Crude futures surge more than 4% after non-OPEC producers agree to 558,000 b/d cut

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Crude oil futures surged more than 4% in mid-morning trade in Asia Monday, after non-OPEC producers agreed to cut output by 558,000 b/d following a historic meeting with OPEC members in Vienna over the weekend.

At 10:34 am Singapore time (0234 GMT), February ICE Brent crude futures was up $2.29/b (4.21%) from Friday's settle to $56.62/b, while January NYMEX light sweet crude rose $2.37/b (4.6%) at $53.87/b.

Front-month ICE Brent had spiked by as much as 6.6% after markets opened Monday, while NYMEX light sweet crude was up 5.8%, before paring gains.

OPEC on Saturday managed to secure the support of 11 other oil nations in a joint output cut pact, highlighting a show of strength and unity across global producers that could mark a new era in cooperation aimed at bringing stability back to global oil markets.

The accord marks the first collaborative production cut agreed to between OPEC and non-OPEC producers in 15 years.

Though the deal only amounts to an extra 258,000 b/d to the 1.5 million b/d in cuts agreed between OPEC and Russia on November 30 in Vienna, a relatively small step, in terms of symbolic importance and psychological shift it represents a huge leap forward.

OPEC on November 30 had tentatively signed off on a deal to cut production by 1.2 million b/d from October levels to around 32.5 million b/d from the start of January along with a commitment from Russia to slash output by 300,000 b/d.

"This is the first agreement outside of OPEC members since 2001, signaling the commencement of a more collective effort to end the oil rout," said IG market strategist Pan Jingyi.

OPEC stated that the arrangement will last for six months with the option to extend for another six months if need be.

The oil ministers said the door was open for other producers to join in and they would continue dialogue with those outside the agreement as well as those who joined.