



## **Oil rises above \$70 to near one-month high on signs demand is recovering**

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(Bloomberg) -- Crude oil traded above \$71 a barrel for the first time in a month on signs that industrial activity is picking up and may trigger a recovery in fuel demand.

Oil gained as factory output in China rose to the highest in almost a year, while a U.S. manufacturing index due today may show conditions in July were the best in almost a year. Oil may rise more than other commodities as demand rebounds, said Nouriel Roubini, the New York University economist who predicted the credit crisis.

“Asia will come out of the recession sooner and help the rest of the world,” said Sintje Diek, an analyst with HSH Nordbank in Hamburg. “With commodities, risk aversion is lower. We have had economic indicators that were better than expected. The overall data is pointing to better developments in the coming weeks and months.”

Crude oil for September delivery rose as much as \$1.68, or 2.4 percent, to \$71.13 a barrel in after-hours electronic trading on the New York Mercantile Exchange. It traded at \$71.08 a barrel at 12:24 a.m. in London. Crude reached \$71.85 a barrel on July 1.

The Organization of Petroleum Exporting Countries increased oil output for a fourth month in July, with quota compliance slipping as some members took advantage of strong prices, a Bloomberg News survey showed.

OPEC oil output averaged 28.39 million barrels a day last month, up 45,000 from June, according to the survey of oil companies, producers and analysts. The 11 OPEC members with quotas, all except Iraq, pumped 26.035 million barrels a day, 1.19 million more than their target.

### **U.S. Manufacturing**

The Institute for Supply Management may report today its U.S. manufacturing index climbed to 46.5 in July, the highest level in almost year, according to a Bloomberg survey of economists. Readings below 50 signal contraction.

“The implication is that there’s going to be a pretty solid demand recovery later this year,” said Toby Hassall, a research analyst at Commodity Warrants Australia Pty in Sydney. “It’s definitely sentiment-driven at the moment rather than fundamentally driven.”

China's official Purchasing Managers' Index rose for a fifth month to a seasonally adjusted 53.3 in July from 53.2 in June, the Federation of Logistics and Purchasing said Aug. 1. A survey today by CLSA Asia-Pacific markets showed manufacturing rose to a one-year high as stimulus spending stoked domestic demand. China accounts for about 45 percent of Asia's oil use.

'Least Resistance'

"Over the short term, it seems that the path of least resistance is higher," said Edward Meir, an analyst with MF Global Ltd. in Connecticut. "Investors are apparently still enthralled by the recovery trade, murky as its final outcome seems to be at this stage."

Brent crude oil for September settlement gained as much as \$1.35, or 1.9 percent, to \$73.05 a barrel on London's ICE Futures Europe exchange. It traded at \$73.02 a barrel at 12:25 p.m. London time.

Hedge-fund managers and other large speculators increased their bets on oil prices to rise, according to weekly data from the U.S. Commodity Futures Trading Commission. Net long positions in New York oil futures, or the difference between orders to buy and sell oil, doubled to 4,576 contracts in the week to July 28.