

FAST MONEY

Stronger dollar could mean \$30 oil: Pro

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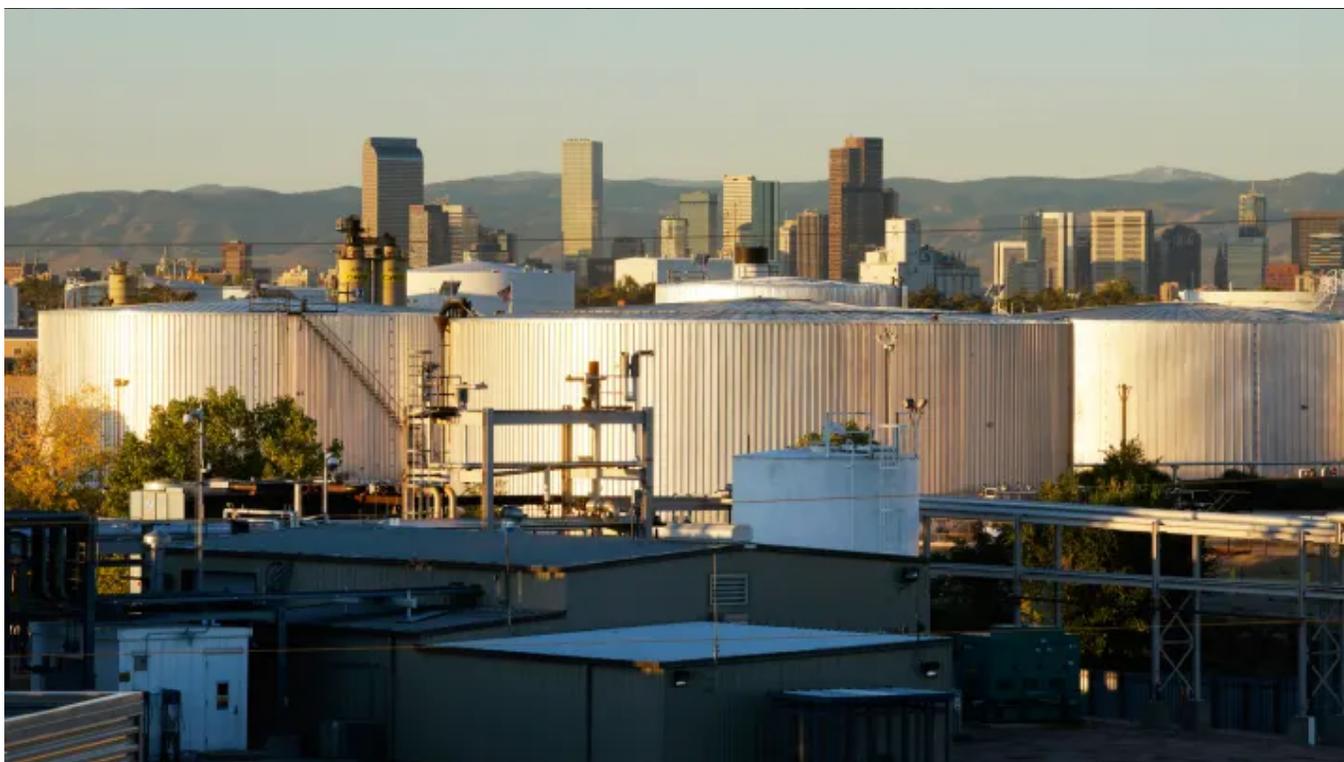
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Risks of cheap oil

[Crude oil](#) prices face several factors that could send it below current levels, notably the quickly strengthening U.S. dollar, Raoul Pal of [Global Macro Investor](#) said Tuesday.

“The probability of a dollar breakout is very big. So, if that happens, then the chances of the dollar moving much more rapidly than we’ve seen for many, many years, and that would lead oil to go much further,” he said. “So, prices in oil could go down to \$30, \$40 easily if the dollar moves in the way that I’m thinking it possibly will.”

dipped below \$81 per barrel for the first time in four years. Meanwhile [West Texas Intermediate](#) crude clocked in at \$77.48 per barrel.



Oil storage tanks in Denver

Rick Wilking | Reuters

On CNBC's "[Fast Money](#)," Pal said that oil also faces downward price pressures from oversupply and slowing demand.

“In addition, you’ve got the biggest-ever position in the commodity in history, I think six standard deviations above its mean was the long positioning in oil,” he said.

“Then you put that into context with the dollar rally, and commodities tend to act the opposite to the dollar, so if the dollar rallies, oil falls.”

Pal said that a continued rally in the U.S. dollar could set off a chain reaction through emerging markets, citing similar events in the 1980s and mid-1990s, where EM fell 50 percent.

“So, the imbalance of that whole situation takes time to play out, and it can be quite risky,” he added.