BLOOMBERG News (BN) Date: Apr 4 2008 13:27:33
Crude Oil Futures Advance Before Report on U.S. Jobless Levels

By Grant Smith

April 4 (Bloomberg) -- Crude oil rose before a report expected to show that the labor market shrank for a third month in the U.S., the world's largest energy consumer.

The Labor Department will probably say payrolls fell by 50,000 workers, according to a Bloomberg News survey, signaling the U.S. economy may continue to slow. That may cause the dollar to falter, bolstering demand for commodities priced in the U.S. currency and used to hedge against inflation.

``Any further negative surprises could cause the dollar to tumble, which may encourage more fund money into commodities as a means of hedging against inflation,'' said Nimit Khamar, an analyst at Sucden (U.K.) Ltd. in London.

Crude oil for May delivery rose as much as $1.20 cents, or 1.2 percent, to $105.03 a barrel in electronic trading on the New York Mercantile Exchange. The contract traded at $104.72 at 1:26 p.m. London time. Prices have risen 62 percent from a year earlier.

``Energy markets seem to be torn between rallying on the back of a weaker dollar on the one hand, while selling off on the realization that slowing growth'' has ``the potential to knock demand back,'' Edward Meir, an analyst for MF Global Ltd. in Connecticut, said in a report today.

Brent crude for May settlement traded at $103.23 a barrel at 1:20 p.m. London time after rising as much as 92 cents, or 0.9 percent, to $103.27 on London's ICE Futures Europe exchange.

Oil touched a record $111.80 on March 17 amid a plunge in the dollar, which has lost 15 percent against the euro in the past year on concern the U.S. is edging toward recession.

`Commodity Rally'

``The dollar has been one of the building blocks in the commodity field rally, along with real money inflows,'' said Hakan Kocayusufpasaoglu, director of commodity derivatives at Credit Suisse Group in London. ``If the dollar is close to a turning point and bottoms out then one of the supporting legs for oil demand is pulled out.''

U.S. demand for gasoline in the was 1.7 percent lower than a year ago at 9.33 million barrels a day in the week ended March 28, leaving inventories 9.1 percent above their five-year seasonal average, according to the Energy Department.

Oil ministers from Nigeria and Ecuador yesterday said global supply and demand are balanced, signaling there's no need for the Organization of Petroleum Exporting Countries to raise output.

The decline in U.S. consumption is being countered by demand from India and China, Ecuador's Energy and Mines Minister Galo Chiriboga said in Cancun, Mexico. Ecuador is OPEC's newest and smallest member.

--Editors: Will Kennedy, Kristen Schweizer.

To contact the reporter on this story:
Grant Smith in London at +44-20-7330-7353 or
gsmith52@bloomberg.net

To contact the editor responsible for this story:
Stephen Voss on +44-20-7073-3520 or sev@bloomberg.net