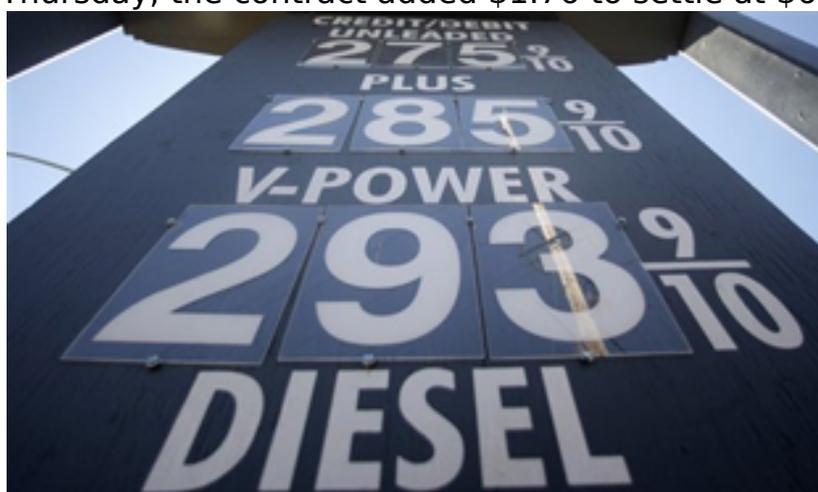


Oil Holds Above \$67 Amid Improving US Economy

Oil prices held above \$67 a barrel Friday, adding to gains made overnight, as world stock markets rallied on signs of improvement in the U.S. economy.

In Europe, benchmark crude for September delivery was up 11 cents to \$67.27 a barrel in afternoon electronic trading on the New York Mercantile Exchange. On Thursday, the contract added \$1.76 to settle at \$67.16.



Gasoline prices are shown at a gas station Monday, July 20, in Portland, Ore. Oil prices topped \$65 a barrel Tuesday as optimism pushed stock markets higher from the United States to Asia. Energy prices have been rising for a week on better than expected profits from major corporations. It could be a signal that the economy has bottomed out, and that demand for energy will bounce back. (AP Photo/Rick Bowmer)

Evidence that the recession-hit U.S. economy is strengthening has bolstered investor optimism and triggered a rally from \$58.78 a barrel two weeks ago. While crude demand hasn't rebounded yet, traders have begun to have more faith that consumption will eventually pick up.

"We haven't seen demand increase yet, but all the good news about the economy seems to be adding fuel to the fire," said Gerard Rigby, an energy analyst with Fuel First Consulting in Sydney. "Just the fact that things are improving is enough to change the sentiment of a lot of people."

Investors were cheered by a National Association of Realtors report Thursday that

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said sales of previously occupied homes rose for the third month in a row. The last time that happened was in the middle of the housing boom in early 2004.

The Dow Jones industrial average rose 2.1 percent Thursday to above 9,000 for the first time since January. The Dow is up 11 percent in the last nine days, while on Friday stock markets in Asia and Europe were mostly higher.

"If the current optimism lifting shares is totally unfounded then the current strength in oil will probably not hold," said Olivier Jakob of Petromatrix in Switzerland. "But if the global destruction of the economy has indeed bottomed ... then so should have the oil markets."

Most second quarter corporate results have beaten analyst expectations, but reports late Thursday from Microsoft Corp., American Express Co. and Amazon.com disappointed investors, suggesting the recovery could be bumpy.

"I wouldn't say the current fundamentals support oil at \$65 to \$70," Rigby said. "A lot of countries aren't out of the woods yet."

"It's putting the cart before the horse, but that's what the market does."

Rigby said he expected oil to rise over the next few weeks and test an eight-month high of \$73.23 a barrel reached on June 30.

According to JBC Energy in Vienna, while oil demand continues to be weak, "extremely volatile oil prices will hardly manage to buck overall sentiment" and are likely to follow the current rally in the stock markets.

"In Japan, crude imports fell by almost 20 percent in June as oil demand is evaporating," JBC said. "Refiners in the world's third-largest oil consuming country ran their facilities at about 71 percent of capacity, according to latest official figures."

In other Nymex trading, gasoline for August delivery rose by more than 2 cents to \$1.93 a gallon and heating oil gained over a penny to \$1.78. Natural gas for August delivery was flat at \$3.56 per 1,000 cubic feet.

In London, Brent prices rose 18 cents to \$69.43 a barrel on the ICE Futures exchange.

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