

Oil ends down, reversing rally, as Opec output seen rising

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STORY BY REUTERS

Crude oil fell on Monday, reversing an early rally after a survey estimated higher Opec output in November, while a stronger dollar weighed on demand for commodities priced in the currency. US government data showed no meaningful decline in shale oil output in September despite a steady drop in rig counts, another factor that pressured crude, along with a tumble in US gasoline and ultralow sulfur diesel futures before expiration of their front-month contracts.

Brent crude futures settled down 25 cents, or 0.6%, at US\$44.61 a barrel, erasing an early rally that sent Brent up nearly US\$1.

US crude's West Texas Intermediate (WTI) futures finished down 6 cents at US\$41.65, versus a session high at US\$42.61.

Both Brent and WTI fell about 10% for November.

"We feel the only real hope for oil bulls now would be a year-end destocking of crude that will create draws" in US crude, said Tariq Zahir of New York's Tyche Capital Advisors, which holds bearish positions on WTI.

"Even if we get a bounce in any fashion, that will be prime opportunity for bears like me to try and ride the elevator down to the US\$30 handle."

After Monday's market settlement, the US Commodity Futures Trading Commission released data showing the bullish position held in WTI by hedge funds and other speculators falling last week the lowest in more than five years.

On the positive side, another Reuters poll showed US crude stockpiles were expected to have fallen by some 1.1 million barrels last week.

Crude rallied early as some hedged on the possibility of production cuts and other price support measures at Friday's meeting of the Organization of the Petroleum Exporting Countries (Opec) in Vienna.

Opec has shown resolve to stick to the decision adopted at last year's policy meeting to pump oil vigorously to protect its market share.

Russia, the biggest oil producer, said it will skip Friday's meeting, making it more unlikely Opec will be pressured to make cuts by large non-member producers. Russia is also drilling for more oil to compete with top crude exporter Saudi Arabia and other Opec members such as Iran.

A Reuters survey estimated Opec production rose by 130,000 barrels per day (bpd) in November.

Government data showed September output of US crude falling by just 20,000 bpd to 9.326 million bpd in September. US oil rigs have fallen a lot more.

The dollar hit eight-month high against a basket of currencies.

— **By Barani Krishnan**

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