

Oil Prices Steady As Traders Eye Mideast Conflict

Pablo Gorondi, Associated Press

The price of oil swung between slight gains and losses above \$85 a barrel on Friday as investors monitored fighting between Israel and militants in Gaza and its potential impact on supplies, which so far remain ample.

By early afternoon in Europe, benchmark oil for December delivery was up 25 cents to \$85.70 a barrel in electronic trading on the New York Mercantile Exchange. The contract dropped by 87 cents to finish at \$85.45 per barrel in New York on Thursday.

Some investors fear that oil supplies could be disrupted if the Israel-Hamas conflict grows to destabilize the Middle East, a huge producer of crude. But the impact of those concerns was offset mostly by signs that global economy is struggling, meaning demand is weak, and that supplies are still high, particularly in the U.S.

"Any sustained rally in prices is likely to be capped by its downside impact on demand whilst economic growth remains as is," said a report from analysts at Sueden Financial Research in London.

On Thursday, the U.S. government reported a rise in U.S. jobless claims, as Superstorm Sandy drove the number of people seeking unemployment benefits up to a seasonally adjusted 439,000 last week, the highest level in 18 months.

At the same time, the U.S. Energy Information Administration said crude oil supplies grew by 1.1 million barrels last week to 375.9 million barrels. That's 11.6 percent above year-ago levels.

"Unemployment remains high and economic growth has been extremely modest. Petroleum demand is reflecting that," said American Petroleum Institute chief economist John Felmy.

Gains by the dollar also kept oil prices from rising too much by making crude more expensive for traders using other currencies. On Friday, the euro was down to \$1.2743 from \$1.2781 late Thursday in New York.

Meanwhile, Brent crude, used to price many kinds of international oil, was up 46 cents to \$108.47 per barrel on the ICE Futures exchange in London.

In other energy futures trading on Nymex:

— Heating oil rose 0.42 cent to \$2.9777 per gallon.

— Wholesale gasoline added 0.26 cent to \$2.6638 per gallon.

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— Natural gas was down 1.7 cents to \$3.686 per 1,000 cubic feet.

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