

# Oil falls almost 2pc on weaker demand, rising US inventories

Reuters | London

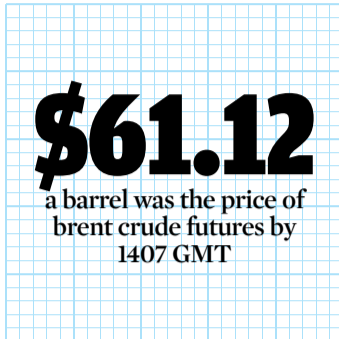
Oil prices fell almost 2 per cent yesterday, weighed down by a weaker outlook for demand and a rise in US crude inventories despite expectations of extended supply cuts led by OPEC.

Brent crude futures, the international benchmark for oil prices, were down \$1.17, or 1.9pc, at \$61.12 a barrel by 1407 GMT. US West Texas Intermediate crude futures were down \$1.13, or 2.1pc, at \$52.14.

The US Energy Information Administration (EIA) cut its forecasts for 2019 world oil demand growth and US crude production on Tuesday.

A surprise increase in US crude stockpiles also kept oil prices under pressure.

"Yesterday's bout of paralysis is giving way to a fresh slide in prices as market players fret over a swelling glut in US oil stockpiles," brokerage firm PVM said in a note.



US crude inventories rose by 4.9 million barrels in the week ended June 7 to 482.8 million barrels, data from the American Petroleum Institute (API) showed on Tuesday. That compared with analyst expectations for a decrease of 481,000 barrels.

Trade tensions between the United States and China, the world's two biggest oil consumers, also weighed on prices. US President Donald Trump said he was holding up a trade deal with China.

European shares pulled back

from three-week highs on Wednesday as this month's recovery rally ran out of steam on the back of soft Chinese factory activity and trade frictions.

Hedge fund managers are liquidating bullish oil positions at the fastest rate since the fourth quarter of 2018.

With the next meeting of the Organization of the Petroleum Exporting Countries set for the end of June, the market is looking to whether the world's major oil producers will prolong their supply cuts.

OPEC, along with non-members including Russia, have limited their oil output by 1.2 million barrels per day since the start of the year to prop up prices.

Goldman Sachs said an uncertain macroeconomic outlook and volatile oil production from Iran and others could lead OPEC to roll over supply cuts.

"The sell off in recent weeks shows how vulnerable the market is and it may force Russia's



**OPEC is due to meet on June 25 after talks with its allies led by Russia on June 26, although sources have said that Russia has suggested a date change to July 3 to 4**

hand in extending the deal," said Warren Patterson, head of commodities strategy at ING.

The energy minister of the United Arab Emirates, Suhail bin Mohammed al-Mazroui, said on Tuesday that OPEC members were close to reaching an agreement on continuing production cuts.

## China inflation hits highest level in 15 months



A vendor waits for customers at his fruit stall in Shenyang in China's northeastern Liaoning province

Beijing, China

Inflation in China rose to its highest level in more than a year in May driven by surges in pork and fruit prices caused by the African swine fever epidemic and bad weather, official data showed yesterday.

But while prices are increasing, demand remains weak because of the trade war with the United States and economic uncertainty.

The consumer price index (CPI) -- a key gauge of retail inflation -- hit 2.7 per cent, the National Bureau of Statistics (NBS) said, compared with 2.5pc in April and the highest since February 2018.

The data was in line with a forecast of analysts polled by Bloomberg News.

The rise was "largely the result of renewed acceleration in food price inflation", and pork supply disruptions caused by African swine fever, Capital Economics said in a note.

Millions of pigs have been

culled recently as the disease cuts through China and beyond, devastating global food chains and impacting pork prices from the food markets of Hong Kong to US dinner tables. The price of pork soared 18.2pc in May, China's NBS said. The price of fresh fruit on-year was up 26.7pc as bad weather hammered supplies.

Beijing's official statistics say around one million pigs have been killed since the first outbreak in August -- but that is widely considered to be an underestimate.

The producer price index (PPI), an important indicator of domestic demand, hit 0.6pc in May, from 0.9pc the previous month. Economic "growth could slow further on escalating US-China trade tensions", Nomura International said in a note.

"We expect Beijing to undertake further easing/stimulus measures to bolster confidence and to stabilise growth."

## US consumer inflation slows in May on cheap energy, used cars

● Markets hoping the Federal Reserve will cut interest rates

● The central bank is due to hold its next policy meeting next week

● Food prices jumped 0.3pc in the month

Washington, United States

Falling prices for energy and used cars held down US inflation in May, extending the long run of soft price pressures, according to government data released yesterday.

The latest confirmation of the absence of inflation should comfort markets hoping the Federal Reserve will cut interest rates in the coming months to boost the economy, especially amid President Donald Trump's multi-front trade wars.

The central bank is due to hold its next policy meeting



Representative picture

next week but most investors do not expect the Fed to announce any changes so soon.

The Consumer Price Index -- which tracks costs for household goods and services -- rose a token 0.1 per cent compared to April, matching analyst forecasts, the Labor Department reported.

Food prices jumped 0.3pc in the month, but that was more than offset by a steep 0.6pc decline in energy costs.

Compared to May of last year,

prices are up 1.8pc, slowing from the 2pc increase in April.

When the volatile food and fuel categories are excluded, "core" inflation also rose 0.1pc for the fourth month in a row, falling just shy of a consensus forecast.

Compared to May of last year, the core CPI is twopc higher, slowing slightly from the 2.1pc pace of a month earlier.

Prices medical care, air fares, education, furniture and new autos all rose. But costs for auto

insurance, used motor vehicles and recreation fell.

Housing costs have been rising steadily as rents have increased 3.7pc in the latest 12 months, while the rent equivalent for homeowners in up 3.3pc, according to the data.

Economists said the price data undermine Fed's view that factors keeping inflation below the twopc goal are temporary.

"The view that the dip in core inflation is transitory -- a view that both we and Fed Chairman Powell have held to -- is coming under pressure," RDQ Economics said in a research note.

But Kathy Bostjancic of Oxford Economics said the Fed will hold off before cutting the benchmark lending rate, and watch to see the impact of tariffs on the economy.

"We believe the Fed will cut rates this year but wait until December as they want to see evidence in the hard data that heightened trade tensions are significantly eroding economic activity before pulling the easing trigger," she said in an analysis.

face off



Protesters face off with police after they fired tear gas during a rally against a controversial extradition law proposal outside the government headquarters in Hong Kong



Bahrain Airport Services Company (BAS) honoured Ahmed Ali and Khadija Tarar, the winners of the E-learning programme competition for April and May. The competition was held to encourage staff to utilize the E-learning programme. Employees who complete their online training programme will be automatically entered into the monthly draw. commenting, Sr. Manager Learning & Development, Khalid Al Bastaki, said: "This type of training has been very successful around the world, which is why BAS has launched the project." Above, BAS officials with winners during a photocall