

The day oil went to *minus \$37 and some change*

The WTI oil futures price collapse on April 20 had never happened in global market history let alone for the most heavily traded benchmark crude oil contract in the world. The close of NYMEX trading that day was -\$37.63 a barrel.

“What took place was 20 minutes of unalloyed chaos, followed by another 24 hours of teeth gnashing, confusion, and bewilderment as the market collapsed in the face of the global Covid-19 pandemic and arguably the swiftest economic downturn the world has ever seen,” wrote Leah McGrath Goodman in her article, “Inside the Biggest Oil Meltdown in History,” published by Institutional Investor LLC, May 06, 2020.

The 2,500-word article is the most comprehensive chronology of that day, with numerous interviews and background peppering the story behind the plunge. It is posted at <https://www.institutionalinvestor.com/article/b1lhy2h328jhpt/Inside-the-Biggest-Oil-Meltdown-in-History>.

According to the timeline of the article, the first-ever zero oil trade happened at 2:08 p.m. ET on April 20, during what is typically a “sleepy hour” leading to the daily market settlement. She wrote, “On paper, 83,000 barrels — or 3.5 million gallons of oil — effectively went off the market for free.”

The article continues, “At 2:29 p.m., one minute before settlement, a single May crude futures contract traded at the jaw-dropping price of -\$40.32 a barrel, marking the lowest handle ever witnessed in the most liquid crude oil contract in the world — a previously unimaginable nadir.”

One of the interviewees during the descent said, “No one really knows what’s going on. The screen was just going nuts.”

Traders hurried to sell off positions in the near-term May crude oil futures contract because it was expiring the next day and set to mature, Tuesday, April 21.

At the same time, Cushing storage facilities had no spare capacity, so sellers had to pay buyers to store the oil, causing the May WTI contract to plummet into negative territory.

In all, 14,913 crude oil contracts exchanged hands at negative prices on April 20, according to data from CME Group, a derivatives marketplace. “In other words, on average, sellers were paying buyers to take oil off their hands at a rate of more than 31 million gallons a minute,” wrote McGrath Goodman.

On April 21, WTI closed at \$10.01. “In the end, the total amount won — and lost — by oil traders active in the negative price range on April 20 came to well over half a billion dollars,” stated the article.

One interviewee said the “futures market demonstrated no convergence with the physical market that day. It demonstrated no convergence with reality.”

Some are calling for immediate reforms by the U.S. SEC and the Commodity Futures Trading Commission.

