Oil prices decline as wave of supply meets global economic gloom

NEW YORK (Reuters) – Oil fell nearly 3 percent on Thursday, with U.S. crude futures hitting lows not seen since April, due to growing concerns that global demand is weakening at a time when output from the world's major oil producers is surging.

Record production from the United States and post-Soviet Russia, along with a big move upward in output from the Organization of the Petroleum Exporting Countries, has culminated in a move to the exits by speculators.

Oil has also been under pressure on growing concern over a possible slowdown in global growth as the U.S-China trade dispute remains unresolved, and is starting to hit emerging market economies in particular.

U.S. crude prices are 17 percent below highs reached in early October. Analysts said they anticipate more selling in coming days, noting that oil was unable to capitalize on weakness in the dollar on Thursday, nor did it benefit from a rebound in equity markets. [USD/] [.N]

“The sellers seem to be in charge,” said Gene McGillian, vice president of market research at Tradition Energy in Stamford, Connecticut.

Brent crude futures LCOc1 settled down $2.15, or 2.9 percent, at $72.89 a barrel, while U.S. crude CLc1 lost $1.62, or 2.5 percent, at $63.69, its lowest close since April 9.

The declines accelerated on Thursday after U.S. futures broke through $65, which had served as a buying level throughout the spring and summer. More than 750 million contracts changed hands, exceeding the 200-day moving average of 576 million contracts a day.

“As we drop down we see additional liquidation from speculators, and that keeps things heading south,” said Jim Ritterbusch, president of Ritterbusch & Associates.

Both benchmarks posted their biggest monthly percentage decline since July 2016 in October, with Brent down 8.8 percent for the month and U.S. crude losing nearly 11 percent.

On Wednesday, the U.S. Energy Department said overall U.S. crude output hit a record 11.35 million barrels per day in August, and it is expected to keep growing. Russia is producing 11.41 million bpd, and a Reuters survey of OPEC production showed that group pumping out more oil daily since 2016. [EIA/PSM]

The flood of oil is overwhelming any lingering worries that the market would be unable to offset further expected declines in exports out of Iran when renewed U.S. sanctions take effect next week. [OPEC/O]

The increase in OPEC production “has really started to tamp down concerns surrounding the loss of Iranian barrels," Tradition's McGillian said.

China's manufacturing sector in October expanded at its weakest pace in over two years, hurt by slowing domestic and external demand, in a sign of deepening cracks in the economy from the trade war with the United States.

"Oil investors are now betting on the potential of a global slowdown," said Bruce Xue, an analyst with Huatai Great Wall Capital Management.