

Oil short-selling jumps in record streak as faith in OPEC wanes



NEW YORK (Bloomberg) – Hedge funds are betting OPEC will struggle to reverse oil's precipitous plunge.

Their combined wagers against West Texas Intermediate and Brent crude soared for a seventh straight week, the longest global short-selling streak in data going back to 2011. The bearish bets jumped 14% in the week ended Nov. 13 and have tripled since the end of September, according to data from the U.S. Commodity Futures Trade Commission and ICE Futures Europe on Friday.

With oil prices slipping into a bear market, OPEC has promised to do what it takes to cut output. Still, it's unclear how far the cartel and its allies will go, and it may take a reduction well beyond the 1 MMbpd that's been publicly discussed to

restore faith, said Daniel Ghali, a commodities strategist at TD Securities in Toronto.

“We’ve been through not just a price shock, but a momentum shock,” he said in a telephone interview. “Given that, we don’t think oil will recover these losses in short order without a significant catalyst, and that may have to be OPEC doing more than expected.’

The jump in bearish bets came amid a 12-day losing streak for WTI crude prices, the longest on record, culminating in a 7.1% tumble on Tuesday. Investors received more bearish news on Wednesday as a weekly government report showed a boom in shale drilling pushed U.S. stockpiles up by 10.27 MMbbl, almost three times the median forecast.

The persistent bearishness, after oil had already given back much of its yearly gain, surprised Bill O’Grady, chief market strategist at Confluence Investment Management in St. Louis. Computer driven trades may be adding to the downward pressure, he said, as crude crashes through one technical-support barrier after another.

Still, he and Ghali saw some embers of optimism in an uptick in long WTI bets. “It tells you the bearish news is kind of in the market already,” O’Grady said by telephone. “Perhaps what we ended up getting was traders that looked at this and said, ‘Ok, you’re down 20%, maybe I should start throwing some longs on there.’”