OIL PRICES RISE IN CHOPPY TRADE AS OPEC MAKES LAST-DITCH BID TO SAVE DEAL

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Oil prices rose on Monday in volatile trading, recouping losses as the market reacted to the shaky prospect of major producers being able to agree to output cuts at a meeting on Wednesday.

OPEC was scrambling to rescue the deal on Monday, with analysts warning of a sharp price correction if the producer group fails.

After falling as much as 2 percent, prices spiked as Iraq's oil minister said the country would cooperate with the group to reach an agreement "acceptable to all."

Later in the day, Dow Jones reported Iraq is seeking a production freeze of 4.546 million barrels a day and Iran is considering capping its output at an as-yet unspecified level, citing a source.

Analysts are watching for any sign of support from Iraq and Iran □ OPEC's No. 2 and 3 producers, respectively □ because both have expressed reservations about the mechanics of output reductions.

Trading turned choppy after prices tumbled more than 3 percent on Friday as doubts grew over whether the Organization of the Petroleum Exporting Countries (OPEC) would reach agreement to help curb global supply overhang that has more than halved prices since 2014.

Market watchers expected prices to remain reactionary until OPEC's Wednesday meeting offers the market a definitive answer as to whether the cartel would make cuts.

"There's going to be speculation until the meeting that makes prices very difficult to predict between now and Wednesday," said Hamza Khan, head of commodities strategy at ING. "Whatever small fundamental news we get will be drowned out by the shouting from Vienna."

On Sunday, Saudi Arabian Energy Minister Khalid al-Falih said that he believed the oil market would balance itself in 2017 even if producers did not intervene, and that keeping output at current levels could therefore be justified.

The statement stoked simmering disagreement between OPEC and non-OPEC crude exporters such as Russia over who should cut production by how much.

A meeting scheduled for Monday between OPEC and non-OPEC producers was called off after Saudi Arabia declined to attend, while concerns over the feasibility of a deal pushed the crude oil volatility index close to a nine-month high.

Analysts said that even if some form of an output restriction is announced after producers meet in Vienna on Wednesday, the details matter greatly.

"Do not take an announcement of a headline cut of 1 million barrels per day (bpd) at face value. It could still imply an OPEC production level considerably in excess of 33 million bpd, depending on developments in Libya and Nigeria and the speed and rigour of compliance," David Hufton, managing director of brokerage PVM Oil Associates Ltd. said in a note.

He added that the stakes of failure are high for producer nations dependent on oil export revenue.

"But one thing few, if any, analysts will disagree with is that if OPEC do not come up with a credible agreement to cut production on Wednesday oil prices will end the year below $40 bbl and be chasing down $30 bbl early next year," Hufton said.

Even if a cut is agreed, oversupply may not end soon.

The U.S. oil rig count rose by three last week, and Goldman Sachs said that "since its trough on May 27, 2016, producers have added 158 oil rigs (+50 percent) in the U.S."

Kaynak/Source: