

Oil: Why Prices are Falling

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Crude oil has dropped to its 4-year low, and the trend is still downward. We are mentioning here the main factors driving down the oil prices –

Jump in US Oil Production: US oil production has jumped by over 70% since 2008 which has caused a huge supply glut in markets forcing prices downward.

Lower Demand: Europe, Japan, and much of the developing world is facing slowing of economies leading to lower oil demand.

No Production Cut by Saudi Arabia: Saudi Arabia is maintaining the same oil production level in spite of a fall in demand and prices; this has added further pressure on oil prices.

RECOMMENDATION:

Falling oil prices are strongly favorable to India. We recommend investments in equity mutual funds at every correction.

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