Oil prices sink as more weak economy data rolls in

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Oil prices sank again on Tuesday after a disappointing report on home sales underlined the slow economic recovery and weak demand for oil and gas.

Benchmark crude for October delivery fell $1.10 to $72 a barrel in morning trading on the New York Mercantile Exchange. The price of oil has retreated about 13 percent in the past three weeks.

Meanwhile, the average pump price for a gallon of unleaded regular gas slid to $2.702 a gallon, according to AAA, Wright Express and Oil Price Information Service. That's about 4 cents lower than a week ago and 7.6 cents more than a year ago.

The National Association of Realtors said sales of previously occupied homes fell 27.2 percent in July to an annual rate of 3.83 million, far below what analysts expected. That report adds to continuing high unemployment numbers and sluggish manufacturing activity in the key Mid-Atlantic region.

"Every week, the economic recovery ... looks like it has the economic equivalent of a lasting, lingering Lyme disease, a miserable malady mentioned for its virulent, vise-like grip on sufferers who can't seem to shake it," Cameron Hanover energy consulting agency said in a report.

U.S. oil and gasoline supplies remain above the five-year average. Demand has been mediocre for most of the summer and refiners are cranking out products near their operating capacity, keeping inventories high.

The Energy Department is scheduled to release an updated supply picture on Wednesday. Analysts estimate that 1.1 million barrels were added to U.S. crude oil stocks last week, while gasoline supplies shrank by 875,000 barrels, according to a survey by Platts, the energy information arm of McGraw-Hill Cos.

"I think especially with the recent bad economic news, people are not going to try to get in that late-summer drive or Labor Day weekend driving vacation," said Michael Lynch, president of Strategic Energy & Economic Research.

Oil traders often take their cue about consumer confidence in the economy from how stocks are doing. The Dow Jones Industrial Average briefly dipped below 10,000 after the housing report was issued. The NASADAQ and the S&P 500 were lower as well.

"Since the beginning of this month, about every 1 percent drop in the stock market has equated to about a 2.5 to 3 percent decline in oil prices and we look for this

pattern to continue," energy consultants Ritterbusch and Associates said.

In other Nymex trading, heating oil fell 1.64 cents to $1.9388 a gallon; gasoline dropped 2.35 cents to $1.8575 a gallon and natural gas lost 2.2 cents at $4.044 per 1,000 cubic feet.

In London, benchmark crude was down $1.10 at $72.52 a barrel on the ICE Futures exchange.

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Associated Press writers Pablo Gorondi in Hungary and Eileen Ng in Kuala Lumpur, Malaysia, contributed to this report.

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