

OIL & GAS MARKET WRAP

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Higher production from Canada and Nigeria drags oil prices down

Oil prices were on the slide again as worries about over-supply weighed.

The price of a barrel of Brent crude dropped 0.5% to US\$44.49 while a barrel of US light crude fell nearly 1% to US\$42.71.

Brent prices are down US\$5 a barrel since the start of June with a weakening of oil demand expectations coming alongside a recovery of production in Canada, Barclays said.

Oil production in Nigeria has been on the rise too with indications from the government that output hit highs of 1.9 million barrels a day at the end of June.

Adding to that was the International Energy Agency's report of higher production in the same month and the restart of Bonny Light exports in early July.

Analysts at Barclays said: "Nigeria depends on crude oil sales for 70% of its state revenue.

"With militants wanting a greater share of the country's oil wealth, outages are likely to prevail until any agreement can be made."

Based on 2015, the European companies with the largest exposure to Nigeria are Eni SpA (8%) (BIT:ENI), Royal Dutch Shell PLC (8%) (LON:RDSB) and Total SA (10%) (LON:TTA).

The bank said its 'top pick' in the EU oils sector remained BP (OW, 600p PT) which has no exposure to Nigeria and, as such, is likely to fully reap the benefit of a recovering oil price.

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MarketTopic Synopsis:

The Oil and Gas wrap provides the latest oil prices from commodity exchanges in New York and London, gives a summary of the main corporate and macroeconomic news impacting the price of oil, a barometer of the strength of global economy.

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