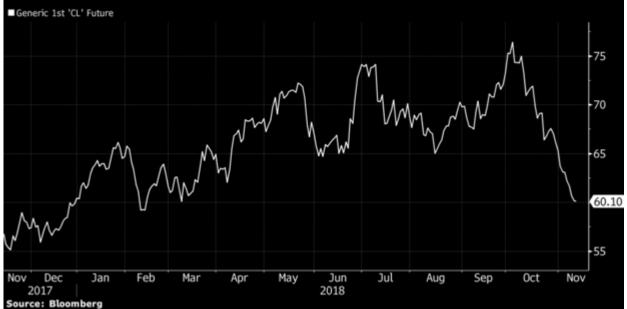
Trump presses Saudi over oil as ties fray further

Oil Keeps Sliding

West Texas intermediate crude futures have been under pressure for weeks.



President Donald Trump took aim at Saudi Arabia's plan to cut oil pro- duction on Monday, injecting new tension into an already fraught alliance that has been clouded by US concerns over the killing of journalist Jamal Khashoggi and the ongoing confl ict in Yemen. Trump's eff orts to infl uence oil production threatens to further strain relations between the two historic allies, even as his administration continues to describe the Saudis as a crucial partner in a shared bid to counter Iranian infl uence in the Middle East. But the US president - facing pressure after Republican losses in the midterm elections - is eager to tamp down threats to the economy, including higher gas pric- es. In a series of tweets, Trump blamed a stock market sell-off on the Democratic victory while pressing the Saudis and Opec to keep oil production at current levels. "Hopefully, Saudi Arabia and Opec will not be cutting oil production. Oil prices should be much lower based on supply!" Trump said on Twitter. Trump posted the message hours after Saudi Arabia's energy minister said that Opec and its allies should reverse about half the increase in oil

output they made earlier this year. Oil futures had gained as much as 2.4% in London and 1.8% in New York after the Saudi announcement.

Oil futures in New York fell 0.4% on Monday, extending a record 11th day of declines, to end the session at \$59.93 a barrel. Trump risks testing Saudi patience - or even provoking the kingdom's ire - at a particularly vulnerable moment, with the US decision to reimpose sanctions on Iran threatening to increase prices. The administration had been count- ing on Saudi Arabia to ensure oil supply to prevent a run-up in prices. The two countries have also clashed over the October killing of US-based jour- nalist Jamal Khashoggi at the Saudi con-sulate in Istanbul, with the Trump admin- istration reportedly considering sanctions on some Saudi offi cials in response. Over the weekend, the US stopped its refuelling support for the Saudi-led coa- lition fi ghting against Houthi rebels in Yemen. The Saudis said in a statement the deci- sion to end refuelling fl ights was a mutual one, and that the kingdom "increased its capability to independently conduct infl ight refuelling in Yemen." And Trump isn't expected to impose drastic penalties over the Khashoggi kill- ing, saying earlier this month that he did not feel "betrayed" by the plot and reit- erating his desire to avoid consequences that could harm the US economy. Still, the president is likely aware that his statement could irritate Saudi leader- ship. His tweet posted just minutes after a Fox Business Network segment in which energy analyst Phil Flynn said Opec lead- ers were angry Trump had "duped" them into raising production ahead of the Ira- nian sanctions. And the changes in posture by a Trump administration that had previously given Riyadh a pass on a range of international issues could prove an irritant in a relation- ship that has been carefully cultivated by the president and his son-in-law, Jared Kushner. The interference in oil matters risks overreach in a relationship Trump has lev- eraged to his advantage in the past.

In June, Saudi Arabia persuaded fellow oil producers to end 18 months of produc- tion cuts and pump more crude in response to falling output in Venezuela and Iran. Opec leaders made clear Trump's social media posts were the impetus for the production changes, which kept oil prices low ahead of both the midterm elections and Trump's expected move to reimpose sanctions on Iran. "We were in the meeting in Jeddah, when we read the tweet," Opec Secretary- General Mohammad Barkindo said ear- lier this year. "I think I was prodded by his excellency Khalid al-Falih that probably there was a need for us to respond," he said. "We in Opec always pride ourselves as friends of the US." Producers need to cut about 1mn barrels a day from October production levels, Saudi Energy Minister Khalid al-Falih said Monday in Abu Dhabi. The kingdom will reduce shipments by about half that amount next month, he said. This time, Saudi Arabia is urging allies to focus on the risk of rising oil inventories and forecasts for massive growth in rival supplies next year including US shale. It's a concern shared by Barkindo, who said Monday that the market balance is under threat from surplus supply and dwindling demand. "It is beginning to look alarming in the sense that the resurgence of non-Opec supply - in particular shale oil from the US - is putting a lot of pressure on this fragile equation," Barkindo said in Abu Dhabi. A cut in oil exports by Saudi Arabia – or a rise in oil prices – does threaten to provide political ammunition to newly empowered Democrats who have long sig- nalled scepticism of Opec. Senate Minority Leader Chuck Schum- er, a New York Democrat, had previously supported legislation that would remove an existing immunity shield that prevents the oil group and its members' national oil companies from being sued under US an- titrust law. It's possible a more serious split be- tween the Trump Administration and the Saudis could give new momentum for such an eff ort, which failed after former President George W Bush threatened to veto it. Trump may also find a familiar ally in his eff ort to pressure the Saudis: Russian President Vladimir Putin. Russia has argued that the oil supply excess is short

term and has opposed pro- duction cuts, pitting it against the Saudis in an industry that dominates the econo- mies of both countries. The Russian and US presidents met briefl y at a lunch Sunday in Paris, where Saudi Arabian issues were discussed, ac- cording to White House press secretary Sarah Sanders.