Oil futures slide for sixth successive session as Opec frets over US production

Rising crude production stateside continues to drag down crude prices despite producers' soundbites in favour of extending cuts.

- 

  By Gaurav Sharma

  April 24, 2017 17:17 BST

- 

Oil futures plunge for sixth successive day as market sentiment leans in favour of rising US production. iStock

Oil benchmarks registered a sixth day of intraday declines on Monday (24 April), as traders continue to factor in a rise in US production while Opec producers mull over a possible extension to output cuts pencilled in last December.

At 3.47pm BST, the Brent front month futures contract was down 0.83% or 43 cents to $51.53 per barrel, while the West Texas Intermediate (WTI) was down 0.97% or 48 cents to $49.14 per barrel, having risen briefly above $50 in Asian trading.

More business news

- Qatar Airways CEO says Trump is a 'very good businessman' but admits decline in flights to the US
- Woolworths could be set to return to Britain's high street
- Scottish Power slams Conservative plans to introduce energy price caps

Over the weekend, oilfield services company Baker Hughes reported yet another double-digit rise in the number of US oil and gas rigs, up 10 week-over-week and 426 on the same week last year to 857, indicative of an uptick in American output.

Meanwhile, faced with declining oil prices, market sentiment continued to weigh in favour of an Opec extension of output cuts of 1.8m barrels per day (bpd) introduced in December 2016, in concert with 11 non-Opec members; a move that was originally set to expire at the end of June.

In a note to clients, analysts at Commerzbank said: "This no longer comes as any surprise, given that the influential Arab Gulf neighbouring states had last week already expressed support for an extension to the agreed cuts."

However, Bjarne Schieldrop, chief commodities analyst at Nordic bank SEB, said that should Opec opt to go down that path, the cartel would be making a mistake.

"Not only is there no need for it, but it would also create a risk for more stimulus of the US shale oil sector, which might make it difficult for Opec to re-enter the market again with its full volume at a later stage. That is, of course, unless declines in non-Opec supply make increasing room for a re-entry of Opec supplies. We think that this will be the case in 2019."

Away from the oil markets, gold led declines in the precious metal sphere, as demand for safe-haven assets subsided on the expectation that Emmanuel Macron will become France's next president, as he prepares for a run-off against far-right candidate Marine Le Pen.

At 4.18pm BST, the Comex gold futures contract for the June delivery was down 0.98% or $12.60 at $1,276.50 an ounce, while spot gold was trading at $1,274.75 an ounce, down 0.75% $9.69.

Carlo Alberto De Casa, chief analyst at ActivTrades, said: "Although technically the trend for gold still appears positive with the first support area is be placed at $1,261 per ounce, we are seeing gold prices fall as well as the greenback dropping – when one goes up, the other usually goes down. It is all about risk and forecasting in the market.

"The fear of Le Pen storming to victory appears to have gone and, along with it, any worries the banking sector has harboured over a crumbling of the eurozone."

Elsewhere, Comex was broadly flat at $17.94 an ounce, while spot platinum was 1.17% or $11.38 lower at $961 an ounce.