



## Oil falls to near \$99 after US supplies increase

The Associated Press | 30 Nov 2011 | 03:37 AM ET

SINGAPORE - Oil prices fell to near \$99 a barrel Wednesday in Asia after a report showed U.S. crude inventories rose more than expected, suggesting demand is tepid.

Benchmark crude for January delivery was down 65 cents to \$99.14 a barrel at late afternoon Singapore time in electronic trading on the New York Mercantile Exchange. The contract rose \$1.58 to settle at \$99.79 on Tuesday.

In London, Brent crude was down 11 cents at \$110.71 on the ICE futures exchange.

The American Petroleum Institute said late Tuesday that crude inventories rose 3.4 million barrels last week while analysts surveyed by Platts, the energy information arm of McGraw-Hill Cos., had predicted an increase of 1 million barrels.

Inventories of gasoline fell 173,000 barrels last week while distillates gained 1.4 million barrels, the API said.

The Energy Department's Energy Information Administration reports its weekly supply data later Wednesday.

Crude has jumped from \$75 early last month amid growing expectations the U.S. economy will avoid a recession. However, some analysts, such as Richard Soutanian of NUS Consulting, expect Europe's debt crisis will help trigger a recession on the continent during the next few months, which would undermine global crude demand.

"Energy market fundamentals remain weak," Soutanian said. "Europe's worsening economic troubles will negatively impact an already weak U.S. economy as well as a Chinese economy fighting a property bubble."

Analysts are also eyeing the gradual return of Libyan oil production to global supplies. Morgan Stanley said Brent prices could fall as low as \$85 in the first half of next year.

"The significant supply increases and slowing demand could all coalesce around the second quarter," Morgan Stanley said in a report. "Given this backdrop, if OPEC were to leave production at current levels, inventories would balloon through the first half."

In other Nymex trading, natural gas fell 1.6 cents at \$3.62 per 1,000 cubic feet. Heating oil slid 1.5 cents to \$3.02 a gallon and gasoline futures dropped 0.3 cents to \$2.54 a gallon.

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