

Oil rises as strikes offset Dollar bounce

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The week-old action, which has brought operations at France's 12 refineries to a near-standstill, lifted refined products futures and in turn sent crude oil prices up, offsetting the effects of a stronger dollar.

U.S. crude for November up 61 cents to \$81.86 by 10:02 a.m. EDT, after earlier hitting a session trough of \$80.35, the lowest point since October 8. December ICE Brent fell 4 cents to \$82.41.

"I think that the only thing that is really supporting prices for now is the strike at Fos-Lavera that is removing product out of the market and supporting refinery activity elsewhere in Europe," said Christophe Barret, oil analyst at Credit Agricole.

He was referring to a Mediterranean oil hub which has been blocked for 3 weeks by a protest against pension reform.

Oil defied a bounce in the U.S. dollar, which came back from a 10-month low against a basket of currencies on Monday as investors trimmed bearish bets against the greenback due to uncertainty over the extent and impact of further monetary easing..

U.S. Federal Reserve Chairman Ben Bernanke on Friday gave his most explicit signal yet that the U.S. central bank was set to loosen monetary policy further in a debt purchase program described as a second round of quantitative easing, or QE2, but he gave no details about the Fed's next step.

"It looks like we are revising down the possible impact of QE2 and I think prices will return to the \$70-\$80 range in the coming days or weeks," Barret said.

Oil pierced the upper end of a \$70-\$80 trading range this month that had held for much of the last year, on optimism a boost to the U.S. economy would improve weak fuel demand but the rally fizzled out at the end of last week.

The Fed next reviews policy on November 2-3, when details about any stimulus moves and their implementation could emerge.

U.S. industrial production unexpectedly fell in September, while capacity utilization eased slightly, according to a report on Monday that supported expectations of further monetary easing next month.

The dollar strengthened by almost 0.5 percent against a basket of currencies on Monday, extending Friday's gains from 10-month lows. Technical indicators pointed to the possibility of a further short-covering rebound.

Key oil producer Saudi Arabia is holding a conference in Riyadh on Monday to mark the 50th anniversary of the Organization of the Petroleum Exporting Countries (OPEC), which the kingdom's oil minister Ali al-Naimi is scheduled to attend.

OPEC secretary general Abdullah al-Badri said on Friday that an oil price between \$75-\$85 would not hinder global economic recovery but said the group was concerned about the value of the dollar.