



## Oil lower amid grim economic news

Worry that deepening global slowdown will undermine crude demand

**The Associated Press**

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SINGAPORE - Oil prices hovered below \$41 a barrel Wednesday in Asia as dismal economic news pointed to deteriorating crude demand.

Light, sweet crude for March delivery was down 12 cents at \$40.72 a barrel by midday in Singapore in electronic trading on the New York Mercantile Exchange. The contract fell \$1.53 overnight to settle at \$40.84.

The February contract, which expired Tuesday, rose \$2.23 to settle at \$38.74 a barrel.

Bad news from the banking sector left investors concerned that a deepening global slowdown will further undermine demand for crude. Royal Bank of Scotland said Tuesday its losses for last year could top \$41 billion, which would be the biggest loss ever for a British corporation.

The British government injected more money into the struggling bank Monday and announced plans for another round of bailouts for the country's banks.

U.S. banks State Street and Regions Financial Corp. also reported big earnings drops Tuesday.

The Dow Jones industrial index, which oil traders look to as a barometer of investor sentiment about the economy, fell 4 percent Tuesday.

"It's really getting ugly on the economic side," said Christoffer Moltke-Leth, head of sales trading for Saxo Capital Markets in Singapore. "There is nothing to support crude in the fundamentals."

The deteriorating global economic outlook means forecasts for crude demand are being slashed.

The International Energy Agency on Friday cut its global oil demand forecast by one million barrels a day to 85.3 million. The IEA said it expected 2009 world crude demand to drop 0.6 percent after falling 0.3 percent last year. Its forecast assumes global economic growth of 1.2 percent this year.

"We wouldn't be surprised to see Japan in a severe recession for at least 3 years and the U.S. could easily be in recession for 2 years, and after that a very slow recovery," Moltke-Leth said.

The Organization of Petroleum Exporting Countries is implementing 4.2 million of output cuts announced since September, but that hasn't been enough to boost prices as demand evaporates.

OPEC and non-OPEC producers may be reluctant to cut production further since many of their economies rely on oil income.

"So far OPEC has managed to be disciplined and live up to the supply cuts they promised," said Moltke-Leth. "They could cut again, but the problem is they all need the cash right now."

In other Nymex trading, gasoline futures rose 0.69 cent to \$1.15 a gallon. Heating oil gained 1.57 cents to \$1.39 a gallon while natural gas for February delivery was steady at \$4.65 per 1,000 cubic feet.

In London, the March Brent contract fell 27 cents to \$43.35 on the ICE Futures exchange.

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