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Oil Near Highest in a Week as Fed Says Ready to Protect Growth

By Grant Smith

April 26 (Bloomberg) -- Oil traded near the highest level in more than a week after Federal Reserve Chairman Ben S. Bernanke said that while further stimulus is unlikely, central banks "remain prepared to do more" to protect the economy.

Futures were little changed, paring an earlier gain after more Americans than forecast filed applications for unemployment benefits last week. Economic growth is expected to "remain moderate over coming quarters and then to pick up gradually," the Federal Open Market Committee said in a statement. U.S. crude supplies gained more than estimated last week, and Iran's envoy in Moscow said his country may halt the expansion of its atomic program to avert new Western sanctions.

"Bernanke will do something if things don't get better," said Hakan Kocayusufpasaoglu, chief investment officer at Archbridge Capital in Zug, Switzerland. "And when Bernanke says he'll do whatever it takes to get the economic growth rate improving, that means the economic trajectory rises and oil demand increases over time. And his methods for doing something increase money supply, causing the dollar to depreciate and that lifts all commodities."

Crude for June delivery was at \$103.89 a barrel, down 23 cents, in electronic trading on the New York Mercantile Exchange at 1:38 p.m. London time. The contract yesterday rose 57 cents to \$104.12, the highest close since April 17. Front-month futures climbed for the past four days, the most in two months. Prices are 5.1 percent higher this year.

Brent oil for June settlement was at \$119.32 a barrel, up 20 cents, on the London-based ICE Futures Europe exchange. The European benchmark contract's front month premium to West Texas Intermediate was at \$15.46, up from \$15 yesterday.

Initial Jobless Claims

Jobless claims fell by 1,000 to 388,000 in the week ended April 21 from a revised 389,000 the prior period that was higher than initially estimated, Labor Department figures showed today in Washington. The median forecast of 48 economists surveyed by Bloomberg News called for a drop to 375,000. Another report showed economic confidence in the euro region declined more than economists forecast in April.

A Commerce Department report tomorrow may show that U.S. growth slowed in the first quarter, fueling speculation that the Fed will consider additional stimulus.

U.S. first-quarter gross domestic product, the value of all goods and services the nation produced, rose at a 2.5 percent annual rate after advancing 3 percent in the previous three months, according to the median forecast of economists surveyed by Bloomberg News.

No 'Collapse Scenario'

Oil's gain in New York is stalling as futures approach technical resistance along the top of a downtrend channel going back about two months, according to data compiled by Bloomberg. This level is around \$104.23 a barrel today. Sell orders tend to be clustered near chart-resistance levels.

Prices will stay above \$100 a barrel even as economic growth slows, according to Mirae Asset Securities Ltd.

"While we still expect oil prices to soften, we don't see a collapse scenario," Gordon Kwan, head of regional energy research at Mirae Asset in Hong Kong, said in a report e-mailed today. "Mirae continues to believe that the \$100 a barrel oil price is here to stay."

Crude has climbed this year amid speculation that tension with Iran over its nuclear program may disrupt Middle East supplies. The Islamic Republic is considering a Russian proposal to stop building centrifuges, or machines used to enrich uranium, and mothball ones that haven't been put into use yet, Iranian Ambassador Mahmoud-Reza Sajjadi said in Moscow yesterday.

Japan Crude Imports

Efforts to resolve the dispute will be complicated if the European Union goes ahead with an embargo on the nation's petroleum exports from July 1, Sajjadi said.

Separately, Japan said its crude imports from Iran fell 6.3 percent in March from a year ago. Purchases were 1.8 million kiloliters, compared with 1.9 million kiloliters in March 2011, according to data today from the Ministry of Finance. Imports climbed from 1.2 million kiloliters in February.

U.S. crude inventories rose 3.98 million barrels to 373 million last week as output climbed to a 12-year high, according to the Energy Department. They were projected to increase 2.8 million barrels, according to the median of 11 analyst estimates in a Bloomberg survey.

Stockpiles of gasoline decreased 2.2 million barrels, Energy Department data showed. They were forecast to fall 1.5 million barrels, the survey shows. Distillate supplies, a

category that includes heating oil and diesel, dropped 3.1 million compared with an estimated 500,000 barrel gain.

Gasoline slid for the eighth time in nine days after the report showed deliveries to wholesalers dropped 3.2 percent to a five-week low. Prices for May delivery fell 0.36 cent to \$3.1557 a gallon on the New York Mercantile Exchange yesterday.