

Oil rises to \$142 for the first time



The Mobil oil refinery at Altona, west of Melbourne. (Mick Tsikas/Reuters)

Crude oil rose to a record above \$142 a barrel in New York on Friday and gold advanced as falling stock markets spurred investment in commodities.

Oil has gained 47 percent this year, headed for the biggest six-month gain since 1999, as recession concerns have pushed the MSCI World Index of global equity markets down 12 percent. Oil may rise further if the European Central Bank raises rates on July 3, further weakening the U.S. dollar, traders said.

"It's a combination of equities underperforming and pricing in some further risk on what the ECB will do next week," said Oliver Jakob, managing director of Petromatrix in Zug, Switzerland. Trading volumes are so low that price movements are being exaggerated, he said.

Crude oil for August delivery rose as much as \$2.62 a barrel, or 1.9 percent, to \$142.26 in electronic trading on the New York Mercantile Exchange. It was at \$141.95 at 12:31 p.m. London time.

On Thursday the contract rose \$5.09, or 3.8 percent, to \$139.64 a barrel, a record settlement price, as Libya threatened to cut output and the president of the Organization of Petroleum Exporting Countries said prices may reach between \$150 and \$170 within months.

Many of the companies most reliant on oil, like airlines and refiners, are having to buy futures now after waiting earlier in the year in the expectation of lower prices, said Gerrit Zambo, an oil trader for BayernLB in Munich.

"In the first months of this year consumers were waiting, but now they've reached a painful limit and have no choice but to hedge," Zambo said. "The costs put so much pressure on the companies and they have no choice."

The doubling of prices in the last year is "a blessing in disguise" for Asian economies and currencies, according to Stephen Jen, chief currency strategist at Morgan Stanley in London. High transport costs will force the region to become less reliant on exports and more on local demand, Jen said in a report Thursday.

Gold headed for a second weekly gain as the dollar weakened, increasing the appeal of the metal as a hedge against inflation and an alternative investment to the U.S. currency. Gold for

immediate delivery rose \$5.17, or 0.6 percent, to \$922.47 an ounce as of 11:39 a.m. in London.

The MSCI World Index lost 1.8 percent to 1,403.36 at 10:37 a.m. in London as 8 of the 10 industry groups retreated.

The U.S. dollar was 0.2 percent lower at \$1.5757 against the euro, and 0.6 percent weaker versus the Japanese currency at 106.33 per yen at 11:37 a.m. London time.

Brent crude oil rose as much as \$2.30, or 1.6 percent, to a record \$142.13 on London's ICE Futures Europe exchange. The contract traded at \$141.74 a barrel at 12:31 p.m.

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