Brent Crude Advances a Second Day Before U.S. Data

By Grant Smith

May 3 (Bloomberg) -- Brent crude rose for a second day, extending its biggest rally in six months, before a report that may show U.S. employers hired more staff in April.

Brent futures climbed as much as 0.8 percent, reversing an earlier decline of the same magnitude. U.S. payrolls increased by 140,000 workers following a gain of 88,000 in March, according to the median estimate in a Bloomberg survey of 90 economists. The jobless rate stayed at 7.6 percent, matching the lowest since December 2008, the survey showed.

"The market for crude is not over-supplied," said Guy Wolf, global head of market analytics at Marex Spectron Group in London. "There would have to be a larger deterioration in the economic outlook" to trigger "significant" losses, he said.

Brent for June settlement advanced as much as 83 cents to $103.68 a barrel on the London-based ICE Futures Europe exchange, and traded for $103.48 as of 12:02 p.m. local time. It added $2.90 to $102.85 yesterday. The European benchmark was at a premium of $8.92 to West Texas Intermediate. It closed at $8.86 yesterday, the narrowest gap since Dec. 30, 2011.

WTI for June delivery rose as much as 67 cents to $94.66 a barrel in electronic trading on the New York Mercantile Exchange. The volume of all contracts traded was 13 percent below the 100-day average. Futures surged $2.96 yesterday to $93.99, the highest closing price since April 29, and are up 1.3 percent this week.

OPEC Exports

"We are currently in a low demand environment and are increasingly realizing that at these high prices for crude oil more supply is coming online than is demanded," said Hakan Kocayusufpasaoglu, chief investment officer at Archbridge Capital AG, a Zug, Switzerland-based hedge fund, who estimates that Brent crude should trade below $100 a barrel.

The Labor Department will release the employment figures at 8:30 a.m. in Washington.

OPEC will hold off increases in shipments this month as weaker demand in the U.S. and Europe counters rising consumption in Asia, according to Oil Movements, a tanker tracker.

The Organization of Petroleum Exporting Countries will ship 23.7 million barrels a day in the four weeks to May 18, little changed from the previous period, Oil Movements said yesterday in an e-mailed report. The figures exclude Angola and Ecuador.

U.S. crude imports by tanker have fallen about 13 percent this year, the consultant said.

Soft Demand

WTI may drop next week after U.S. crude stockpiles reached an 82-year high, a separate Bloomberg survey showed. Sixteen of 34 analysts and traders, or 47 percent, forecast futures will drop through May 10. Twelve respondents, or 35 percent, projected a gain and six said there would be little change.

"With demand remaining soft, with weak European conditions being balanced by stronger Asian demand, and supply increasing, we expect Brent will decline," Hans van Cleef, energy economist at ABN Amro Bank in Amsterdam, said today in an e-mailed report. The bank predicts WTI may decline to $80 a barrel this quarter.

Crude inventories rose by 6.7 million barrels last week to 395.3 million barrels, the Energy Information Administration said May 1. Stockpiles were last at that level in 1931, based on monthly figures.

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