The Moscow Times
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Oil Price Rises Above $49 on Heightened Syria Risks

By The Moscow Times

October 01, 2015



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Oil rose above $49 a barrel on Thursday as an emerging risk premium over the situation in Syria countered further signs of an economic slowdown in Asia and rising U.S. inventories.

Russia launched airstrikes in Syria on Wednesday in its biggest Middle East intervention in decades. The attacks raised the specter of Washington and Moscow running airstrikes in the same region, but without coordination.

Brent crude was up 97 cents at $49.34 a barrel as of 1048 GMT and earlier reached $49.47, its highest since Sept. 23. U.S. crude gained $1.10 to $46.19.

"Russia's military intervention in the Syrian conflict has increased the geopolitical risks, which is giving tailwind to the prices," Carsten Fritsch, analyst at Commerzbank, said.

There was also some support to prices from Hurricane Joaquin, which was gaining strength as

it moved toward the Bahamas, the National Hurricane Center said, although forecasts were inconclusive on whether the storm would hit the United States.

Energy traders watch Atlantic hurricanes because they can lead to precautionary shutdowns of Gulf of Mexico oil and gas platforms or, in exceptional cases, damage energy infrastructure.

Signs of economic slowdown in Asia and brimming U.S. oil stocks limited the rally. Surveys on Thursday showed activity in China's factories shrank and manufacturers' confidence worsened in Japan.

"Given the international tension, the oil market did remarkably well not to rally several dollars yesterday," oil broker PVM said in a report. "Perhaps it was the U.S. oil inventory data which capped gains."

U.S. crude inventories rose by 4 million barrels to 457.9 million in the week to Sept. 25, more than expected, a government report said on Wednesday.

Brent has almost halved in the past year because of excess supply and a 2014 strategy shift by the Organization of the Petroleum Exporting Countries to defend market share against higher-cost supplies, rather than cut output to prop up prices.

There are signs that OPEC's strategy to curb growth in higher-cost production such as U.S. shale is starting to deliver, analysts say.

U.S. crude output rose 94,000 barrels a day in July to 9.358 million bpd, U.S. data showed on Wednesday, as higher Gulf of Mexico output offset a decline in key shale-producing states.

Analysts at Energy Aspects noted that the rate of growth year-on-year had slowed, and expect U.S. output to fall to 8.8 million bpd by year-end as low prices slow activity.

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