

What's driving your energy prices?

Bullish Factors

- Distillate stocks, which include home heating oil, rose much less than expected last week. The Energy Information Administration (EIA) reported stocks were up only 250,000 barrels, well below the 1.0 million barrel increase the market was anticipating.
- The U.S. economy grew much faster than initially thought during the second quarter, according to the second GDP estimate from the Commerce Department. Q2 GDP was revised up to 3.7%, well above the initial 2.3% print.
- Crude oil supply from the Organization of Petroleum Exporting Countries (OPEC) fell by 170,000 barrels a day to 31.71 million barrels a day last month, according to the most recent data from Reuters.

Bearish Factors

- U.S. crude oil inventories increased much more than the market was anticipating last week, according to the EIA. Crude stocks rose over 4.5 million barrels against expectations for a much smaller 50,000 barrel build.
- The latest Weekly Rig Count Report from Baker Hughes Inc. showed U.S. oil drillers added another oil rig into production last week. This marked a sixth consecutive week where the oil rig counts has increased.
- Manufacturing activity in China, the world's second-largest oil consumer, fell to a 6.5 year low in August, down to 47.1 from July's 47.8 print. A reading below 50 suggests contraction in the sector.

Did you know?

9.3.15 Issue LIV

Volatility Here to Stay

Oil prices remain in the headlines, just behind the daily fluctuations in the stock market, as renewed volatility is spurring the creation of lots of theories to explain these price swings. Was it a slight change in market sentiment, or a fundamental one? Either way, oil markets surged higher with a vengeance last week. Analysts were attributing last week's spike in crude oil futures to a "short squeeze," a process where holders of short positions race to cover their positions by buying back futures. This dynamic may have helped crude futures post their biggest one-day percentage gain in over six years last Thursday (August 27). As crude oil futures strengthened, so did heating oil futures, jumping over 30 cents higher in a matter of just three days. This should serve as a reminder that volatility is here to stay, even at these low prices. You may want to consider talking with your supplier about how you can protect your budget from these volatile swings.

