

MARKETS

Oil Prices Get a Boost From Surprise Fall in U.S. Crude Stockpiles

Stockpiles in the U.S. fell by 1.7 million barrels during the week ended Oct. 18



Bets on rising U.S. oil prices recently hit a nine-month low. PHOTO: FREDERIC J. BROWN/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Sarah Toy

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Oil prices climbed Wednesday after stockpiles of U.S. crude posted their first decline in six weeks.

U.S. crude futures rose 2.7% to \$55.97 a barrel, while Brent, the global gauge of prices, added 2.5% to \$61.17 a barrel.

The gains came after government data showed stockpiles in the U.S. fell by 1.7 million barrels during the week ended Oct. 18, according to the U.S. Energy Information Administration, driven by a pickup in refinery activity, a surge in exports and a decline in imports. Analysts surveyed by The Wall Street Journal had predicted a 2.9 million-barrel increase in crude inventory.

Wednesday's figures—coupled with recent reports that the Organization of the Petroleum Exporting Countries is considering deeper output cuts at its December meeting to help stabilize prices—helped push prices to their biggest one-day jump since Sept. 16, when they

surged 15% in the aftermath of attacks on Saudi Arabian oil fields that disrupted 5% of the world's supply.

Analysts cautioned that the gains could prove short-lived. The factors that helped drive the upswing, including increased refinery activity, a greater-than-expected decline in imports and a larger-than-expected rise in exports, can quickly change course, some said.

"We would ... note that these categories can be quite volatile week to week," wrote analysts at Ritterbusch & Associates in a Wednesday note. "A significant reversal could be forthcoming next week that could offer some equally bearish guidance."

Bets on U.S. oil prices recently hit a nine-month low, highlighting how expectations for softening demand amid slowing global growth and strong production from the U.S. and other suppliers have dented the outlook on crude.

"People are nervous," said Mark Benigno, co-director of energy trading at INTL FCStone. "There's real supply-demand fear there."

Elsewhere in commodities, natural-gas futures rose 0.4% to \$2.282 per million British thermal units amid cooler-than-expected weather in parts of the country. Demand for natural gas tends to climb when people use their heaters in the winter and air conditioners in the summer. Changes in the weather and weather forecasts can precipitate price swings.

Front-month gold futures rose 0.6% on Wednesday to \$1,489.90 a troy ounce as investors looked toward another possible rate cut by the Federal Reserve next week. Lower rates make gold more attractive to yield-seeking investors, as the precious metal offers no yield for simply holding it.