COMMODITIES

Oil Hits 15-Month Low After Fed Increases Rates

Oil market selloff resumes, reversing gains from previous session

By Sarah McFarlane

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LONDON—Oil prices hit a 15-month low Thursday, as equity markets came under fresh selling pressure after the Federal Reserve raised interest rates.

Brent crude, the global oil benchmark, was down 3.1% at $55.44 a barrel on London's ICE Futures exchange, having earlier fallen to $54.64, its lowest level since September 2017.

EIA data showed U.S. inventories fell 0.5 million barrels in the week ended Friday. **PHOTO:** MARK RALSTON/AGENCE FRANCE-PRESSE/GETTY IMAGES

On the New York Mercantile Exchange, West Texas Intermediate futures were down 3.5% at $46.52 a barrel.

A fall in U.S. oil inventories reported by the Energy Information Administration on Wednesday helped provide temporary relief to this week's selloff before the market resumed its downtrend.

The EIA data showed U.S. inventories fell 0.5 million barrels in the week ended Dec. 14.

"A very respectable statistic on U.S. oil inventories sent prices higher but the optimism has quickly evaporated due to the economic developments that directly influence the general perception of global oil demand," said Tamas Varga, analyst at brokerage PVM.

Investor concerns of excess oil supply, combined with nervousness over the weakening global economic outlook translating into lower oil demand, have persisted in recent weeks. Oil prices have fallen by about a third since hitting a near four-year high of $86.74 on Oct. 3.

Analysts said the output cuts agreed by the Organization of the Petroleum Exporting Countries and their allies earlier in December have provided little comfort, given they don't kick in until January.

“There is pervasive market worry that the planned cuts by OPEC+ will not suffice, amid economic growth concerns, to offset the relentless increase in U.S. shale supply and stabilize the market,” said Giovanni Staunovo, commodity analyst at UBS Wealth Management.

Mr. Staunovo said these fears were “overdone” however, and the OPEC cuts, along with declining supply in Iran and Venezuela, and healthy demand should support higher prices in 2019.

UBS forecasts Brent oil prices will recover to trade between $70-$80 a barrel next year.

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