

Crude Rises for Sixth Day on Egypt Unrest as Gulf Storm Develops
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(For Bloomberg fair value curves, see CFVL <GO>)

By Moming Zhou

Aug. 16 (Bloomberg) -- West Texas Intermediate crude rose for a sixth day as clashes in Egypt raised concern that Middle East supply will be cut and as some energy companies evacuated non-essential personnel in the Gulf of Mexico ahead of a storm. Prices extended the longest winning streak since April as thousands of people poured into the streets in Egypt to protest the killing of supporters of ousted President Mohamed Mursi. The storm system off the Yucatan Peninsula has a 50 percent chance of becoming a tropical cyclone in the next two days, according to the National Hurricane Center in Miami.

"The reason why the market continues to be strong is the uncertainty of what's going on in Egypt," said Phil Flynn, senior market analyst at the Price Futures Group in Chicago. "People don't want to be short going into the weekend with all those storm activities."

WTI for September delivery gained 41 cents, or 0.4 percent, to \$107.74 a barrel at 10:47 a.m. on the New York Mercantile Exchange after reaching \$107.92, the highest intraday level since Aug. 2. The volume of all futures traded was 14 percent below the 100-day average. Prices have advanced 1.7 percent this week.

Brent for October settlement increased 40 cents, or 0.4 percent, to \$110 a barrel on the London-based ICE Futures Europe exchange. Volume was 12 percent below the 100-day average. Brent's premium to WTI was \$2.47, based on October contracts for both crudes. It was \$3.78 yesterday using September settlements.

Egyptian Demonstrations

The demonstrations in Cairo called by the Muslim Brotherhood were converging on Ramsis Square, while rallies started in the provinces of Alexandria and Gharbia, where police fired tear gas at protesters, footage broadcast by Al Jazeera television showed. A series of attacks on state offices yesterday pushed the official death toll from two days of violence toward 600.

"There's no telling how the situation in Egypt will play out," said Bill O'Grady, chief market strategist at Confluence Investment Management in St. Louis, which oversees \$1.6 billion. "The only thing that's sure is that it isn't pretty." Egypt controls the Suez Canal and the Suez-Mediterranean

Pipeline, through which a combined 4.51 million barrels a day of crude and refined products were shipped between the Red Sea and the Mediterranean in 2012, according to the Energy Information Administration, the statistical arm of the U.S. Energy Department.

Suez Canal

Traffic through the canal hasn't been affected by the unrest, Sheila Armstrong, a Galashiels, Scotland-based spokeswoman for port agent Inchcape Shipping Services, said by phone today.

"There are fears that the unrest in Egypt will spread to other countries and at some point disrupt oil supplies," said Michael Lynch, president of Strategic Energy & Economic Research in Winchester, Massachusetts.

The Middle East accounted for 35 percent of global oil output in the first quarter of this year, International Energy Agency data show.

BP Plc began removing non-essential personnel from four offshore platforms in the Gulf as drilling rigs contracted by the company halted operations. Production "remains online," according to a statement on its website. Marathon Oil Corp. said it was clearing out some workers from its Ewing Bank facility in the Gulf.

The Gulf is home to about 6 percent of U.S. natural gas output, 23 percent of oil production and at least 45 percent of petroleum-refining capacity, according to the EIA.

Tropical Storms

The storm's track is uncertain, the hurricane center said in an advisory at 8 a.m. New York time.

"People don't want to sell off because they know any serious tropical storms or hurricanes will give prices a short-term bump," Lynch said.

Crude fell earlier on speculation the Federal Reserve will taper stimulus amid strengthening growth.

The Fed will probably trim the central bank's \$85 billion in monthly bond purchases in September, according to 65 percent of economists in a Bloomberg survey conducted Aug. 9-13. The bank has said that policy makers will watch the job market to determine when to begin scaling back the monthly bond-buying program.

Employers fired the fewest workers last week since before the recession began almost six years ago, according to Labor Department data on U.S. jobless claims released yesterday.

Housing starts climbed 5.9 percent to an 896,000 annualized rate

in July, the Commerce Department reported today.

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