

Oil Rises as Dollar Drop Spurs Investor Demand for Commodities By Grant Smith  
[http://www.bloomberg.com/apps/news?pid=20601102&sid=awdIR\\_qfejeE&refer=uk#](http://www.bloomberg.com/apps/news?pid=20601102&sid=awdIR_qfejeE&refer=uk#)

May 22 (Bloomberg) -- Crude oil rose in New York and was poised for an 9.5 percent gain this week as the dollar fell to a four-month low against the euro, drawing investors to crude as an inflation hedge.

Oil also gained as fighting between militants and the army in Nigeria's Niger River delta region escalated, reducing the West-African country's fuel output.

"Today it's the U.S. dollar movement and risk appetite at play," said [Eliane Tanner](#), an analyst at Credit Suisse Group AG in Zurich. "The market has got ahead of fundamentals, but as long as sentiment and risk appetite remain positive, prices might go higher."

Crude oil for July delivery rose as much as 77 cents, or 1.3 percent, to \$61.82 a barrel in electronic trading on the New York Mercantile Exchange. It was at \$61.73 a barrel at 1:01 p.m. in London.

Demand for commodities as an alternative investment increases as the dollar drops because oil and gold traditionally hold their value against the falling currency. The dollar fell to \$1.3953 per euro as of 12:29 p.m. in London after reaching \$1.3981, the lowest since Jan. 5. Crude prices were 80 percent correlated with the decline in the dollar against the euro since the beginning of the year, according to Bloomberg data.

"You've still got some funds that are underweight oil and as the price rallies, they start to panic, and they buy in and push the price up even more," said [Jonathan Kornafel](#), a director at options traders Hudson Capital Energy in Singapore.

### OPEC Output

The Organization of Petroleum Exporting Countries may keep output quotas unchanged for a second time this year as recovering oil prices reduce the need for new supply cuts, according to a Bloomberg survey. The group will maintain a production target of 24.845 million barrels a day when it meets May 28, according to 25 of 27 analysts surveyed. OPEC agreed last year to three production cuts to bolster prices.

"The global economy isn't very good right now, and that is not a situation for OPEC to cut production," said [Ken Hasegawa](#), a commodity derivative sales manager at brokers Newedge in Tokyo. "They have to keep the levels at the moment."

Nigeria's oil production has fallen to less than half its capacity as fighting against rebels in the Niger River delta escalates.

The West African nation, formerly the continent's biggest producer, now pumps about 1.6 million barrels a day, compared with capacity of 3.2 million, Petroleum Minister of State Odein Ajumogobia said yesterday.

## Oil Survey

Brent crude for July settlement rose as much as 82 cents, or 1.4 percent, to \$60.75 a barrel on London's ICE Futures Europe exchange. It was at \$60.74 a barrel at 1:01 p.m. in London.

Crude oil futures may decline as the global economic contraction reduces fuel demand in the U.S., Europe and Japan.

Fifteen of 36 analysts surveyed by Bloomberg News, or 42 percent, said futures will fall through May 29. Fourteen respondents, or 39 percent, forecast that oil prices will rise and seven said the market will be little changed. Last week, 60 percent of analysts said prices would decline.

*Last Updated: May 22, 2009 08:05 EDT*