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Highlights

- Rising equities
- Economic optimism
- OPEC roll-over
- Falling US \$

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Executive Summary

Oil prices have held onto recent gains, with prompt month crude oil trading above \$80 per barrel for the last 26 trading days. Economic optimism, unchanged OPEC quotas, higher stock prices and the fluctuating US dollar all helped to support oil prices generally.

Fundamental Factors

- ▶ As expected, OPEC kept crude output quotas unchanged last week despite requests from several members for higher production rates. The move signalled that the cartel plans to hold supply steady while demand is expected to rise due to economic growth and seasonal consumption.
- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA), showed a sharp rise in crude oil inventories but shrinking refined product stockpiles. US refinery use for the week rose slightly to 81.1% of operable capacity.
- ▶ In its *Short-term Energy Outlook*, the EIA predicts that retail gasoline prices will likely exceed \$3 per gallon in the upcoming driving season while retail diesel prices will average near \$3 per gallon in 2010 and even higher in 2011.
- ▶ Platts estimates that China's oil demand in February soared by 16.6% from year ago levels – the sixth straight month that the world's 2nd largest oil consumer saw double digit growth.

Macroeconomic & Geopolitical Factors

- ▶ The Dow Jones Industrial Average approached 10,900 this week and US dollar fell versus the euro with €1 = \$1.3419 in early trading today. The euro may see a resurgence against the dollar as a result of an agreement by European leaders to come to Greece's financial aid if necessary.
- ▶ The US Commerce Department revised fourth quarter GDP growth downward from 5.9% to 5.6% annualized. Forecasts for 1Q10 GDP growth range from 2.5% to 3%.
- ▶ The Federal Reserve believes that the pace of US economic recovery is like to be "moderate" for the foreseeable future and decided to leave short-term interest rates unchanged at near zero last week.
- ▶ South Korean leaders called an emergency security meeting after one of its naval vessel sank after an explosion on board near the North Korean border.

