Crude oil price falling again after recent recovery

The price of WTI crude fell to $33.54 after close in the USA tonight, as the price falls inexorably towards the now highly expected $30 mark.

The cause for this new fall after a few days respite when the price regained some of the previous months losses may have a political rather than economic root cause.

Has political skulduggery caused the latest fall in the oil price?

After such a dramatic fall in the price of oil over the past year, a bounce was on the cards and duly occurred a couple of weeks ago, and predictions that the price had "bottomed" and "stabilised" were abundant in the media and financial press.

I did not buy the "bottom" theory, due to the rapidly slowing world economy, and the fact that the deep pocketed Saudis seem to be trying to wipe out high cost American shale oil producers, and have sufficient reserves to keep the pressure on for a lot longer.

Now a new theory has emerged, and quite a plausible one at that. This is that countries such as Italy received about 12 – 14% of their oil from Iran, which was embargoed during the dispute about their nuclear program. As a result, Saudi crude filled the void caused by the non delivery of Iranian oil.

Now that Iran is preparing to restart oil exports, they are naturally looking to supply their traditional customer such as Italy. The Saudis, who are locked in many disputes with Iran in the Middle East, want to inflict as much pain as possible, and are rumoured to have wooed the Italians with a discount offer to maintain their custom, rather than them switching back to Iran.

If this rumour is true, it not only explains the falling oil price, but raises the stakes significantly in the proxy wars being fought between these two countries. When one considers that similar action by the Kuwaiti government was the trigger for the Iraqi invasion, the danger here becomes clear.

let’s hope clear heads pull everyone back from the brink, because we seem to be edging closer every day.

Ironically, if direct hostilities commence, the price of oil is likely to escalate significantly in short order as the danger to world supplies would be immense.