

Oil market bulls regroup, but don't bet on a rally just yet



Calgary: Oil bulls are rebuilding their positions, but it will probably take some major news to shake the market out of its current mood and trigger a sustained rally.

Money managers boosted their net-long position on West Texas Intermediate crude for the first time since mid-September in the week ended Oct. 22, data released Friday show. Those bets are still at half the level they reached last month, though, while short-selling wagers have tripled in that period.

That signals there's still a lot of scepticism in the market, despite crude's 5.4 per cent gain this week. But it also shows there's growing support for a meaningful rally once short-sellers start unwinding their positions. It's just that they don't seem to have a reason to do that yet.

"We had some events recently that were unusual, including the unprecedented attacks on Saudi Arabia," said Stewart Glickman,

an analyst at CFRA Research Inc. “The market saw a quick uptick but then shrugged it off a bit pretty quickly.”

This week was marked by news of a decline in US crude stockpiles, a brief shutdown of a critical pipeline and signs of progress on US-China trade talks. The market has seen similar pieces of bullish news over the past few months that weren't enough to dispel uncertainty over demand in the face of growing supplies.



“Every other day, it seems like we get a new statement from the [Trump] administration related to the trade talks,” said Gene McGillian, manager of market research at Tradition Energy. “We’ve gone down this road too many times.”

Money managers’ WTI net-long position, or the difference between bullish and bearish bets, rose 8.5 per cent to 93,856 futures and options, according to US Commodity Futures Trading Commission data. That compares with more than 200,000 about a month ago.

Long-only bets rose 9.3 per cent, while short positions climbed 10 per cent. Short-selling is near a peak reached in January, before massive short covering through the end of April helped support crude’s rally during the first four months of the year.