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## Daily Commodities Report 19<sup>th</sup> July 2010

### Sour U.S. data fans economic recovery fears

- \* IMF, EU halt Hungary fund review; sparks debt fears
- \* China seals oil port after spill; PetroChina cuts runs
- \* Seepage detected near blown-out BP well-US govt  
(Updates China closing oil port after spill, oil prices)

By Fayen Wong

PERTH, July 19 (Reuters) - Oil prices steadied near \$76 a barrel on Monday, pausing from the previous session's decline, as investors weighed the sharp drop in U.S. consumer sentiment against early signs of improved underlying oil demand.

Analysts said the marginal slide in oil prices shows that crude was receiving ample support above \$74 a barrel, thanks to bullish inventory reports that showed large drawdowns in U.S. crude stocks over the past three weeks.

U.S. crude for August delivery slipped 12 cents to \$75.89 a barrel by 0642 GMT. The contract settled down 61 cents at \$76.01 a barrel on Friday, closing the week 8 cents lower than the previous week.

London Brent crude retreated 11 cents to \$75.26.

"The price decline looked mild considering the 2.5 percent slide in the Dow. The consumer sentiment report would have put the oil longs on the back foot," said Mark Pervan, chief of commodities research at Australia & New Zealand Bank.

"The stickier oil price move may be reflecting bullish inventory reports over the past three weeks showing larger than expected declines in U.S. crude supplies and a pickup in underlying demand."

Oil prices had initially risen by as much as \$2 last week, supported by strength in U.S. corporate earnings, a fall in U.S. crude stockpiles and an upward revision in global oil demand forecast by the International Energy Agency.

But investors who believed the world economy is on shaky ground got more ammunition for their arguments on Friday after U.S. data showed consumer prices fell for the third straight month in June while consumer sentiment dropped to a near one-year low.

News that the IMF and European Union has suspended a review of Hungary's funding programme at the weekend has also ignited fresh euro zone jitters, as the country will not have access to remaining funds in its \$25.1 billion loan package set up in 2008 until the review is concluded.

In the euro zone, analysts at Informa Global Markets said uncertainty over Hungary's funding programme has prompted a steep rise in the country's funding costs ahead of Friday's banks stress test results.

The Japanese market was shut on Monday for a holiday.

After poor economic data and an unexpected downturn in sentiment on quarterly earnings, Wall Street will face a tough time battling back from the latest sell-off this week, analysts said.

China closed the Dalian Xingang oil port in northeast China, home to the country's largest oil reserve bases, after crude pipeline explosions spilled oil into the sea, an industry executive said on Monday. On the weather front, two low pressure systems, one in the northern Gulf of Mexico and one just east of southern Nicaragua in the Caribbean Sea, had a low 10 percent chance to become the season's next tropical cyclone during the next 48 hours, the U.S. National Hurricane Center forecast Friday.

