



Oil dips to \$53 as Russia restarts pumping

Posted: Thursday, January 11, 2007

London

Oil touched a fresh 19-month low under \$53 a barrel on Thursday after Russia restarted pumping crude through a pipeline to Europe and a rush of selling continued after the price crashed through key support at \$55.



US light crude was down 75 cents at \$53.27 a barrel at 1342 GMT after dipping under \$53 for the first time since June 2005. The contract closed below key support of \$55 on Wednesday after a sharp rise in US fuel stocks.

London Brent crude was down 46 cents at \$53.23.

Russia resumed pumping on Thursday through its Druzhba pipeline to Central Europe, ending a three-day halt that had stopped a tenth of Europe's oil supplies.

An unusually warm winter in the United States had triggered a wave of selling from speculators that has taken as much as 13 percent off the price of a barrel of oil already this year.

The slide was out or proportion to any fundamental weakness in oil markets as investors bet on more falls and the market crashed through one after another technical support levels, analysts said.

"The price move is exaggerated," said Kevin Norrish of Barclays Capital. "The catalyst was the warm weather, the selling broke down key support levels, and it has been technical selling ever since."

Financial funds appear to have sunk less money in oil this year than some speculators had expected, analysts said.

Investors that had bet on a repeat of the huge fund flows into the market of early 2006 have been disappointed.

"The effect of the reweighting (of funds) was exaggerated and if people had positioned ahead of it they may have been liquidating," Norrish said.

But the sell-off may be running out of steam, Olivier Jakob at Petromatrix said on Thursday.

"There could still be more losses ahead, but if funds that still have long positions are liquidating that could be a flag that maybe finally this fall could slow," he said. **-Reuters**