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## Oil prices jump on Iran tensions

**LONDON, England** (Reuters) -- Oil was up by more than \$1 on Wednesday after rumors, quickly dismissed by the United States, of a U.S. naval clash with Iran.

Britain denied another market rumor that it had sent troops to release 15 British sailors and Marines being held by Iran.

The rumors helped push U.S. crude up around 8 percent to \$68 per barrel late Tuesday before prices retreated.

U.S. crude was trading up \$1.28 at \$64.21 a barrel by 1654 GMT. It slipped off its early peak after U.S. weekly inventory data showed a smaller-than-expected draw in U.S. gasoline stocks last week.

London Brent crude was up \$1.32 cents at \$65.92 a barrel. The rise extended a six-day rally that has added about 10 percent to prices, pushing them nearer the danger zone for consumer nations who fear they could stymie economic growth.

"Although it didn't happen this time, people think it could happen," said Christopher Bellew of Bache Financial of concerns that conflict had broken out between Iran and the West.

Equity markets fell on the Iran tensions and took another dive after Federal Reserve Chairman Ben Bernanke said uncertainties about the U.S. economic outlook had increased.

"The main equity markets remain on fragile feet, we are not sure of their ability to withstand a surge in oil prices," said Olivier Jakob, of oil consultancy Petromatrix.

### U.S. data

Weekly U.S. oil inventory data showed a seventh-straight fall in gasoline stocks in the world's biggest consumer as it prepares for peak summer demand.

But a drop of 300,000 barrels of gasoline in the week ending March 23 lagged analysts' forecasts for a 1.8-million-barrel draw. Gasoline has been leading the oil market higher as U.S. supplies have dropped steadily ahead of the peak demand season.

Crude oil stocks fell by 900,000 barrels compared with forecasts for a rise of 1.6 million barrels.

"The lower-than-expected gasoline draw is a sign that gasoline production is picking up," said Eric Wittenauer, an analyst at broker A.G. Edwards.

In Europe, a strike by workers at the French Mediterranean oil terminal Fos-Lavera, entering its third week, has begun to hit refinery output and also raised concerns over Europe's ability to export fuel to the United States.

### Price surge

Oil's surge to \$68.09 on Tuesday was its highest since Sept. 6 and highlighted anxiety over supplies from the Gulf and in particular No. 4 exporter Iran.

"The price reaction just shows that actually it was clearly not the most likely scenario the market had in mind regarding Iran," said Frederic Lasserre, head of commodities research at Societe Generale.

He added the market was expecting a lengthy and difficult diplomatic process over Iran's nuclear program.

U.S. officials knocked down any talk of military action. So far there has been no disruption to Iran's daily shipments of around 2.2 million barrels.

The rumors surfaced as a second U.S. aircraft carrier moved into the Gulf to carry out military exercises. Iran's navy began a week of exercises in the Gulf last Thursday.

Iran said it would free a woman who was among the 15 British sailors later on Wednesday or Thursday.

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