Oil price tumbles on recession talk, Shell and BP shares follow

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ACK in March supposed energy market guru Pierre Andurand had a stark warning on oil prices– they could double to $250 a barrel as the chaos from the Ukraine war spiralled.

The hedge funder told investors: “Wakey, wakey. We are not going back to normal business in a few months.”

This morning Mr Andurand was splashing cold water on his face as Brent crude fell 3% to its lowest price January.

Brent was down to $81.48 a barrel, while the US equivalent was below $75.

Andurand, who among other accolades has an MSc in Mathematical and Theoretical Physics from Oxford was today on his calculator offering investors theories as to why he was so wrong.

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The simple reason is that recession or fear of it has sent demand for the black stuff tumbling. Political unrest and a surge in Covid-19 cases in China is hardly helping.

Naeem Alsam, chief market analyst at Avatrade, says: “Basically, it is demand that is creating the main issue for the price, and the fact that we have a potential recession threat and now the covid issues in China, things are becoming difficult for oil traders.”

There were knock-ons for China focussed shares. In particular the Fidelity China Special Situations fund was down 9p to 203p. The Edinburgh Worldwide Investment Trust also took a hit, down 6p at 173p.

On a slightly uneasy day, the FTSE 100 lost 46 points to 7439. BP lost 8p to 479p and Shell 36p to 2330p on the oil price malaise.

Meanwhile, Superdry said it is in talks with Bantry Bay Capital to refinance £70 million of debt ahead of repayments due in January. The shares fell 2p to 124p.