



Mid-Week Update

The fall in New York oil prices that began in early September with the agreement on the Syrian poison gas situation continued this week with WTI closing on Wednesday at 102.66. New York oil is now down about \$3 a barrel this week and \$7 a barrel since early September. London prices have been more stable this week with oil trading around \$108 a barrel.

The weekly stocks report added to the decline when the EIA reported that US crude inventories increased by 2.6 million barrels last week as opposed to the 900,000 barrel decline expected by analysts. Refinery utilization last week was 500,000 b/d lower than the previous week and imports were up by 350,000 b/d leading to the jump in stocks. Crude inventories at Cushing, Okla. fell by 412,000 barrels last week to 32.8 million, the lowest since February 2012 and down 32 percent since the end of June.

Analysts are starting to note that while oil production in North Dakota grew by 24 percent in the first six months of 2012, it has only grown by 7 percent in the first six months of this year.

US gasoline prices continue to drop. Futures are now down by some 30 cents a gallon since late August, but retail prices are only down about 10 cents in the same period.

This week's UN General Assembly meeting brought about a major change in the tone in the relationship between Iran and the US. Both President Obama and Iranian President Rouhani made conciliatory speeches at the UN in which they talked about the possibility of settling the nuclear standoff and ending the sanctions. While many remain skeptical that all the happy talk is nothing more than an Iranian delaying tactic, the US Secretary of State is scheduled to meet with Iran's Foreign Minister shortly to gauge Tehran's intentions. In the meantime, optimism about the Middle Eastern situation is growing to levels we have not seen in some time and is lowering concerns about threats to oil exports.

Discussions concerning the UN resolution on Syria's poison gas are continuing. Moscow is standing firm on its insistence that Damascus not be subjected to any UN-sanctioned military action for failure to adhere to its agreement to rid itself of its poison gas stocks.

The standoff in the US Congress is beginning to affect oil prices. With only days left before a federal government shutdown and later, a default on the US debt, the equity markets are becoming increasingly nervous about what could happen if a substantial portion of federal spending grinds to a halt.

Although the Syrian uprising and Iranian nuclear standoff are quieter than usual, problems elsewhere in the Middle East continue. Bombs continue to go off in Iraq killing or maiming hundreds each week and there are indications that Iraq's Shiites are tired of taking the brunt of Sunni bombs and are preparing to strike back.

In Egypt the crackdown on the Muslim Brotherhood continues with the Egyptian courts seizing its assets and shutting down its newspapers. Cairo is preparing to pay the \$6 billion it owes to various energy companies for the petroleum products it imports in hopes of increasing investment in its oil industry.

Beijing released data showing that its manufacturing hit the highest level in six months on Monday. This news has been supportive of oil prices in contrast to most of the other news which has tended to push prices down. Opinions are mixed as to whether we are seeing a turnaround in China's economy after many months of slowing economic growth.

Shell of Nigeria once again had to shut down its trans-Niger pipeline due to oil thieves tapping into the line.