

Oil inches up toward \$100 as US economy improves

Written by Administrator

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Oil prices inched higher toward \$100 a barrel Friday amid encouraging signs the U.S. economy is slowly improving and continuing tensions between Western powers and Iran.

By early afternoon in Europe, benchmark crude for February delivery was up 13 cents to \$99.78 a barrel in electronic trading on the New York Mercantile Exchange. The contract added 29 cents to settle at \$99.65 in New York on Thursday.

In London, Brent crude was down 48 cents at \$107.53 a barrel on the ICE Futures exchange.

Crude has traded near \$100 since mid-November after jumping from \$75 in October as investors eye growing evidence the U.S. economy could avoid a recession next year. The government reported Thursday that claims for jobless benefits fell to a four-week average of 375,000, the lowest level in three and a half years.

The National Association of Realtors also reported that contracts to buy U.S. homes rose last month to the highest level in a year and a half.

Some analysts worry Europe's debt crisis will drag the continent into recession next year and undermine global crude demand.

"From a longer term perspective, we continue to zero in on the euro zone as the primary driver of oil pricing during the first quarter of 2012," energy consultant Ritterbusch and Associates said in a report. "We still view the euro zone debt issues as intractable."

Traders are also closely watching tensions between Iran and Western powers over Tehran's nuclear power program. Iran threatened this week to close the key oil export passage of the Strait of Hormuz in the Persian Gulf if the U.S. and other nations tighten sanctions. The U.S. Navy said it would not tolerate any move to limit the strait's traffic.

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Energy trader Blue Ocean Brokerage said oil prices would likely eventually jump by about \$50 if Iran, OPEC's second-biggest crude exporter, tried to close the strait.

"Let's start with an easy \$20 spike, then add in a risk premium for insurance costs, delays, costs to push oil through alternative routes and the obvious loss of 3.5 million barrels a day from Iran," energy trader Blue Ocean Brokerage said in a report.

"Crude oil prices have managed to outperform the commodity complex this year, with geopolitical risk premiums and seemingly resurgent U.S. economy offsetting a worsening situation in the eurozone," said analysts at Sueden Financial in London. "With regard to Iranian tensions specifically, an EU foreign ministers' meeting on Jan. 30 to consider further sanctions on the country will likely prove an important focus in early 2012 trade."

Trading volume was low this week as many investors take vacations around the Christmas and New Year's Day holidays.

In other Nymex trading, heating oil rose 0.4 cent to \$2.9241 per gallon and gasoline futures lost 0.7 cents at \$2.6624 per gallon. Natural gas futures were down 2.2 cents to \$3.005 per 1,000 cubic feet.

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