MarketWatch

Oil logs its biggest weekly gain of the year

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Renewed OPEC commitments, Venezuela help lift prices

Getty Images

Oil logged a weekly gain of more than 8% Friday—the largest such rise since early December, with prices getting a lift from renewed production-curb commitments from OPEC members as well as uncertainty in Venezuela.

Traders showed little reaction as data Friday on the latest number of active U.S. oil rigs revealed a modest increase for the week.

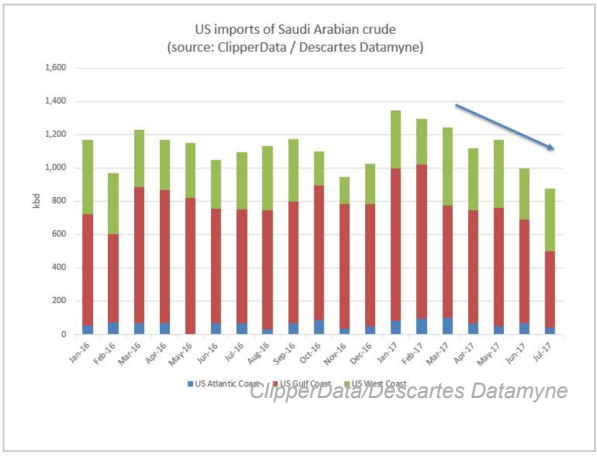
September West Texas Intermediate crude CLU7, -0.16% rose 67 cents, or 1.4%, to settle at $49.71 a barrel on the New York Mercantile Exchange—the highest finish for a most-active contract since May 26, according to FactSet data. It ended about 8.6% higher for the week.

Brent crude for September UK:LCOU7 which expires at Monday's settlement, added $1.03, or 2%, to settle at $52.52 a barrel on London's ICE Futures exchange, with prices for the contract up roughly 9.3% for the week.

Both benchmark contracts saw their biggest weekly percentage gains for a most-active contract since the week ended Dec. 2, according to FactSet data.

Prices have been driven higher in large part by "optimism surrounding the recent drop in U.S. [crude] supplies," said Tyler Richey, co-editor of the Sevens Report. The Energy Information Administration on Wednesday reported a fourth-straight weekly drop in domestic stockpiles.

And Saudi Arabia, the Organization of the Petroleum Exporting Countries' top exporter, announced early on in the week that it plans to limit exports starting next month. Kuwait and United Arab Emirates have followed suit with similar pledges.



"Exports from Saudi [Arabia] to the U.S. take approximately seven weeks to arrive—hence, as we swiftly approach the end of July, we can see from Saudi deliveries this month that they are not just talkin' the talk, but walkin' the walk," said Matt Smith, director of commodity research at ClipperData.

Oil traders are also concerned with the possibility of major disruptions to crude supplies from Venezuela, which faces a national vote Sunday to elect a constituent assembly whose job will be to redraft its constitution.

Read: How Venezuela chaos could spark oil rally OPEC has failed to achieve

Meanwhile, Friday's weekly report from Baker Hughes BHGE, +0.00% showed that the number of active U.S. rigs drilling for oil, which offers a hint on futures output, edged higher by 2 to 766 this week. It fell by 1 last week, after climbing two weeks in a row.

Earlier this week, Dave Lesar, executive chairman at Halliburton Co. HAL, +0.02% said in a conference call that rig-count growth is "showing signs of plateauing and customers are tapping the brakes" all over North America.

Several oil exploration and production companies have announced cuts to their spending budget for the year in the wake of a year-to-date decline of roughly 8% for oil prices.

Read: What a constant stream of oil company spending cuts means for crude prices

Back on Nymex Friday, August gasoline US:RBQ7 added 3.2 cents, or 1.9%, to $1.676 a gallon, with the contract up 7.2% for the week, while August heating oil US:HOQ7 rose 3.7 cents, or 2.3%, to $1.640 a gallon to post a weekly rise of 8.2%. The August contracts expire at Monday's settlement.

September natural gas NGU17, -0.82% shed 2.6 cents, or 0.9% to $2.941 per million British thermal units, with the new front-month contract notching a 0.7% loss on the week.

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