COMMODITIES

# U.S. Oil Enters Bear Market on Rising Inventories, Worries of Oversupply

Oil prices declined for a ninth straight session, bringing it 20% below its recent high

*By Dan Molinski*

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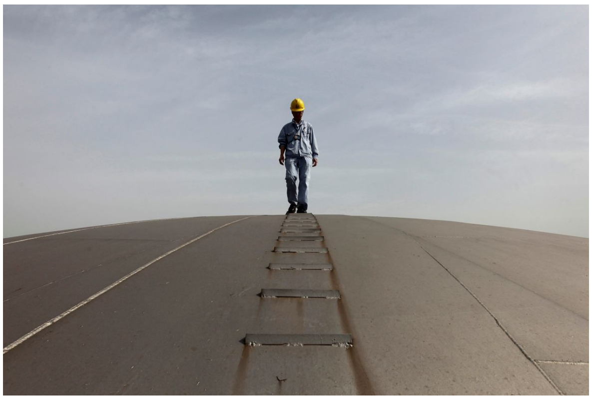
U.S. oil prices slid for a ninth straight session Thursday, hitting an eight-month low and entering a bear market amid worries over rising global output and signs of deteriorating demand.

Light, sweet crude for December delivery ended 1.6% lower at $60.67 a barrel on the New York Mercantile Exchange, putting the front-month contract about 21% below its recent high. Brent crude, the global benchmark, fell 2% to $70.65 a barrel, roughly 18% below its peak. Bear markets are generally defined as a 20% decline from a market peak.



A man walking on top of an oil tank at a Sinopec refinery in Wuhan, China. PHOTO: DARLEY SHEN/REUTERS

The U.S. benchmark had risen to a nearly four-year high of $76.41 a barrel just over one month ago, on Oct. 3. But since then it is fallen sharply due to rising production, a softening of U.S. oil sanctions on Iran and trade tensions that are sparking worries of slower global economic growth that could in turn reduce demand for oil.



The oil selling intensified over the past two days after a report from the Energy Information Administration showed U.S. oil inventories have risen for seven straight weeks to a five-month high of 432 million barrels. The report also showed U.S. oil production increased to a record 11.6 million barrels a day, fueled largely by production in shale regions such as West Texas and North Dakota.

“The crude builds certainly didn’t help prices,” said Mark Waggoner at Excel Futures. “But behind these numbers, and what many regular people don’t know—but oil traders certainly do—

was the U.S. just became the world's largest crude-oil producer a couple of weeks ago, barely squeaking by Russia. That's huge."

A decision last week by the Trump administration to issue waivers, or exceptions, to its oil sanctions against Iran added to pressure on oil prices. The U.S. allowed eight countries to continue to buy Iranian crude. That essentially ended any fears of a sanctions-created supply squeeze, at least for now.

"Even before a larger number of Iran sanctions waivers was announced on Friday, market sentiment had soured on crude," said analysts at Energy Aspects in a research note. "Against a backdrop of economic uncertainty because of U.S.-China trade tensions, longs," or investors betting on higher prices, "have given up."

Hedge funds and other speculative investors have been ditching bullish oil wagers. Bullish bets on U.S. crude outnumbered bearish bets 4-1 as of Oct. 30, which is far lower than the 26-1 ratio in early July, according to Commodity Futures Trading Commission data.

The further decline in prices this week increases the importance of a meeting Sunday in Abu Dhabi among members of the Organization of the Petroleum Exporting Countries, as many expect the group will consider production cuts as a way to boost global oil prices.

"In view of the latest price slump and the oversupply that looks set to materialize next year, OPEC is thinking about cutting back oil production," Commerzbank analysts said in a note.

Russia, along with OPEC nations led by Saudi Arabia, has been pumping more oil since the summer to offset the loss of Iranian barrels, which now looks likely to be smaller than anticipated due to waivers granted to some buyers.

Falling crude prices also reflect a weaker demand outlook.

The International Monetary Fund lowered its targets for global economic growth in 2019, citing the U.S.-China trade dispute as one factor in the forecast cut. About a week later, the International Energy Agency lowered its oil demand-growth forecasts for this year and next. The IEA cited higher oil prices as a factor in its decision.

Among refined products, gasoline futures for December delivery fell 0.2% to $1.6443 a gallon. Diesel futures fell 3.1% to $2.1683 a gallon.

**Corrections & Amplifications**
An earlier version of this story misspelled the name of Excel Futures and said diesel prices rose. Diesel fell Thursday. (Nov. 9)

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