

The Standard

China's Business Newspaper

Oil and metals mark sharp upturn amid Iran tensions

Oil and metals continued to surge Monday amid heightened global political tensions and mounting fears that demand for metals will outstrip supply.

Tuesday, February 27, 2007

Oil and metals continued to surge Monday amid heightened global political tensions and mounting fears that demand for metals will outstrip supply.

Oil climbed towards US\$62 (HK\$483.60) a barrel as world powers prepared to discuss tightening United Nations sanctions on Iran, the world's fourth biggest oil exporter.

Commodities rallied across the board, with gold hitting a nine-month high, nickel rising to a new record and copper also firming.

Crude oil for April delivery rose 47 US cents, or 0.8 percent, to US\$61.61 a barrel mid-morning on the New York Mercantile Exchange.

Some analysts see a growing upward momentum for oil and note the latest data from the NYMEX 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 has swung between a high of US\$78.40 in July, when fighting flared in Lebanon, and a 20-month low of US\$49.90 last month, when an expected influx of fund money failed to materialize, disappointing oil investors.

Officials from the UN Security Council plus Germany were meeting in London overnight to consider possible further steps after the latest UN deadline for Teheran to halt its nuclear program came and went unheeded.

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

Nickel hit a new record high on supply worries.

Nickel for delivery in three months on the London Metal Exchange was quoted at US\$41,080/US\$41,100 a tonne, below a new record high of US\$41,300, compared with Friday's close of US\$40,900.

Strong demand from stainless steel mills, supply disruptions and project delays have boosted nickel prices nearly 70 percent since January 2006.

Aluminum earlier hit US\$2,905, the highest since May 18.

Copper earlier touched a two-month high of US\$6,374, a gain of more than 17 percent since a nine-month low of US\$5,250 at the start of this month. It eased to US\$6,300 from US\$6,306.

Copper prices have been trending upwards since early this month, with buying fueled by expectations that China's State Reserves Bureau will build up its depleted stockpiles.

A big impetus Monday was buying from Shanghai, where copper futures rose by their 4 percent limit when the market reopened after the Lunar New Year holidays.

When the price limit is hit, Shanghai traders use the London Metal Exchange as an alternative.

"There has been more short-covering in London and from Shanghai," a trader said. "It is tight and people are trying to get in before the China starts buying."

Gold in New York rose, extending a rally to a nine-month high, as climbing oil prices boosted the appeal of the metal as a hedge against inflation.

Gold futures for April delivery rose US\$1.40, or 0.2 percent, to US\$688.10 an ounce on the COMEX division of the NYME. Prices, which climbed 2.1 percent last week, are trading at the highest since May.

In Tokyo, gold futures reached their highest in 21 years. Gold for immediate delivery advanced as much as US\$5.20, or 0.8 percent, to US\$687.75 an ounce.

In Singapore, the precious metal was traded at US\$686.65.

The price of platinum also advanced to a record in Tokyo. The metal for delivery in December rose 1 percent, to US\$1,231 an ounce.

Meanwhile, investors' confidence in the US economy softened this month, with energy prices and geopolitical tensions in the Middle East a continuing drag, according to a survey.

The UBS/Gallup Index of Investor Optimism fell 13 points to 90 this month, bringing it back below 100 where it has generally been since December 2000.

In the latest survey, 58 percent of respondents said energy prices are hurting the investment climate "a lot," up 1 percentage point from last month. REUTERS, BLOOMBERG