

Bears get out of the way as crude's rebound takes hold



Crude oil's rally is starting to sweep away the pessimists. After starting 2019 on a cautious tone, hedge funds last week slashed bets on falling Brent crude prices to the lowest level since mid-November, as they looked to get out the way of a recovery that pushed oil back into a bull market. Wagers on increasing prices climbed the most in a month, reversing course from last week. The global benchmark surged last week, as the US and China made progress in trade talks and Opec members reaffirmed its commitment to head off a supply glut. Money managers have turned alternately bullish and bearish on the rally in recent weeks, but the evidence for a sustained move higher is getting harder to ignore, said Mark Waggoner, president of Oregon brokerage Excel Futures Inc. "Just having another positive week is going to be huge for a lot of people's psyches, after we got so beat up last year," Waggoner said by telephone. "I think you're going to see more

of them coming on board this week.” Brent has gained more than 20% since hitting an 18-month low in late December. Nonetheless, it’s still down by almost a third since October and faces continuing pressure from the boom in US shale drilling and an uncertain economy. Prices fell for the first time in two weeks on Friday, retreating 2% to \$60.48 a barrel. US crude prices finished the week up 7.6%, their best showing in six months. Data on hedge fund wagers for West Texas Intermediate crude weren’t available due to the US government shutdown. Brent net-long positions – the difference between bullish and bearish wagers – climbed 3.8% to 158,146 options and futures contracts in the week ending January 8, the ICE Futures Europe exchange said on Friday. Most of the shift came from a 3.6% decline on contracts predicting a Brent drop. Bets on rising prices edged up 0.8%. They’ve traded gains and losses for the past six weeks. Late December’s more bearish stance “was more about hedge funds squaring their books after they’d had a very bad year,” said Frances Hudson, a global thematic strategist at Aberdeen Standard Investments in Edinburgh. Sentiment has improved markedly, she said in a telephone interview. “Things seemed to have settled down a little bit in terms of production,” Hudson said.