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## OIL MARKETS

# Oil Falls Most Since 2015 on Fears of Oversupply

U.S. oil prices fall for a record 12th consecutive day

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U.S. oil prices sank deeper into a bear market Tuesday, posting their steepest fall in over three years and a record 12 consecutive days of declines, as fears of oversupply and weakening demand gripped the market.

West Texas Intermediate for December delivery settled 7.1% lower at \$55.69 a barrel on the New York Mercantile Exchange, its sharpest one-day fall since September 2015. Brent crude, the global benchmark, was down 6.6% at \$65.47, entering a bear market—defined as a 20% drop from a recent peak.

Oil's rapid decline is now fueling worries about weakness in the broader economy. Ongoing trade disputes between the U.S. and China have darkened the outlook for global growth in recent months. Investors are now questioning whether crude's plunge could spill over into other markets. The last time oil prices posted such a steep one-day slide, three years ago, crude was in the midst of a rout that eventually dragged down equity prices.

“It's definitely a sign that global growth is softening,” said Curtis Holden, senior investment officer at Houston-based Tanglewood Total Wealth Management, which sold energy stocks about two months ago. “People have been ratcheting down their expectations.”

WTI, the U.S. benchmark, hit its lowest price of the year on Tuesday after a monthly report from the Organization of the Petroleum Exporting Countries said production increases from the group and Russia more than offset losses from Iran. Output from OPEC members climbed by 127,000 barrels a day in October. Russia's production rose 50,000 barrels a day, the oil cartel said in its monthly report. Meanwhile, Iran's production fell by 156,000 barrels a day.

OPEC also lowered its forecasts Tuesday on demand growth for this year and next, citing lower-than-expected demand growth in Asia and the Middle East, along with the uncertain outlook for global economic development.



Saudi Aramco's oil field in Shaybah, Saudi Arabia. PHOTO: SIMON DAWSON/BLOOMBERG NEWS

On Monday, a tweet from President Trump added to the bearish momentum in oil prices. Saudi Arabia, a major producer, had made a weekend announcement that it would cut its exports to boost prices and avoid an oversupply.

Then Mr. Trump tweeted, “Hopefully, Saudi Arabia and OPEC will not be cutting oil production. Oil prices should be much lower based on supply!” That reversed what seemed to be a recovery for oil on Monday after two weeks of daily declines.

The comments surprised many analysts who said they had suspected Mr. Trump’s push for lower oil prices would end after the midterm elections were over.

“There have been a lot of geopolitics involved in this,” said David Yopez, a portfolio manager at Oklahoma City, Okla.-based Exencial Wealth Advisors, which owns energy stocks. “You have to give credit to the U.S. for helping push prices lower.”

U.S. oil prices have slid 27% after hitting a multiyear high of \$76.41 a barrel on Oct. 3. The tumble is a reversal from earlier this year, when anticipation that Iranian sanctions would shrink global supply sent oil prices soaring.

The outlook for supply and demand shifted last month as top oil producers, mainly the U.S., Russia and Saudi Arabia, began ramping up output to offset the expected drop in Iranian exports.

That came just as Washington earlier this month decided to soften its sanctions on Iran and grant waivers to some buyers of Tehran’s crude—driving oil prices lower into what would turn into a record losing streak.

“Basically, we’ve gone from envisioning tighter supplies six weeks ago to now expecting excess supplies on the market, and demand is starting to falter,” said Eugene McGillian, vice president of market research at Tradition Energy.

Other factors have also played a role in oil’s demise this week, said Matt Smith, director of commodity research at ClipperData.

“You’ve also seen the dollar strengthening, which weighs on oil prices, as well as a broader risk-off scenario for commodities as equity markets declined in recent weeks,” Mr. Smith said. “It’s been a waterfall of selling.”

A stronger dollar makes commodities more expensive for overseas buyers. The WSJ Dollar Index closed at its highest level since March 2017 on Monday.

Prices falling below key technical levels also triggered more selling, said Mr. Smith. One key level was the 200-day moving average, which stood at \$65.34 a barrel when it was broken about two weeks ago for the first time in more than a year. Mr. Smith added that today’s selling also kicked into overdrive after the market broke through the lows hit in February.

“Those levels of support that people expected to hold haven’t,” he said. Some traders said \$55 is the next key level for WTI.

The gloom in the oil market is partly because Saudi Arabia’s efforts to prop up the market aren’t enough, say analysts at JBC Energy.

The kingdom said its exports would come in 500,000 barrels a day lower on the month in December. Saudi officials said major producers should look at shaving off 1 million barrels a day of supply in 2019.

Investors and markets will likely turn their attention to whether OPEC will cut production at its meeting in Vienna next month.

This week, investors will also watch for a pair of reports Wednesday and Thursday on U.S. oil inventories, which have been rising sharply in recent weeks and contributing to oil’s price decline.

“Underlining the whole thing is U.S. production being much higher than we think. That’s added to a whole lot of bad positioning,” said Scott Shelton, a broker at ICAP PLC. “It’s just a bunch of things adding up.”

### **Corrections & Amplifications**

The American Petroleum Institute releases weekly oil-inventory data Wednesday. An earlier version of this article incorrectly stated the day as Tuesday. (Nov. 13, 2018)

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