

News from Reuters

## Oil slips after initial rally

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By Janet McBride

LONDON (Reuters) - Oil gave up early gains to fall back below \$55 a barrel on Monday and analysts cautioned price rallies would remain fragile with speculative investors coming in at \$50 and taking profits at \$55.

Oil has tumbled as much as 19 percent since January 1, to a low of \$49.90 on January 18, because of a mild start to the northern winter and a shift in investor positions in commodities.

A drop in temperatures in top consumer the United States contributed to a recovery last week. But the rally stalled on Monday. U.S. crude was down 46 cents at \$54.96 by 1150 GMT. London Brent crude was down 52 cents at \$54.77.

"Gains should be viewed with extreme skepticism and caution. Support is expected between 53.75/25, closes through which would warn the downtrend is resuming," Barclays Capital analysts said.

Petromatrix analyst Olivier Jakob said the latest NYMEX data indicated investors were treating oil with caution.

Buying by pension and speculative funds helped fuel a rally that lifted oil to a record \$78.40 last July, but an expected influx of new money at the turn of the year did not materialize.

"Investment dynamics suffered a setback last week: the speculative move to length has not been confirmed, the retail investor started to reduce his length, while open interest and volume are off the high marks seen in the first half of the month," Jakob said.

The Organization of the Petroleum Exporting Countries has said it will wait to assess the impact of existing supply cuts before calling for further reductions.

The group agreed in October to curb output by 1.2 million barrels per day (bpd) or 4 percent from November 1, and another 500,000 bpd from February 1 this year after a sharp slide in prices.

(Additional reporting by Fayen Wong in Sydney)

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