

## Oil prices hit six-month high on weak dollar

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Oil prices topped 60 dollars a barrel for the first time in six months Tuesday, boosted by a plunge in the dollar that made greenback-priced oil cheaper for buyers armed with stronger currencies.

In London, Brent North Sea crude for June delivery rose 46 cents to settle at 57.94 dollars a barrel.

"Oil cares more about its relationship with the dollar and the stock market than it cares about its relationship with the refineries," said Phil Flynn at Alaron Trading.

The oil market tracked the dollar's moves in the foreign exchange markets: Prices soared when the dollar plunged, sending the euro above 1.37 dollars, then fell back when the greenback wiped out most of its gains and Wall Street stocks dropped into negative territory.

A decline in the value of the US currency inspires investors to buy oil and other commodities as a hedge against inflation.

"Its a fear of inflation," said Ellis Eckland, an independent trader.

A weaker dollar "also creates excess liquidity that goes into commodities and equities," he added.

After having plunged from a record high above 147 dollars a barrel on July 11, 2008 to 32.40 dollars in December, oil prices have edged higher, with the pace accelerating in recent weeks.

Better-than-expected US economic data has sparked hopes that the global economy will recover from its worst slump since the Great Depression relatively soon, which would mean a surge in demand for oil.

"If growth were to resume in the US in June or the third quarter it would be very bullish for crude oil," Eckland said.

"That would help demand for the summer," he said, when gasoline demand normally spikes in North America during the holiday season, he said.

"Oil prices will go up a few more dollars," the analyst said, but added that "very full" inventories could push prices down.

US crude reserves are at the highest level since 1990, and analysts expect another increase when the Department of Energy (DoE) publishes its weekly inventories report Wednesday.

Eckland warned that higher oil prices could snuff out a recovery.

"If you start seeing oil prices in the high 60s (dollars) or the 70s, thats really going to put money out of consumers' pocket and hurt demand," he said.

The DoE on Tuesday lowered its outlook for global oil demand for 2009 and 2010. In a monthly report, it said demand would fall by 1.8 million barrels per day this year, and rise a scant 700,000 bpd in 2010.

It saw the average oil price hovering around 55 dollars in 2009 and, "assuming a modest economic improvement," 58 dollars in 2010.

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