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Oil continues its climb above \$61

Concern about Iran helps lift crude to near its highest level of 2007.

February 26 2007: 6:09 AM EST

LONDON, Feb 26 (Reuters) -- Oil resumed its climb from \$61 Monday as world powers prepared to discuss tightening U.N. sanctions on Iran, the world's fourth biggest oil exporter.

Commodities rallied across the board with gold at a nine-month high, nickel at a new record and copper also firm.

U.S. crude was up 41 cents at \$61.55 a barrel by 6:02 a.m. ET. The market has recorded a higher closing level for the past three sessions and hit a 2007 high of \$61.80 Friday.

London Brent was up 51 cents at \$61.39.

Some analysts see a building upward momentum for oil and note the latest data from the New York Mercantile Exchange points to an increase in investment by large funds.

"It is the first time this year that the large speculative funds are showing a net long position in crude oil," said Olivier Jakob, an analyst at Swiss-based Petromatrix.

Oil prices have swung from a high of \$78.40 last July, when fighting flared in Lebanon, and a 20-month low of \$49.90 in January when an expected influx of fund money failed to materialize, disappointing oil investors.

A steady recovery in prices since late January has been supported by gradually tightening supplies - OPEC has twice cut output since November - and by concerns over a possible disruption of Iran's oil supplies.

Officials from the U.N. Security Council plus Germany will meet in London later Monday to consider possible further steps after the latest U.N. deadline for Tehran to halt its nuclear program came and went unheeded.

"Iran is a key factor for oil prices recovering from just below \$50. However, it is a psychological factor and many market players are skeptical at the same time," said Tetsu Emori, the chief strategist at Mitsui Bussan Futures.

"Iranian oil supplies weren't disrupted last year although this issue was discussed many times."

At the weekend, President Mahmoud Ahmadinejad said Iran's nuclear program has "no brake and no reverse gear" and a deputy foreign minister said Iran was prepared even for war.

U.S. Secretary of State Condoleeza Rice said it needed a "stop button." Vice President Dick Cheney said all options were on the table following Iran's refusal to heed the U.N. deadline.

Other factors aiding oil's gains last week included an unexpected fall in weekly U.S. gasoline inventories, refinery problems and the brief closure of a U.S. fuel pipeline.

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