



Daily Oil Market Comment

02/08/04

Oil prices continues their surge on Friday night despite any change to the fundamental market or any news. In fact it was the lack of any bearish news that made traders and funds continuing buying so that futures prices are setting new record highs. Generally the market is concerned over potential problems form (1) Yukos stopping production (2) OPEC not being able to make up any supply shortfall (3) fear of terrorist attacks in the Middle East (4) shortage of refining capacity (5) surging demand. In fact, there is no shortage of oil now than in previos years yet prices are now 42% higher than they were 12 months ago. The only definite change has been an increase in demand as per the below table supplied by Applied Trading Systems:

Comparison of current DOE data with prior tight July markets	July, 2000	As of July 25, 2003	As of July 23, 2004
Price trend of Sept. WTI as spot NYMEX crude	Upward from \$28 to \$32	Upward from \$30 to \$32	Upward from \$38 to \$43??
Crude oil stocks: Mm barrels	285	283	300.5
Avg. Gasoline demand: Mm b/d	9.020	9.200	9.212
Gasoline stocks: Mm barrels	210	202	207.7
Distillate stocks: Mm barrels	112	116	119
World Oil Data for month of June			
Global oil demand: Mm b/d	75.8	77.8	80.9
Commercial stocks: Mm barrels	4,467	4,634	4,674

As can be seen above, stocks are better than in previous years, but global oil demand is now 5 million bbls per day higher than 4 years ago and nearly 3 million barrel per day higher than 12 months ago !

Singapore prices were higher with crude futures and bullish sentiments despite little action in the physical markets. Kero remains well offered and gasoil well bid whilst paper markets continue to see more active buying for kero. Expect Singapore prices tope up about \$0.40/bbl this morning.

Closing prices for Friday July 30, 2004:

WTI	\$43.80/bbl	+\$1.05/bbl
Brent	\$40.03/bbl	+\$0.78/bbl
IPE Gasoil	\$370.25/t	+\$6.00/t = +\$0.80/bbl
MOPS Kero	\$50.575/bbl	+\$0.775/bbl

Asian Day Market Movement

Oil prices in Asian trading surging again despite the lack of any news. Traders seem to be buying purely on technicals with sentiment extremely bullish. Fundamentally there is no change with no shortage of any crudes or products, but market continuing to rally on fears of potential shortages.

Singapore prices were also firmer but even more so than crude. Again, there was not any news to cause the increase but traders simply bidding the market up. In physical markets, gasoil was well bid but not as aggressive as the past week whilst kero remains well offered. However, paper swaps was again aggressively bid for both gasoil and kero which pushed physical prices up. Expect Singapore prices to be up \$0.90/bbl today.

Prices as at 5:30PM Singapore Time, Friday July 30, 2004:

WTI	\$43.14/bbl	+\$0.39/bbl
Brent	\$39.72/bbl	+\$0.47/bbl
IPE Gasoil	\$369.25/t	+\$5.00/t = +\$0.67/bbl
Singapore Kero	\$5070/bbl	+\$0.90/bbl