

OPEC DECISION DRAGS DOWN OIL PRICES IN ASIA



Benchmark crude deliverable this April slipped down 27 cents to \$47.08 a barrel in Singapore. Mondays prices were as low as \$43.63 before bouncing back up to close at \$47.35. OPEC's decision to maintain the same production levels combined with trader speculation and the current global financial crisis had some experts predicting a cut in production. "At the moment, it's a holding pattern. There are no major news that justify movement in the price. The international economic environment remains very weak," Commonwealth Bank of Australia commodity strategist, David Moore, said on Monday. Some members of the Organization of the Petroleum Exporting Countries said that they will try to keep closer to the association's output quotas, but that they will not be making any further cuts to attempt to curb falling demand. Current production levels of just under 25 million barrels a day are exceeded by approximately 800,000 barrels. Though some members said they supported another cut, Saudi Arabia argued for the adherence to the current set mark as the solution. Moore said that while OPEC's move brought prices down, that simply sticking to the set quotas should boost confidence and restore balance to the oil market. He also stated that a "moderate downward bias" was likely over the next few months given the worsening global economic outlook. Prices have risen since last month's dip below \$35 as investors anticipated another million barrel cut in production after September's reduction of 4.2 million barrels. Many analysts suggest that the OPEC producers are starting to realize that getting long-term demand to grow, that they need to stimulate the economy with lower prices, instead of trying to slow it down by increasing prices. Production cuts remain an option that could be realized at a special session planned for the 28th of May, when prices and supply will be reviewed. Dealers are looking forward to the possibility that there will be a second-half recovery in the economy. Keep track of news that affects the economy and employment at: <http://www.employmentcrossing.com>