

Oil pinned near three-month lows as gloom grows over OPEC

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Oil fell to its lowest in three months on Monday, as the prospect of another year of oversupply and weak prices overshadowed chances that OPEC will reach a deal to cut output.

Donald Trump's surprise victory in last week's U.S. presidential election has boosted stocks and the dollar, but undermined much of the commodities complex, including oil, which has sagged as expectations that the world's largest exporters will agree to reduce output this month have waned.

Brent crude futures LCOc1 fell 43 cents on the day to \$44.32 a barrel by 1205 GMT (7:05 a.m. ET), while NYMEX crude futures CLc1 shed 56 cents to trade at \$42.85 a barrel.

"In the same way that a strong OPEC agreement was needed to continue the rally above \$55, a lack of agreement will be needed to break below \$40 and right now, we're at \$45," Petromatrix strategist Olivier Jakob said.

"So I think on a risk basis, we're starting to be a bit more concerned about the upside price risk, than about the downside."

OPEC plans to cut or freeze output, but analysts doubt the group's ability to reach an agreement at its meeting on Nov. 30.

The Organization of the Petroleum Exporting Countries said on Friday its output hit a record 33.64 million barrels per day in October, and forecast an even larger global surplus in 2017 than the International Energy Agency on Thursday. [IEA/M]

Yet, Saudi Energy Minister Khalid al-Falih has said it was imperative for OPEC to reach a consensus on activating a deal made in September in Algiers to cut production.

"OPEC know what needs to be done but too few members will agree to take the production pain for the price gain, knowing also that the price gain incentivizes non-OPEC to produce more, lengthening the rebalancing process," PVM Oil Associates analyst David Hufton said.

The dollar index .DXY hit an 11-month peak on Monday, driven by an aggressive sell-off in bonds that has pushed Treasury yields US10YT=RR to their highest since January.

Ordinarily, a strong dollar would push oil lower, but the correlation between the two is at its most positive in two months, suggesting they are more likely to move in lockstep with one another than in opposite directions.