

U.S. oil price turns negative for first time in history



U.S. oil prices crashed to the negative territory for the first time in history on Monday, fueled by pandemic-related demand shock and oversupply fears.

The West Texas Intermediate (WTI) for May delivery shed 55.9 U.S. dollars, or over 305 percent, to settle at -37.63 dollars a barrel on the New York Mercantile Exchange, implying that producers would pay buyers to take oil off their hands.

It marks the first time an oil futures contract has traded negative in history, according to Dow Jones Market Data. The May contract expires on Tuesday.

The June WTI contract fell more than 18 percent to 20.43 per barrel. The global benchmark Brent crude for June delivery decreased 2.51 dollars to close at 25.57 dollars a barrel on the London ICE Futures Exchange.

Traders scrambled to unload positions ahead of the contract's expiration, contributing to the historic drop, experts noted.

"We attribute the WTI price weakness to the imminent expiry of the May contract tomorrow and the low trading volume that comes with it," Giovanni Staunovo, a commodity analyst at UBS Global Wealth

Management, told Xinhua on Monday.

Weaker demand tied to the COVID-19 pandemic and a potential supply glut is a more severe problem, according to analysts.

"The decline in more liquid futures contracts reflects the broader problem we have in the oil market -- severe oversupply in 2Q," said Staunovo.

Global oil demand is expected to fall by a record 9.3 million barrels a day (b/d) year-on-year in 2020, the International Energy Agency (IEA) warned in its newly-released monthly report.

"The impact of containment measures in 187 countries and territories has been to bring mobility almost to a halt," the IEA said, adding demand in April is estimated to be 29 million b/d lower than a year ago, down to a level last seen in 1995.

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