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# Oil falls back below \$49 as glut, China concerns weigh in

**L**ONDON (News agencies) – Oil fell below \$49 a barrel yesterday after its biggest two-day rally in six years last week, pressured by a supply glut and renewed concern about a hard landing for China's economy.

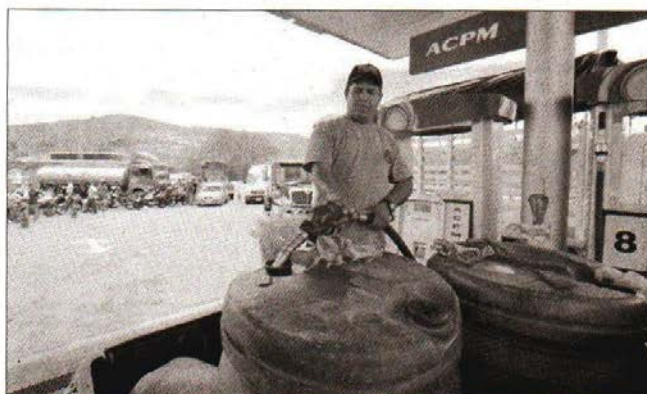
International benchmark Brent crude climbed 10 per cent last week, but was still heading for its fourth straight monthly decline and has risen in only two of the past 14 months.

At 1052 GMT, Brent LCOc1 was down \$1.14 at \$48.91 a barrel and US crude CLc1, which had rallied 12 per cent last week, dropped 81 cents to \$44.41.

"Volatility was high last week, so now we're seeing some retraction – \$50 is proving to be a resistance level," said Olivier Jakob, analyst at Petromatrix, referring to Brent. "It is still a market which is very well supplied."

Volume is expected to be lower than normal on Monday because of a British public holiday.

Chinese equities fell sharply on Monday



A MAN fills tanks with gas in Cucuta, Colombia.

before recovering much of their losses ahead of a survey expected to point to further economic weakness. China will release its official reading

on August factory conditions on Tuesday, and economists polled by Reuters believe activity likely shrank at its fastest pace in three years.

Excess supply is weighing on oil. The Organisation of the Petroleum Exporting Countries (OPEC'S), which used to adjust its own supply to keep crude above \$100, decided in 2014 to let prices fall in order to retain market share.

OPEC's forecasts point to an oversupply of more than 2 million barrels per day (bpd) on the market because of higher output from members including Saudi Arabia and Iraq, and resilient supply from countries outside the group.

Output from OPEC could rise even higher in 2016 if and when sanctions on Iran are lifted.

A possible increase in US interest rates is expected to support the dollar, making dollar-priced commodities including oil more expensive for users of other currencies.

Investors are looking ahead to US business surveys, factory orders, trade data and Friday's nonfarm payrolls this week after comments by a top Federal Reserve official suggested a September rate rise was more likely than some investors expected.

"We believe that bearishness is still in play," Phillip Futures said in a report.