Crude Oil, Gasoline Tumble in Price, As Inventories Rise

COMMODITIES

By Masood Farivar

NEW YORK — Energy prices continued their slide, with gasoline plunging to a 3½-month low and crude oil tumbling to a 2½-month low after data showed continued inventory growth.

July crude-oil prices at the New York Mercantile Exchange dropped 98 cents, or 3.5%, to $26.50 a barrel, the lowest level for a front-month contract since early April. The contract expired at the end of the session.

August crude, which now is the front-month contract, also tumbled, shedding $1.16, or 4%, to close at $26.48 a barrel.

Gasoline’s losses were even steeper, with the nearby July contract plunging 8.34 cents, or 7.4%, to 79.03 cents a gallon.

“The market got crushed,” said Tom Bentz, energy analyst at brokerage firm BNP Paribas Futures in New York. “We just broke all kinds of technical levels. It was a total breakdown.”

Yesterday’s selloff came after weekly inventory data released by the American Petroleum Institute, an industry group, and the U.S. Department of Energy showed that petroleum-product stocks continued to grow last week.

The API reported that gasoline stocks swelled by a sharp 3.612 million barrels to 219.247 million barrels, more than 7% above last year’s levels.

Stocks of reformulated gasoline, mandated in the nation’s smoggier regions, rose 1.347 million barrels to 46.072 million barrels, according to the API.

Distillate stocks, which include heating oil and diesel fuel, grew by 1.316 million barrels to 108.755 million barrels, or nearly 5% above year-earlier levels, API said.

The DOE largely confirmed the data but differed from the API on crude-oil inventories. The API report showed a build of 1.417 million barrels in crude stocks, while the DOE reported a decline of 700,000 barrels.

Analysts said the latest data added to a growing sense among traders that petroleum inventories have grown sufficiently to avert any supply shortages this summer.

Fears of summer-supply shortfalls lifted gasoline prices to an all-time high of $1.375 a gallon last month, but prices have since lost 32% as a decline in demand and an increase in output and imports have allowed inventories to continue to grow.

Adam Sieminski, global energy strategist for Deutsche Banc Securities in Baltimore, noted that the latest build in gasoline stocks “has vaulted those stores to the top of the three-year range from the bottom of this range in a matter of only four weeks.”

With inventories growing and the Organization of Petroleum Exporting Countries pledging to meet the world’s oil needs, traders have largely ignored Iraq’s recent decision to suspend oil exports.

Iraq halted its exports of more than two million barrels a day June 4 to protest a decision by the United Nations Security Council to extend for one month instead of the usual six months the oil-for-food program, which allows Baghdad to sell oil to buy humanitarian goods for its civilians living under sanctions. The one-month extension was meant to facilitate talks among Security Council members on a U.S.-United Kingdom proposal to overhaul sanctions against Iraq.

But with Russia, Baghdad’s key U.N. supporter, and several other countries opposed to the initiative, speculation is growing that the Security Council will ditch the sanctions-overhaul plan and instead adopt a six-month extension of the oil-sales pro-