

Oil above \$45; many think bottom may have been hit

AP Associated Press

Oil closes above \$45 for second time in a week leading some to call bottom for market

Chris Kahn, AP Energy Writer
Friday March 6, 2009, 3:38 pm EST

NEW YORK (AP) -- Every day this week arrived with more evidence that energy usage is unlikely to bounce back soon, yet some experts believe oil prices may already have struck bottom.

The U.S. unemployment rate jumped to its highest level in 26 years. Home sales sunk to a new low. American International Group Inc. and General Motors Inc. continued to burn through cash despite receiving billions in federal loans.

Still brokers and traders seemed to ignore the daily doses of bad financial news. Benchmark crude closed above \$40 every day of the week for the first time in a month.

Light, sweet crude for April delivery rose \$1.91 to settle at \$45.52 Friday on the New York Mercantile Exchange. It was the second time crude settled above \$45 in one week, which hasn't happened since the first week of the year.

In London, Brent prices rose \$1.21 to settle at \$44.85 on the ICE Futures exchange.

Analysts say traders have mostly factored the doom and gloom into crude prices already, and focused instead on another key statistic this week: U.S. crude inventories dropped unexpectedly after swelling for months with cheap oil.

Deutsche Bank said Friday that oil demand in coming months will be even lower than the most pessimistic estimates, but that OPEC cuts have finally begun to take hold.

The federal government said crude stocks fell by 700,000 barrels for the week ended Feb. 27, and analysts believe OPEC will call for more production cuts at its meeting on March 15.

"OPEC seems to have its act together," said Michael Lynch, president of Strategic Energy and Economic Research. "They're bringing inventories down, and that's putting a floor on the market."

Traders previously shrugged off OPEC supply cuts as the global recession and plummeting demand forced oil prices down from a high of more than \$147 a barrel in July. But world supplies are again coming into focus months after the Organization of Petroleum Exporting Countries began to turn off the spigots.

Analyst Addison Armstrong noted Friday that OPEC shipments are at a five-year low. The group is to slash its crude exports by 430,000 barrels per day in the four weeks to March 21, he said, citing tanker-tracking company Oil Movements.

Oil prices may have hit bottom after a tumultuous 2008 in which crude swung to a historic high and then fell to five-year lows, trader and analyst Stephen Schork said.

"There's very little reason to buy oil," he said. "We know how dire the economy is. But we can't seem to get the prices lower."

Oil prices appear to have leveled off and are likely to remain between \$35 and \$45 per barrel over the next few months, Schork said.

Oil prices also were given a boost late in the week as a jump in U.S. unemployment weakened the dollar and gave foreign investors more buying power. Oil, which is traded in dollars, naturally shifts higher when the dollar drops.

The Labor Department said America's unemployment rate widened to 8.1 percent in February, the highest since late 1983. The U.S. shed 651,000 jobs last month.

"The dollar got shaken a little bit by that stunningly bad report," said Phil Flynn, analyst at Alaron Trading Corp. "It caused people who were running to the dollar as a safe haven to take pause. They're running to gold or silver today. And some of that money went back to the euro."

The jobs data on Friday, while bleak, failed to surprise investors who were braced for the worst. Revisions to past months showed job cuts have actually slowed gradually since December.

"Overall, another terrible set of labor market figures," said Paul Ashworth at Capital Economics. "The only comfort is that the news was largely in line with the already gloomy expectations and there is just the slightest glimmer of hope that conditions may be improving."

Crude investors have looked to the stock market as a broad measure of investor sentiment on the economy. But oil prices have traded near \$40 since December while global stock markets continue to drop.

In other Nymex trading, gasoline for April delivery rose 2 cents to settle at \$1.3322 a gallon, while heating oil gained 7 cents to settle at \$1.2294 a gallon. Natural gas for April delivery fell 14.3 cents to settle at \$3.945 per 1,000 cubic feet.

Associated Press writers Pablo Gorondi in Budapest and Alex Kennedy in Singapore contributed to this report.

Copyright © 2008 The Associated Press. All rights reserved. The information contained in the AP News report may not be published, broadcast, rewritten, or redistributed without the prior written authority of The Associated Press.

Copyright © 2009 Yahoo! Inc. All rights reserved. [Privacy Policy](#) - [Terms of Service](#) - [Copyright Policy](#) - [Send Feedback](#)

Quotes and other information supplied by independent providers identified on the Yahoo! Finance partner page. Quotes are updated automatically, but will be turned off after 25 minutes of inactivity. Quote data delayed 15 minutes for Nasdaq, NYSE and Amex. Real-Time continuous streaming quotes are available through our premium service. You may turn streaming quotes on or off. All information provided "as is" for informational purposes only, not intended for trading purposes or advice. Yahoo! is not an investment adviser and does not provide, endorse or review any information or data contained herein.