

Brent Crude Oil Climbs for Third Day as European Car Sales Rise 2013-05-17 12:04:10.120 GMT

By Lananh Nguyen

May 17 (Bloomberg) -- Brent crude advanced for a third day as European car sales gained amid signs that U.S. economic growth will accelerate, boosting speculation that oil demand will increase.

The North Sea benchmark rose as much as 1 percent to the highest since May 6 on a closing basis. Car sales rebounded in Germany and Spain last month, according to the European Automobile Manufacturers' Association, or ACEA, in Brussels. The U.S. central bank may reduce its bond buying program following indications the economy is gaining strength, Federal Reserve Bank of San Francisco President John Williams said yesterday.

"Brent continued its strong rebound for a third consecutive day on optimistic comments from the Fed regarding a possible end of the Quantitative Easing program by the end of the year," Myrto Sokou, an analyst at Sucden Financial Ltd., said in an e-mail. "The robust European car sales data also helped market sentiment and improved risk appetite."

Brent for July settlement rose as much as \$1 to \$104.80 a barrel and was at \$104.74 as of 1:01 p.m. local time on the London-based ICE Futures Europe exchange. The European benchmark crude was at a premium of \$8.80 to West Texas Intermediate for the same month, compared with \$8.64 yesterday. The spread closed at \$9.38 on May 15, the widest since April 26.

WTI for June delivery was at \$95.68 a barrel, up 52 cents, in electronic trading on the New York Mercantile Exchange. The volume of all contracts traded was 12.4 percent above the 100-day average. Prices rose 86 cents to \$95.16 yesterday, the highest close since May 13.

Car Registrations

European car registrations in April increased 1.8 percent to 1.08 million from 1.06 million a year earlier, according to ACEA. Four-month sales fell 7 percent to 4.18 million.

Germans and Spaniards bought more cars as the two countries were among those in the euro area where consumer confidence rose in April, counter to economists' predictions of a decline.

Still, the European auto market is at a two-decade low, and industry executives are forecasting a drop of about 5 percent for 2013 amid a recession in the 17-nation euro zone.

The U.S. central bank may reduce its \$85 billion in monthly bond-buying as early as this summer amid quicker growth and job-market gains, Williams said.

“It’s clear that the labor market has improved since September” when the Fed began its third round of asset purchases, he said in a speech in Portland, Oregon. “We could reduce somewhat the pace of our securities purchases, perhaps as early as this summer” and end the program late this year “if all goes as hoped.”

Consumer Sentiment

U.S. data today will probably show consumer sentiment rose in May and the Conference Board’s index of leading indicators rebounded in April, Bloomberg surveys of economists showed. Eighteen of 35 analysts and traders surveyed by Bloomberg forecast WTI will drop through May 24. Seven respondents, or 20 percent, predicted a gain. Ten said there would be little change. Last week, 46 percent of analysts projected a decline. WTI’s 200-day moving average is around \$92.21 a barrel today, according to data compiled by Bloomberg. The indicator is near the lowest price traded so far this week, signaling it’s a technical-support level where buy orders may be clustered. “The bottom end of the range is defined by that 200-day moving average, which is currently at around \$92.20,” said Ric Spooner, a chief market analyst at CMC Markets in Sydney. “The market will struggle to get through that \$98 to \$100 range without a significant event that causes some sort of supply shortage to emerge in the Middle East.”

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--With assistance from Aki Ito in San Francisco, Jeff Kearns in Washington and Tommaso Ebhardt in Milan. Editors: Raj Rajendran, Rob Verdonck

To contact the reporter on this story:

Lananh Nguyen in London at +44-20-7392-0380 or

lnquyen35@bloomberg.net

To contact the editor responsible for this story:

Stephen Voss at [+44-20-7073-3520](tel:+44-20-7073-3520) or

sev@bloomberg.net