U.S. prices oil prices end lower, but gain about 18% for the month

U.S. benchmark oil futures fell Thursday, retreating from the more than two month high they settled at a day earlier, but still finished the month with an 18% gain—the strongest monthly rise in nearly three years. “It seems all the headlines of late our positive for crude prices,” said Edward Moya, market analyst at Oanda, in a note Thursday. Oil found support “after the [U.S. Federal Reserve’s] dovish pivot crushed the dollar, helping commodity prices, OPEC+ production cuts are kicking in, [U.S.] sanctions against Venezuelan’s state-owned oil company PdVSA were announced, and Saudi Arabia has cut exports to the U.S., dropping them to the lowest since October 2017.” Oil prices, however, pared gains, with U.S. prices turning solidly lower by Thursday afternoon.

WTI crude for March delivery US:CLG9 fell by 44 cents, or 0.8%, to settle at $53.79 a barrel on the New York Mercantile Exchange after trading as high as $55.37. Based on the front-month contracts, prices logged their highest finish, at $54.23 Wednesday, since Nov. 21, according to Dow Jones Market Data. Month to date, front-month contracts rose 18.5%, for the strongest monthly gain since April 2016 and best January performance since on record, based on data going back to Jan. 1984.

On its expiration day, March Brent crude LCOH9, +0.41% rose 24 cents, or 0.4%, to end at $61.89 a barrel on ICE Futures Europe. Prices based on the front-month contracts were up 15% for the month, the largest such rise since April 2016. April Brent LCOJ9, +0.15% which is now the front month, shed 70 cents, or 1.1%, to $60.84. The upbeat tone for continued a day after weekly U.S. crude supplies were reported up less than expected and amid continued reaction to U.S. sanctions on Venezuela’s state-run oil company, all of which helped to lift U.S. benchmark prices to their highest finish on Wednesday in over two months.

Oil was also benefiting from the upbeat tone for risk assets overall after a dovish interest rate repositioning at the Federal Reserve sent all three U.S. stock benchmarks to their highest levels since at least Dec. 6 and sent the U.S. dollar DXY, +0.03% lower Wednesday. Dollar-denominated commodities like oil tend to have an inverse relationship with the greenback. U.S. stocks were mixed Thursday, with the dollar edging higher after its post-Fed drop.

The Energy Information Administration reported Wednesday that domestic crude supplies edged up by a smaller than expected 900,000 barrels for the week ended Jan. 25. The EIA data Wednesday also showed an unexpected weekly decline in gasoline stockpiles, which fell by 2.2 million barrels last week.

On Nymex, February gasoline RBG9, -1.66% fell 1.4% to $1.363 a gallon, with front-month contract prices up 3% for the month, and February heating oil HOG9, -1.16% fell 1% to $1.879 a gallon, for a monthly rise of nearly 12%. The contracts expired at Thursday’s settlement. As for Venezuela, the U.S. sanctioned the state-run Petróleos de Venezuela SA, or PdVSA, earlier this week, raising the risk of disruptions to global oil supply from the Organization of the Petroleum Exporting Countries member, which is also home to the world’s largest oil reserves.

Self-proclaimed “interim president” of Venezuela Juan Guaido, who has U.S. backing, is the biggest challenge to strongman Nicolás Maduro’s government in years, as the country strains under an economic crisis and sky-high inflation.

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