Crude Oil Still Stuck at $80; Natural Gas Falls Below $4

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Crude oil prices still found stubborn resistance above the $80-a-barrel level amid concerns about demand while natural gas continued its decline, to below $4 per million British thermal units, as burgeoning supply from unconventional sources depressed prices.

The natural gas Henry Hub benchmark futures settled Friday at a nearly six-month low of $3.87, down 31% so far this year from above $6 in January. Natural gas demand experiences lull at this time of the year as warmer weather reduces heating use but the need for more electricity from gas-fired plants to power air conditioners is still weeks away.

Increased production of shale and other unconventional gas in the U.S. has pushed down prices. Rig counts have been increasing in spite of the slack off in demand, though the decline in prices has already prompted Chesapeake Energy, a major producer of shale gas, to consider suspension of production at some rigs.

Crude oil futures declined for the third day in a row on Friday after the U.S. Commerce Department revised its estimate for fourth-quarter GDP growth downwards, to a 5.6% annual rate from 5.9% previously, adding to concerns about demand for oil.

Gains by the euro against the dollar on Friday after European Union leaders once again affirmed their readiness to stand by Greece during its fiscal crisis were not sufficient to offset the bearish sentiment regarding oil demand.

Earlier in the week, a bigger-than-expected increase in oil inventories reported unsettled the market and pushed prices back down. The U.S. Energy Information Administration said crude oil inventories rose 7.25 million barrels in the week, much higher than consensus forecasts of 1.67 million barrels.

The benchmark West Texas Intermediate contract settled at $80 a barrel on Friday, compared with $80.58 last Friday.

Not everyone was gloomy about demand. The London-based Centre for Global Energy Studies was optimistic in its monthly report for March, saying demand could return to pre-financial crisis levels this year. But the research group sees new sources of supply keeping a damper on prices.

Non-OPEC producers are now supplying 1.5 million barrels a day more than they were before the crisis. Although OPEC is currently supporting prices by restraining output, the CGES said, spare capacity in the cartel has increased to 6 million barrels a day from 2 million bpd before the crisis. In addition, OPEC members have increased production of natural gas liquids by 500,000 barrels a day, a further damper on upward price pressure for oil.

The Commodity Futures Trading Commission report on traders' positions indicated that non-commercial traders reduced their net long position — which anticipates an increase in prices – to 111,919 lots in the week ended March 23 from 124,143 lots in the previous week.

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