

# Oil rebounds above \$65

## Futures recover from earlier losses after the government says U.S. crude supplies fell last week.

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NEW YORK (Reuters) -- Oil steadied over \$65 a barrel Wednesday as rising U.S. stockpiles of gasoline and distillate fuels outweighed gains in equities markets.

U.S. gasoline stockpiles rose by 800,000 barrels in the week to July 17, matching analysts' expectations, according to the U.S. Energy Information Administration, as refinery utilization dropped by 2.1 percentage points in the midst of the summer driving season.

U.S. crude traded down 21 cents to settle at \$65.40 a barrel Wednesday, after choppy trade that sent prices down to \$63.76 earlier.

Inventories of distillates, including heating oil and diesel, rose to a fresh 25-year high. The build came as demand for the fuels, which are linked to industrial activity, fell by 11% over the past four weeks against year-ago levels.

"Refiners are trying to protect their margins by whacking down the utilization rates, but although these were down by 2%, we still saw a build in distillates and gasoline," said Gene McGillian, analyst for Tradition Energy in Stamford, Connecticut.

U.S. crude oil stocks fell by 1.8 million barrels, below analyst expectations for a 2.1 million barrel draw and a Tuesday report by the American Petroleum Institute which showed a 3.1 million barrel build.

The drop in U.S. oil came despite data showing implied oil demand for No. 2 world consumer China rose for a third consecutive month in June as underlying economic activity picked up.

Flagging global demand knocked crude off record highs near \$150 a barrel last July to below \$33 in December. The steep drop prompted the Organization of the Petroleum Exporting Countries to agree to a series of output cuts last year.

Optimism that a turnaround in the economy could bolster fuel demand have help lift crude prices in recent months, and Kuwait's oil minister said on Wednesday a price near \$65 a barrel is reasonable and good for the OPEC nation.

Investors have pushed money into oil and equities markets on recovery hopes frequently this year. [U.S. stock markets](#) traded higher on Wednesday. ■

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