OIL SLIDES AS GOLDMAN SACHS CUTS PRICE FORECAST

News / Finance

Crude futures fell on Friday after Wall Street's most influential voice in oil trading, Goldman Sachs, slashed its price outlook through next year, citing oversupply and concerns about China's economy.

Joining Germany's Commerzbank and a long list of other banks in cutting price projections, Goldman lowered its 2016 forecast for U.S. crude to $45 a barrel from $57 previously, and Brent to $49.50 from $62.

"The oil market is even more oversupplied than we had expected and we forecast this surplus to persist in 2016," Goldman said in a note entitled "Lower for even longer".

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Citing "operational stress" as a growing Image not found or type unknown downside risk to its forecast, Goldman said crude could fall further to near $20 a barrel. "While not our base case, the potential for oil prices to fall to such levels ... is becoming greater as

storage Image not found or type unknown continues to fill."

U.S. crude futures' front-month contract CLc1 was down $1, or 2.2 percent, at $44.92 a barrel by 11:54 a.m. EDT.

The front-month in Brent LCOc1, the global benchmark for oil, was off 70 cents, or 1.3 percent, at $48.19.

Both crude benchmarks had fallen about 3 percent, before paring loses with stocks on Wall Street. The U.S. stocks have provided direction to oil over the last two weeks as investors grappled with mixed fundamentals for crude.

The oil market is waiting next for a weekly reading of the U.S. oil rig count, due at 1:00 p.m. ET. The data will show for whether oil producers were cutting back on drilling as prices head lower again after a brief rebound in the second quarter.

Crude prices have more than halved over the past year, with Brent tumbling from nearly $120 a barrel in the middle of 2014 to below $43 last month. Prices collapsed as a global glut of crude pushed commercial Image not found or type unknown and government inventories to all-time highs.

Analysts say the market is rebalancing, but high stocks will keep weighing on prices into next year.

Germany's Commerzbank said Brent was likely to trade at $55 by the end of 2015, and around $65 by end-2016.

Investors shrugged off a report from the Paris-based International Energy Agency, which advises the world's biggest economies on energy policy. The IEA said a move by the world's big oil exporters in OPEC, led by Saudi Arabia, to defend their market share by not reducing production, appeared to be working.

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