

# Oil prices drop below \$0 for the first time in history

Absolute madness

On Monday afternoon, oil prices hit an all-time low, dipping below \$0 for the first time in history. Traders blamed the drop on the expiration of the May futures contract on Tuesday coupled with a sharp decline in demand amidst the coronavirus shutdowns.

According to NPR, at the start of the year, a barrel of West Texas Intermediate crude oil — a key benchmark for U.S. oil prices — was around \$60. Due to the coronavirus pandemic, prices dropped steadily to just \$18 a barrel Friday.

But on Monday, the price began to free-fall below zero all the way to negative \$37.63. That means traders are paying \$37.63 for someone to accept the delivery of a barrel of oil.

Part of the reason for WTI's plummet is a Tuesday trading deadline, which means that oil traders have until Tuesday to sell off the current futures contract. But buyers who are capable of receiving and storing that much oil have become scarce, hence the bizarre under \$0 selloff.

Other types of crude that don't have an impending deadline have not yet dropped that sharply. While May has taken a hit, June futures are currently trading above \$20/barrel. But the limited amount of storage space will continue to be a concern as days and weeks pass without oil being used in its typical fashion.

"Oil is already being stockpiled on barges out at sea, and in any nook and cranny companies can find in their storage facilities. Now, traders are worrying that even this space is running out," the New York Times reported.

In its report of the news, CNN warned that the downturn could result in hundreds of U.S. oil companies going bankrupt.

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Source:

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