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# Oil slips after hitting record



By Richard Valdmanis

NEW YORK (Reuters) - Oil slipped on Wednesday after setting a record high above \$82 a barrel, with dealers eyeing a diminishing storm threat to oil rigs in the Gulf of Mexico.

The National Hurricane Center said a tropical disturbance near Florida was set to strengthen and lurch in the Gulf, home to a quarter of U.S. oil output. But computer forecast models showed

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Jennifer Rubell  
 Author, "Real Life Entertaining";  
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"Our meteorologists tell us the longer this stays iffy, the greater the chance that it doesn't strengthen into a storm," said Kyle Cooper, analyst at IAF Advisors in Houston. Several oil companies with operations in the Gulf of Mexico were evacuating nonessential workers on Wednesday as a precaution against the storm threat, but none had reported any slowdown in oil or natural gas output.

U.S. crude was down 18 cents to \$81.33 a barrel by 1:56 p.m., after earlier hitting a record \$82.51. London Brent crude gained 43 cents to \$78.02 a barrel.

Prices have touched record highs for six consecutive trading days, supported by fears of a supply crunch during the Northern Hemisphere winter. U.S. crude stocks fell by 3.8 million barrels last week to the lowest level in more than eight months, the U.S. Energy Information Administration said, almost twice the expected decline.

The market was already rallying after the U.S. Federal Reserve's interest rate cut raised expectations energy demand would remain robust "The crude draw being more than forecast would prove to be supportive in a complex that for weeks has eyed the inventory drawdown and the expected tightness in inventories going forward," said Eric Wittenauer of A. G. Edwards in St. Louis.

Oil -- up a third since the start of the year -- has risen on hurricane threats and other supply risks, a flow of investor money into energy from poorly performing equity markets and falling U.S. fuel inventories. "Now the market is going to be searching for \$85 a barrel," said Tony Nunan of Mitsubishi Corp in Tokyo, before the U.S. inventory report was released.

Besides the drop in U.S. crude stocks, the EIA report showed a 400,000-barrel rise in gasoline inventories and a gain of 1.5 million barrels in distillates including heating oil. The Organization of the Petroleum Exporting Countries last week decided to raise oil output by 500,000 barrels per day from November 1, but the move did little to soothe consumer concerns that supplies may run thin this winter.

In response to oil's rally since OPEC's decision, a source from the producer group said oil ministers would probably hold talks about a further output boost if prices stayed above \$80 a barrel for several weeks. Some of OPEC's 12 members are worried that record prices will harm global economic growth and erode oil demand. Though U.S. crude has quadrupled since 2002, adjusted for inflation the price is below the \$90 peak in 1980 when the Iran-Iraq war started.