

Oil prices fall as Omicron surge clouds demand

Oil prices slipped on Thursday, trimming big gains from the previous two sessions, amid uncertainty over near-term demand as cases of the highly contagious Omicron variant of the coronavirus surge around the globe.

U.S. West Texas Intermediate (WTI) crude futures slipped, Brent crude futures also is down

Data from the U.S. Energy Information Administration on Wednesday showed fuel demand has taken a hit from Omicron, with gasoline stockpiles increasing by 8 million barrels in the week to Jan. 7, compared with analyst expectations for 2.4-million-barrel rise.

"Gasoline demand was weaker-than-expected and still below pre-pandemic levels, and if this becomes a trend, oil won't be able to continue to push higher," OANDA analyst Edward Moya said in a note.

However, Moya added, the Omicron impact is expected to short-lived.

The market had earlier latched on to a bigger drawdown than expected in crude inventories and the fact that stockpiles are at their lowest since October 2018, pushing Brent and WTI to touch their highest in two months on Wednesday.

"In reality, the weekly EIA report was less bullish than the headline number, as total crude oil inventories fell 4.8 million barrels but were more than offset by a stock build across refined products," Citi said in a note.

The drop in crude inventories "might have been related to end-of-year tax issues on oil stocks onshore in Texas and Louisiana", the bank added.

Still, U.S. supplies are set to rise as producers are paving the way for faster production by expanding well completions in the country's top shale oil field, the Permian Basin of west Texas and New Mexico, according to research data.

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