

Oil Price Rises Only Slightly, Despite Mideast Crisis

Written by Anton Barnard

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Crude prices rose slightly Monday amid a widening conflict between Israel and Palestinian militants, though

Oil also got a lift from evidence that OPEC will follow through with plans to cut output - at least somewhat

Prices spiked as much as 7 percent in early trading with analysts expecting light volume during the final

Light, sweet crude for February delivery rose 10 cents to \$37.81 a barrel on the New York Mercantile Exchange, up \$2.36 to settle at \$37.71.

Retail gasoline prices in the U.S. continued to fall and neared \$1.60 per gallon (42 cents a liter) nationwide

In the Middle East, Israel destroyed symbols of Hamas power on the third day of what the defense minister

Phil Flynn, an analyst at Alaron Trading Corp. in Chicago, called oil's initial run-up "an emotional reaction to other clashes in the region.

"In reality, the likelihood the conflict is going to interrupt oil supply in any way, shape or form is highly unlikely

"Obviously, if the conflict widens, and other countries get involved directly, you might have a different situation

China is encouraging companies to use all spare petroleum storage capacity to take advantage of the current

Asia's biggest refiner, the state-owned China Petroleum & Chemical Corp., recently completed construction

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The Organization of Petroleum Exporting Countries, which accounts for about 40 percent of global supply,

In Vienna, JBC Energy, in its daily newsletter, said "the UAE has decided to reduce crude supplies in January, the fourth-largest producers in the 13-nation cartel.

Analysts at the U.S. firm Cameron Hanover noted Monday the UAE, unlike a number of other OPEC members who agreed to cut, global supplies of crude will be tighter come spring," Cameron Hanover said.

Oil prices have fallen 73 percent since peaking at \$147.27 a barrel on July 11 as a credit crisis in the U.S.

"More bad profit reports, jobs reports, housing results will put pressure on prices," said Gerard Rigby, energy analyst at JBC Energy. "The market is looking for better news to improve sentiment and generate more optimism." Barack Obama is scheduled to be sworn in as U.S. president January 20.

In other Nymex trading, gasoline futures fell less than a penny to 84.2 cents a gallon. Heating oil rose a penny to \$2.43 per 1,000 cubic feet. In London, February Brent crude rose 43 to \$38.80 a barrel on the ICE Futures exchange.

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