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Oil prices slump as equities retreat

Oil prices dropped in tandem with equities today as demand for riskier assets was hit by persisting concerns about Europe's fiscal problems.

Spain saw its borrowing costs rise sharply today after the government reduced its growth targets for 2013 and 2014.

Yields on Spain's benchmark 10 year bonds soared 0.25 to 7.26 percent, rising further above the psychologically significant seven percent level, which is considered unsustainable.

In other news, the Spanish government has approved a €100 billion aid package for its struggling banks that was granted by the EU earlier this year.

Oil prices were also pressured by profit taking, which followed yesterday's surge in crude futures in London and New York amid mounting tensions in the Middle East.

The Syria regime appears to be losing control of the country as it was reported that president Bashar al-Assad has fled Damascus after four members of his inner circle including the defence minister were killed by a suicide bomber.

Today, reports said that the rebels have started taking control of border posts.

In the meantime, the majority of Iranian MPs today approved a bill to shut down the Strait of Hormuz – a major shipping route used to transport a fifth of the world's oil – in response to sanctions imposed by the US and the EU.

Earlier this week, US Defense Secretary Leon Panetta said the US was ready to take military action to prevent Iran from blocking oil shipments in the Gulf region.

US light, sweet crude for September delivery, currently the most actively traded contract on the **New York Mercantile Exchange (NYMEX)**, slipped US\$1.46 to US\$91.20/barrel this afternoon.

September **Brent crude** fell US\$1.04 to US\$107.76/barrel on the **ICE Exchange**.

Today's top risers in the oil and gas sector were:

Silvermere Energy (LON:SLME), up 16 percent at 10.3 pence at midday

Borders & Southern (LON:BOR), up 13 percent at 18.7 pence

Gulfsands Petroleum (LON:GPX), up 10 percent at 125 pence

Frontera Resources (LON:FRR), up 8 percent at 0.53 pence

Falkland Oil & Gas (LON:FOGL), up 8 percent at 72.62 pence

Northern Petroleum (LON:NOP), up 5.5 percent at 71.5 pence

The top fallers were:

Cadogan Petroleum (LON:CAD), down 12.5 percent at 20 pence at midday

Petro Matad (LON:MATD), down 9.5 percent at 8 pence

Forum Energy (LON:FEP), down 9.5 percent at 100 pence

Antrim Energy (LON:AEY), down 5.5 percent at 41.5 pence

San Leon Energy (LON:SLE), down 2.5 percent at 10 pence

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