

Oil Rises On Bullish U.S. Manufacturing Data

Chris Kahn, AP Energy Writer

NEW YORK (AP) — Oil rose the most since late February after a report said that U.S. factories have cranked into a higher gear.

Manufacturers are big users of diesel fuel, so increased factory activity usually means increased demand for diesel.

Benchmark U.S. crude increased Monday by \$2.21 to \$105.23 per barrel in New York. It was the biggest gain since Feb. 21. Brent crude rose by \$2.55 cents to \$125.43 per barrel in London.

Meanwhile, natural gas futures recovered after falling to a 10-year low. Futures gained 2.6 cents to \$2.15 per 1,000 cubic feet. Natural gas prices have plummeted because of a production boom that could push U.S. supplies close to their maximum capacity later this year.

U.S. manufacturing grew in March at a faster pace than February, according to the Institute for Supply Management, a trade group of purchasing managers. U.S. factories added 100,000 jobs in the past three months to help fill a growing list of new orders.

China's manufacturers also gained momentum in March, according to a report published over the weekend.

"If they're producing, that means they're selling things," PFGBest analyst Phil Flynn said. "It means the economy is improving. We could be getting more jobs out of it in the future, and that gets people excited."

The price of oil also reflects ongoing tensions over Iran's nuclear program. Iran exports 2.4 million barrels of oil each day. The U.S. and Europe have imposed sanctions that aim to make it more difficult to finance those exports. Traders are betting that if that oil comes off the market, world supplies will tighten this year.

Saudi Arabia, Libya and Iraq are expected to help out by pumping more oil this year. But there's still a risk that the standoff in Iran could escalate "into military action that screws things up across the Persian Gulf," said Peter Donovan, a broker with Vantage Trading.

Analysts estimate that oil prices are \$15 to \$20 per barrel higher this year due to fears of a prolonged conflict between Iran and the West.

Retail gasoline prices were flat over the weekend. The national average held at \$3.925 per gallon, according to auto club AAA, Wright Express and Oil Price Information Service. A gallon of gasoline is about 65 cents higher than it was at the

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beginning of the year. Experts predict that the national average could keep rising to a peak of \$4.25 per gallon this year.

In other energy trading, heating oil added 8 cents to \$3.25 per gallon and gasoline futures increased by 7.41 cents to \$3.3822 per gallon.

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