



## **Brent Crude in Backwardation on North Sea Supply Cut**

**July 15 2010** (Bloomberg) -- Crude oil futures in London for the earliest delivery were more expensive than later contracts for a second day, after settling at a premium yesterday for the first time in almost a year following North Sea field maintenance.

Brent crude futures on the city's ICE Futures Europe for August traded today at 25 cents more than their September equivalent. Yesterday was the first time the contract closest to expiration has settled above the subsequent month since Aug. 14. Before that date, front-month Brent contracts had not consistently traded at a premium since May 2008.

"The crude structure is strengthening and finally flipping into backwardation," said Hakan Kocayusufpasaoglu, chief investment officer at **Archbridge Capital** in Zug, Switzerland. "Local factors like North Sea maintenance at full swing while refineries resuming operations after maintenance season are adding to crude support. Strong Chinese imports are working down the stock overhang."

Daily shipments of the four North Sea crude grades that determine the price of Dated Brent, the benchmark for two-thirds of the world's oil, are scheduled to fall 11 percent in August as fields halt for maintenance, according to loading programs obtained by Bloomberg last week.

Brent for August settlement, which expires today, advanced 33 cents to \$77.10 as of 11:24 a.m. London time. The more-active September contract gained 21 cents to \$76.87 a barrel. A market in which near-term contracts are more expensive than those further out in time is described as being in backwardation. The reverse condition is called contango.

Contracts from September onwards remained in contango through to 2018, with October Brent about 30 cents more than September.

By Grant Smith