

Crude prices tumble close to \$35

Crude prices falling fast with more evidence of broad economic pullback

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NEW YORK (AP) -- Oil prices tumbled close to \$35 a barrel Thursday as rising crude inventories and falling retail sales in the U.S. provided investors with further evidence of faltering consumer demand.

Light, sweet crude for February delivery fell nearly 5 percent, or \$1.83, to \$35.45 a barrel on the New York Mercantile Exchange. Prices have sunk 27 percent since last week and analysts say they may test a five-year low reached last month of \$33.87 a barrel.

Crude fell as low as \$35.05 at one point Thursday.

OPEC lowered its energy demand forecast for 2009, with investors already shrugging off production cuts of 4.2 million barrels a day by member countries.

Sustained job losses, bankruptcies and massive government bailouts have drowned out news of supply cuts that just six months ago would have sent crude prices soaring.

"I don't think there's anything they can say at this point," said analyst Stephen Schork, who doesn't expect a sustained rally in oil prices during the first half of this year.

"They didn't have control of oil prices when it was on the way up," he said. "They don't have control of it when it's on the way down."

The Labor Department reported first-time requests for unemployment insurance jumped to a seasonally adjusted 524,000 in the week ending Jan. 10. Analysts had expected 500,000 new claims.

An analyst with the Labor Department said the increase is partly due to a flood of requests from newly-laid off people who delayed filing claims over the holidays.

On Thursday, the government reported that the draw on natural gas inventories was less than expected, suggesting that industry is pulling back production sharply.

U.S. oil inventories have been rising for months, suggestion that the recession has slashed energy demand. The Energy Information Administration said Wednesday that crude inventories grew by 1.2 million barrels for the week ended Friday after jumping 6.7 million barrels the previous week.

Gasoline inventories rose by 2.1 million barrels and distillates increased by 6.4 million barrels.

"It just points to the doom and gloom in the American economy," said Gerard Rigby, an energy analyst with Fuel First Consulting in Sydney.

Investors were also dismayed by bad retail numbers. The Commerce Department reported Wednesday that retail sales dropped 2.7 percent last month, more than double the 1.2 percent decline that analysts expected.

In London, the February Brent crude contract rose 29 cents to \$45.37 a barrel on the ICE Futures exchange.

In other Nymex trading, gasoline futures tumbled 3 cents to \$1.1366 a gallon. Heating oil fell 2 cents to \$1.4441 a gallon while natural gas for February delivery tumbled 19 cents to \$4.78 per 1,000 cubic feet.

Associated Press writers Pablo Gorondi in Budapest, Hungary, and Alex Kennedy in Singapore contributed to this report.

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