# U.S. Oil Plunges Under $96 As Recession Fears Mount; Gas Prices Set To Tumble

U.S. crude prices fell below the $100 mark for the first time since early May Tuesday, setting up a near-term tumble for domestic gas prices - but further cementing the case for a near-term recession.

- MARTIN BACCARDAX
- JUL 5, 2022, 2:19 PM EDT

**Updated at 11:25 am EST**

Global oil prices extended declines Wednesday as investors pared bets on crude and commodities demand amid increasing signs of recession in the world's biggest economy.



Price action was also affected by news that Mohammad Barkindo, the secretary general of OPEC, has died at the age of 63 just hours after delivering a speech in Abuja.

Barkindo, who served as Nigeria's energy minister prior to taking on the top role at OPEC in 2006 -- and again in 2016 -- was seen by many to have helped transform the cartel from a loose collective of disparate interests into a more organized group of oil producing nations that, along with Russia, have dictated the pace of output for much of the past six years.

OPEC's role in delivering more crude to global markets, at a time of elevated prices but uncertain demand, will be crucial to President Joe Biden's effort in lowering domestic energy prices and slowing inflation.

The global commodity price slump, which pulled copper prices to the lowest in more than nineteen months again Wednesday, came amid a so-called inversion of the U.S. Treasury bond yield curve, a condition which occurs when 2-year note yields climb past 10-year yields.

According to a study from the San Francisco Federal Reserve, a sustained inverted yield curve has preceded all of the nine recessions the U.S. economy has suffered since 1955, making it an extremely accurate barometer of financial markets sentiment.

The Atlanta Fed's GDP Now growth forecasting tool suggests the economy is contracting at a 2.1% clip as it enters the third quarter, following what is likely to be two consecutive quarters of shrinkage between January and June.

WTI crude futures for August delivery, the most tightly-linked commodity to U.S gasoline prices, were marked $3.85 lower on the session at $96.03 per barrel in early trading Wednesday after falling below the $100 mark for the first time since early May yesterday.

Brent crude contracts for September delivery, the global pricing benchmark, fell $3.54 to change hands at $99.20 per barrel.

The move downward in crude, however, belies a notable lack of emergency U.S. stockpiles, with recent data from the Energy Department showing that the U.S. Strategic Petroleum Reserve is sitting at its lowest levels since April of 1986.

That said, crude production has started to accelerate, with U.S. output rising to 12.1 million barrels per day last week, the highest in more than two years, as drillers seek to capitalize on the consistently higher prices and react to pressure from President Joe Biden to increase the flow of oil and gas products to American consumers.

The slump in crude could soon show up at the pumps, as well, with Data from the AAA motor club indicated that U.S. gas prices eased from this month's all-time high to a national average of around $4.779 per gallon Wednesday, the lowest in more than a month, prior to today's sell-off.

Although small, the decline could portend bigger declines over the summer as oil prices slide in the face of uncertain demand, and a surging U.S. dollar, linked to the global economic slowdown.

"The price of wholesale gasoline has plummeted, providing price relief as millions of Americans hit the road for the holiday weekend," said Patrick De Haan, head of petroleum analysis at GasBuddy. "While we may see prices decline into this week, the drop could fade soon if oil prices reverse, especially with strong demand over the holiday. For the time being, Americans are spending nearly $100 million per day less on gasoline than when prices peaked a few weeks ago, and that's well-needed relief at a time when gas prices remain near records."

U.S. oil companies are still likely to post record profits for the June quarter, however, thanks in part to the impact of sanction on the sale of Russian crude and the ongoing ban on exports from Iran.

In an update filed with the U.S. Securities and Exchange Commission late Friday, Exxon Mobil (**XOM**) - Get Exxon Mobil Corporation Report said operating profits would likely rise $7.4 billion from the three months ending in March, when it recorded profits of $8.8 billion. Exxon is expected to publish its formal second quarter earnings on July 30.

Exxon said the bulk of the gains -- around $4.5 billion -- will come from improved margins in the sale of gasoline a diesel, a fact that is likely to elicit further criticism from President Biden.

The energy sector is set to produce record earnings over the three months ending in June, with collective profits rising 222.6% from last year to $50.8 billion, according to Refinitiv forecasts, paced by a staggering 762% surge from the oil & gas refining and marketing sub-set.