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March 17, 2008



## Oil hits record near US\$112 a barrel as dollar slumps

TOKYO - OIL jumped to a record near \$112 (S\$154.40) a barrel on Monday, as a surprise weekend cut in the Federal Reserve discount rate and the fire sale of stricken US investment bank Bear Stearns sent the dollar to all-time lows.

Crude for April delivery was up \$1.16 at \$111.37 a barrel by 0752 GMT, off a record \$111.80 hit earlier.

May London Brent crude was \$1.30 higher at \$107.50 a barrel, after trading as high as \$107.97 earlier, near the April contract's record \$108.02 peak on Friday.

'The recent oil prices have been swayed by the currency moves, including this latest rally to a record,' said Mr Tony Nunan, risk management executive at Tokyo-based Mitsubishi.

'The dollar weakness is the factor at the moment.'

The dollar plunged across the board on Monday as the spreading US financial crisis led to JPMorgan Chase acquiring stricken investment bank Bear Stearns, stirring fears that more financial firms may become casualties.

### **OIL PRICES RISING DUE TO SPECULATION: OPEC**

ALGIERS - OIL markets are rising due to speculation and the US dollar's fall, not to a lack of petroleum production, OPEC President Chakib Khelil said on Sunday, the official Algerian news agency APS reported.

APS quoted Khelil, who is also Algerian Energy and Mines minister, as saying: 'Prices

The Federal Reserve took more emergency measures to stem the fast-spreading financial crisis, cutting its discount rate on Sunday and opening up discount window lending to major investment banks, a tool not used since the Great Depression.

The dollar slid 3 per cent against the yen at one point to its lowest since 1995, while the euro hit a freak peak against the dollar, as investors became more convinced that the Fed and other major

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are not going up because of a lack of output, but rather from the effect of speculation.'

central banks may have to conduct coordinated dollar-buying intervention to stem the sell-off.

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The dollar later trimmed some losses after Japanese Finance

Minister Fukushima Nukaga stepped up his verbal warnings on Monday, saying he is watching currency market moves in cooperation with authorities in the United States and Europe.

Fed policy-makers are set to meet on Tuesday and are widely expected to lower the benchmark federal funds rate by up to a full-point to try to put a floor under an economy many believe is already in the throes of recession.

Crude oil prices have jumped about 16 per cent so far this year in part because of a steep decline in the the US dollar - a factor that has supported the nominal value of all commodities priced in the currency.

Oil analysts have said they expect oil's inverse relationship with the dollar to last until there are significant signs that underlying commodities demand is eroding because of the US economic slowdown.

The Organisation of the Petroleum Exporting Countries has shrugged off calls for more supply.

Oil markets are rising due to speculation and the US dollar's fall, not on a lack of petroleum production, OPEC President Chakib Khelil said on Sunday, the official Algerian news agency APS reported.

Adding support to energy markets, Iraq halted pumping of Kirkuk crude through its northern pipeline to Turkey on Sunday due to a minor breakdown, but pumping was expected to resume soon, a shipping source said on Monday.

In Nigeria, an oil workers' union is calling for a strike in the oil sector starting on Wednesday to protest about a labour dispute at the Nigerian arm of ExxonMobil, a union boss said on Monday. -- REUTERS

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