Oil Falls amid Signs of Weak U.S. Economy

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Oil prices fell below $102 a barrel Tuesday as weak U.S. jobs figures and expectations of growing crude oil stockpiles raised the prospect that U.S. demand will remain tepid.

By early afternoon in Europe, benchmark oil for May delivery was down 68 cents to $101.78 a barrel in electronic trading on the New York Mercantile Exchange. The contract fell 85 cents to settle at $102.46 in New York on Monday.

In London, Brent crude for May delivery was down $1.31 at $121.36 a barrel on the ICE Futures exchange.

Market sentiment suffered after data showed the U.S. economy added just 120,000 jobs last month, half as much as each of the previous three months and fewer than analysts expected. The figure was particularly disappointing because investors had pushed crude prices up from $75 in October to $110 last month partly on hopes that an improving U.S. economy would boost oil demand.

"The U.S. economy isn't growing as fast as we thought it was," said Carl Larry of Oil Outlooks and Opinions. "We're going to have to keep an eye on the rest of the world's economy this week."

China, the world's second-largest crude consumer, is scheduled to announce first quarter economic growth on Friday.

Analysts at Commerzbank in Frankfurt noted that while China's imports of crude oil in March were slightly lower on a monthly basis and were seen contributing to Tuesday's weaker prices, they still were 8.7 percent higher than in March 2011.

"Among other things, robust demand from China would suggest that a fall below the $120 a barrel mark in the case of Brent and the $100 a barrel mark in the case of (the Nymex contract) is unlikely," the analysts said in a note.

Investors will be monitoring fresh information on U.S. stockpiles of crude and refined products.

Data for the week ending April 6 is expected to show a build of 1.8 million barrels in crude oil stocks and a draw of 1.25 million barrels in gasoline stocks, according to a survey of analysts by Platts, the energy information arm of McGraw-Hill Cos.

The American Petroleum Institute will release its report on oil stocks later Tuesday, while the report from the Energy Department's Energy Information Administration — the market benchmark — will be out on Wednesday.

Traders will also be watching negotiations between Iran and world powers over the country's nuclear program, which are scheduled to begin Saturday in Istanbul. Fears that a military strike against Iran's nuclear facilities by Israel or the U.S. would disrupt global crude supplies has boosted oil prices in recent months, and analysts expect crude would likely push higher if talks fail.

"Should negotiations break down, oil supply security concerns may become elevated once again," J.P. Morgan said in a report.

In other energy trading, heating oil was down 1.72 cents at $3.1287 per gallon and gasoline futures dropped 2.87 cents to $3.2680 per gallon. Natural gas fell 0.7 cent to $2.10 per 1,000 cubic feet.

Alex Kennedy in Singapore contributed to this report.

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