US crude imports drop 13m barrels in a week

JOHN KEMP

LONDON: US crude oil inventories plunged by more than 14.5 million barrels in the week ending on Sept. 2, the largest weekly drop since 1999.

Crude imports fell from an average of 8.9 million barrels per day in the week ending Aug. 26 to just 7.1 million bpd in the week ending Sept. 2.

The reasons for the drawdown are not hard to find with a modest acceleration in refinery processing rates and a sharp slowdown in crude imports.

Crude imports fell from an average of 8.9 million barrels per day in the week ending Aug. 26 to just 7.1 million bpd in the week ending Sept. 2, according to the US Energy Information Administration.

Crude imports fell by a total of almost 13 million barrels compared with the previous week, accounting for most of the reported decline in inventories.

TANKER ARRIVALS

Crude imports have been trending higher since early 2015 as domestic production has fallen and refiners have turned to foreign crudes to help meet strong demand for gasoline and diesel.

Crude imports of 8.9 million bpd in the week ending Aug. 26 were the highest for nearly four years and imports have been above 8.4 million bpd in six out of the last 12 weeks.

By contrast the 7.1 million bpd of imports in the week ending Sept. 2 were the lowest for 10 months, according to EIA data.

Changes in the weekly volume of imports are the single most important source of week to week volatility in the stock numbers so the import slowdown produced a predictably sharp drop in inventories.

Crude oil imports exhibit significant week to week volatility but most of the changes are "noise" related to the timing of tanker arrivals and customs clearances.

Crude importers must notify the Energy Information Administration about the amount of oil imported before 7 a.m. Eastern Standard Time on Friday each week.

But crude is reported only once it has cleared US customs, a paperwork transaction rather than a physical movement. Until then it is considered "in transit" and remains outside the reporting framework.

While crude from Canada arrives by pipeline most other crude arrives by tanker, much of it in very large crude carriers carrying around 2 million barrels at a time.

In general, crude cargoes are cleared in a single entry with US Customs, which creates significant "lumpiness" in the data.

Weekly import data is therefore very sensitive to the timing of tanker arrivals and customs clearances. In many cases a sharp rise or fall in imports is reversed the following week.

HERMINE WARNING

Ship arrivals and customs clearances can be impacted by bad weather and logistical problems as well as ordinary bunching, which seems to have been what occurred during the week ending Sept. 2.

Crude imports to both the US East Coast (Maine to Florida) and the Gulf Coast (Texas to Alabama) were both sharply lower in the week ending Sept. 2.

East Coast imports fell to less than 600,000 bpd from over 1.2 million bpd the week before. Gulf Coast imports dropped to less than 2.5 million bpd, from 3.2 million bpd the week before, and the lowest level on record.

Imports to other areas also fell but by much less. Pipeline imports into the Midwest fell marginally but remained within the recent range. Seaborne imports to the West Coast also fell but remained within range.

US crude imports fell from an average of 8.9 million barrels per day in the week ending Aug. 26 to just 7.1 million bpd in the week ending Sept. 2.

The fact that the slowdown in imports was concentrated on the eastern seaboard points to weather and other local logistical problems as the most likely cause.

One likely explanation is tropical storm Hermine, which moved through the Gulf of Mexico and started to move up the East Coast during the week ending Sep. 2.

The National Hurricane Center started issuing warnings about Hermine on Aug. 28.

In most cases tankers will respond to the warning of a hurricane by attempting to divert away from it, remaining at sea and delaying arrival, which is consistent with the slowdown in imports reported last week.

The confluence of weather warnings on both the Gulf and East Coasts, a small slowdown in imports to the West Coast and an even more modest slowdown into the Midwest produced a very large drop in nationwide imports.

The result was an unusually sharp drop in both imports and inventories but it seems to have been more a statistical effect than a sign of a fundamental shift.

In the past, sudden slowdowns in imports have often been followed by a sharp rebound the following week as delayed tankers arrive and discharge.

If that pattern is repeated, both imports and crude stocks are likely to rise again over the next couple of weeks.

— John Kemp is a Reuters market analyst. The views expressed are his own.

Sharjah FDI Forum to highlight world's top economy trends

ARAB NEWS

JEDDAH: Organizers of the forthcoming Sharjah FDI Forum 2016, being held on Sept. 28-29, with the support of Sheikh Sultan bin Mohammad Al-Qasimi, member of the supreme council and ruler of Sharjah, and hosted by the Sharjah Investment and Development Authority (Shurooq) in collaboration with Financial Times and fDi magazine, have highlighted the importance of the event to throw light on FDI and the global economy.

The two-day forum will bring together an elite group of experts and economists to focus on key investment trends in the region.

"The Sharjah FDI Forum will examine the most important economic issues on the local, regional and international arenas. The forum will host the participation of senior economists, financial analysts and policy makers, who will meet to discuss seek solutions to the FDI challenges presented by the current economic climate," said Shurooq CEO Marwan bin Jassim Al-Sarkal.

On the forum's first day, Salem Rashid Al-Noaimi, CEO & MD, Waha Capital, will present "Taking the Long-Term View on Middle East investments" in which both he and Courtney Fingar, editor in chief, fDi Magazine, Financial Times, will outline the investment structure in the region and its attractiveness for international capital.

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The Sharjah FDI Forum will examine the most important economic issues on the local, regional and international arenas.

On the second day, the forum will host a panel discussion, Investment Trends — What Are the Prospects for FDI in the Middle East and the UAE in the Coming Year?

Its participants, including Al-Sarkal; Henry Loewendahl, group CEO, WAVTEQ Ltd.; Awni Rushood, adviser, Arab Planning Institute Kuwait; and Jeffrey Colyer, lieutenant governor of Kansas, will each discuss the role of FDI in the world economy, evaluate growth trends and challenges, and analyze the competitive advantages of cities when it comes to the globalization of innovation. This panel discussion is to be moderated by Jacopo Dettoni, deputy editor, fDi Magazine.

Al-Jawaher Reception & Convention Centre is the forum's venue.

US growth faces risks if Fed waits too much longer to raise rates

WASHINGTON: US Federal Reserve policymakers on Friday headed toward their policy meeting later this month divided on whether a rate rise is in the offing, with some of the permanent voting members appearing wary of supporting an immediate hike.

Financial markets had started pricing in a greater chance of a rate hike on Sept. 21 on the back of a series of hawkish speeches. After Boston Federal Reserve President Eric Rosengren spoke on Friday, odds on a rate hike in September rose to 30 percent probability from 24 percent before his comments.

After the more dovish Federal Reserve Gov. Daniel Tarullo spoke, that had fallen to a 20 percent chance.

Tarullo told CNBC he wants to see more evidence of a sustained uptick in inflation toward the Fed's 2 percent target before raising rates, an oft-repeated assertion of his that immediately dampened investor expectations that the central bank will raise rates at its Sept. 20-21 meeting.

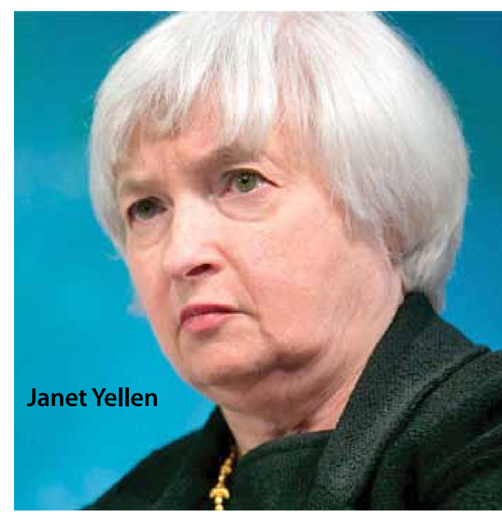
"As inflation in my view shows that it's picking up in a sustainable way... then we'd raise rates," Tarullo said, adding there had been "so many false up and downs in the past."

There are five members of the Washington-based board of governors, including Tarullo, all of whom have a permanent vote on monetary policy and ten voting members overall.

Influential Fed Gov. Lael Brainard has also repeatedly advocated against raising rates too quickly amid sluggish inflation and growth in the US and globally. She is scheduled to speak in Chicago on Monday, one day before the central bank's communications blackout period takes effect.

The other five voters this year are from the regional Fed banks and include Esther George, who has long supported a rate rise and dissented at the last three of the Fed's four policy meetings at which rates were left unchanged.

Tarullo's comments contrasted with those of Rosengren who said the US economy increasingly faces risks if the central bank waits too much longer to raise rates.



Janet Yellen

"Risks to the forecast are becoming increasingly two-sided," Rosengren said in Quincy, Massachusetts. He added that while a slowdown overseas remains a concern, the US economy has proven resilient and could even overheat if Fed policy remains unchanged for too much longer.

That said, Rosengren did not say whether he expects to back a rate hike this month or even this year.

Financial markets are pricing in a December rate hike. Chair Janet Yellen said in an appearance at Jackson Hole, Wyoming, two weeks ago said that "the case for an increase in the federal funds rate has strengthened in recent months."

That view was echoed on Friday by another Fed official, Dallas Fed President Robert Kaplan, who nevertheless added that long-term headwinds to economic growth mean the central bank can afford to raise rates very slowly.

"The Fed can afford to be patient and deliberate in its actions," Kaplan told reporters in Austin, Texas.

— REUTERS

British developments such as Television Centre in London's White City are recording a spike in interest from GCC buyers post-Brexit at Cityscape Global.

Britons vie for Mideast real estate investment post-Brexit

ARAB NEWS

DUBAI: British representation at Cityscape Global, which ended on Thursday, almost doubled year on year, as developers competed for Middle Eastern investment amid the post-Brexit vote and a period of uncertainty.

During the three-day real estate exhibition, UK developers were reporting good levels of interest across the board from GCC investors.

Underlining the increased value in investment to visitors at the show, Elysian Global and Strutt & Parker showcased two significant projects in London — Stanhope's Television Centre and Wanda's One Nine Elms.

"In real terms for dollar buyers, our scheme is 10 percent better value today than it was before the Brexit vote — so there is a clear opportunity for GCC investors to capitalize on this fact," said Peter Allen, Stanhope's sales and marketing director for Television Centre, the iconic former home of the BBC in London's White City.

"We've definitely seen a recent spike in inquiries from the GCC's buyers. There was a period of uncertainty immediately after the Brexit vote but that is now passing and we are returning to business as usual. The fundamentals of London remain — it is a truly global city that is the number one financial center in the world, a transport hub, with the only global language and great education, entertainment and culture, a fair legal system, liquid property market with easy access, entry and exit and low inflation," added Allen.

Andy Phillips, commercial director at Knight Knox, a provider of buy-to-let opportunities in the private investor market, said: "This is a particularly good time for foreign investors to enter the UK buy-to-let market as the current depreciation of the pound means that the UK's property is essentially being sold at a steep discount," he said.

"We expect to see the value of our business in the Middle East remain strong in the post-Brexit era, especially in the short term, and savvy investors step in to take advantage. The UK's property remains one of the strongest and most secure investments in the world and we do not expect that to change in the future."

In real terms for dollar buyers, our scheme is 10 percent better value today than it was before the Brexit vote — so there is a clear opportunity for GCC investors to capitalize on this fact.

Two of the key trends emerging from the show floor of Cityscape Global were newly competitive pricing options and a focus on livability and the end user experience. A host of developers are now offering payment plans such as 20 percent or 30 percent down payments and affordable financing in order to stand out and win over investors and first time buyers.

Tom Rhodes, exhibition director for Cityscape Global, said: "There has been a lot of interest in the new Jumeirah Central development, launched just a few days before Cityscape Global opened its doors, and the large scale model on the Dubai Holding stand has been incredibly busy. At the same time, we have seen the launch of DAMAC's 'inverted villas,' which place the bedrooms on the ground floor and the living areas upstairs, as a direct response to older family members struggling with stairs and requesting their rest areas to become more easily accessible."

The next Cityscape Global is set at the Dubai World Trade Centre from Sept. 11-1, 2017.