled up 1.1% at $1.7592 a gallon.
Diesel futures settled up 1.7% to $1.7268 a gallon.