Oil Up Slightly As Optimism Over U.S. Budget Grows

Pablo Gorondi, Associated Press

The price of oil inched up closer to $89 a barrel on Wednesday on expectations U.S. political leaders will reach a budget deal before a year-end deadline and growing confidence that the Chinese government would introduce new stimulus measures to strengthen the world's second-largest economy.

By early afternoon in Europe, benchmark crude for January delivery was up 28 cents to $88.78 a barrel in electronic trading on the New York Mercantile Exchange. The contract finished down 59 cents at $88.50 a barrel in New York on Tuesday.

U.S. lawmakers have less than a month to reach a compromise to avoid a series of sharp tax increases and spending cuts that take effect in January. Economists believe those measures could send the U.S. back into a recession, thereby dampening demand for oil.

Negotiations have been slow-paced and contentious. Still, many analysts say President Barack Obama and Republicans in Congress will eventually reach a compromise to avert the so-called fiscal cliff.

"We think the odds strongly favor a modest agreement that will likely be announced over the second half of December and one which should push most markets substantially higher," said commodities analyst Edward Meir at INTL FCStone in New York.

The market was also waiting for confirmation of a drop in U.S. crude stockpiles, which also lent some support to oil prices.

Data from the Energy Department's Energy Information Administration — the market benchmark — will be out later and they are expected to echo a survey from the American Petroleum Institute on Tuesday that showed crude oil stocks down by 2.2 million barrels during the week ending Nov. 30.

Brent crude, which is used to price international varieties of oil, was up 31 cents to $110.15 on the ICE Futures exchange in London.

In other energy futures trading on the Nymex:

— Heating oil rose 1.42 cents to $3.0182 a gallon.

— Natural gas added 5.8 cents to $3.597 per 1,000 cubic feet.

— Wholesale gasoline shed 0.28 cent to $2.6862 a gallon.

___

Pamela Sampson in Bangkok contributed to this report.

Source URL (retrieved on *12/28/2014 - 8:56am*):
http://www.impomag.com/news/2012/12/oil-slightly-optimism-over-us-budget-grows?qt-digital_editions=0