

WTI Crude Advances to Five-Week High as Durable Goods Climb

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By Moming Zhou

March 26 (Bloomberg) -- West Texas Intermediate crude advanced to the highest level in almost five weeks as U.S. orders for durable goods climbed more than forecast in February. WTI's discount to Brent was the narrowest since July.

Futures gained for a third day after the Commerce Department said bookings for goods meant to last at least three years rose the most since September. The spread between WTI and Brent, Europe's benchmark, has shrunk as U.S. refinery demand and North Sea output have increased.

"The durable goods number is higher than expected and it shows the U.S. economy is on good footing," said Tariq Zahir, a New York-based commodity fund manager at Tyche Capital Advisors. "You are continuing to see the Brent-WTI spread contract massively."

WTI for May delivery climbed \$1.08, or 1.1 percent, to \$95.89 a barrel at 2:02 p.m. on the New York Mercantile Exchange after rising to \$96.08, the highest intraday level since Feb.

Prices are up 4.4 percent in 2013. The volume of all futures traded was 7.4 percent above the 100-day average for the time of day.

Brent for May settlement increased 50 cents, or 0.5 percent, to \$108.67 a barrel on the London-based ICE Futures Europe exchange. The volume of all futures traded was 22 percent above the 100-day average. Futures have fallen 2.4 percent in 2013. The European benchmark crude's premium to WTI narrowed to as low as \$12.52, the least since July 5.

U.S. Economy

Durable goods orders gained 5.7 percent in February, more than the 3.9 percent forecast by economists surveyed by Bloomberg, Commerce Department data showed.

"The durable goods number is very good," said Michael Lynch, president of Strategic Energy & Economic Research in Winchester, Massachusetts. "People have turned positive about the U.S. economy, and that brings up WTI more so than Brent."

U.S. residential real estate prices increased in January by the most since June 2006. The S&P/Case-Shiller index of property values in 20 cities climbed 8.1 percent in January from the same month in 2012 after rising 6.8 percent in the year ended in December, the group said today in New York.

U.S. stocks gained, with the Standard & Poor's 500 Index up as much as 0.6 percent as the data on durable goods and home prices overshadowed the consumer confidence report.

"Oil is doing beautifully," said Jeff Grossman, president of New York-based BRG Brokerage and a Nymex floor trader. "The next real level of resistance is probably around the \$97.40 area."

WTI-Brent Spread

"The Brent-WTI crude oil spread continues to narrow, with the WTI leg gaining today in sympathy with gains in the S&P 500, but the Brent market little changed," Tim Evans, an energy analyst at Citi Futures Perspective in New York, said in an e-mail.

The U.S., the world's biggest oil consuming country, accounted for 21 percent of the world's oil consumption in 2011, according to BP Plc's Statistical Review of World Energy.

Prices also advanced amid forecasts that refineries boosted production to the highest level since Feb. 1 last week, a Bloomberg survey of analysts showed.

U.S. refineries operated at 84 percent of capacity last week, an increase of 0.5 percentage point from the prior period, according to the median of analyst estimates in the survey. Utilization surged 2.5 percentage points to 83.5 percent in the week ended March 15 after falling to 81 percent in the seven days to March 8, the weakest level since February 2011. Refinery units are often idled for maintenance in February and March as attention shifts away from heating oil and before gasoline consumption rises during the summer months.

U.S. Supply

Oil inventories probably rose 1.33 million barrels to 384 million last week as domestic production stayed near the most in 21 years and imports rebounded, the survey showed.

Inventories of distillate fuel, a category that includes heating oil and diesel, probably fell 850,000 barrels to 118.9 million, according to the median of responses in the Bloomberg survey. Gasoline stockpiles probably slid 1 million barrels to 221.8 million, the survey predicted.

Implied volatility for at-the-money WTI crude options expiring in May was at 16.3 percent, down from 17.1 percent yesterday. The figures have slipped from 24.7 percent on Feb. 21.

Electronic trading volume on the Nymex was 392,155 contracts as of 2:02 p.m. It totaled 644,014 contracts yesterday, 18 percent above the three-month average. Open interest was 1.67 million contracts.

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