

WTI Crude Rises on Speculation Economic Growth to Bolster Demand 2013-05-17 14:47:57.222 GMT

(For Bloomberg fair value curves, see CFVL <GO>)

By Mark Shenk

May 17 (Bloomberg) -- West Texas Intermediate crude rose a third day on signals that global economic growth will accelerate, bolstering fuel consumption.

Futures advanced as much as 1.4 percent as the Thomson Reuters/University of Michigan preliminary index of consumer sentiment rose to 83.7 in May, higher than any of the forecasts in a Bloomberg survey. A government report yesterday showed Japanese gross domestic product grew 3.5 percent at an annualized pace, the most in a year. European Union car sales gained in April for the first time since September 2011.

"Oil is higher because there's growing optimism about the U.S. economy," said Carl Larry, president of Oil Outlooks & Opinions LLC in Houston. "U.S. demand is going to be higher as a result of economic growth."

WTI oil for June delivery rose 61 cents, or 0.6 percent, to \$95.77 a barrel at 10:22 a.m. on the New York Mercantile Exchange. Prices are down 0.3 percent this week. The volume of all contracts traded was 33 percent above the 100-day average. Brent crude for July settlement increased 76 cents, or 0.7 percent, to \$104.54 a barrel on the London-based ICE Futures Europe exchange. The June contract advanced 12 cents to expire at \$103.80 yesterday. Volume for all contracts was 2.7 percent greater than the 100-day average.

The European benchmark crude was at a premium of \$8.39 to WTI futures for the same month, down from \$8.64 yesterday. The spread dropped to \$7.65 at settlement on May 13, the narrowest since January 2011 and down from a record \$25.53 on Nov. 15.

Widening Spread

"The spread came in too far, too fast," said Michael Wittner, the head of oil-market research at Societe Generale SA in New York. "The WTI discount to Brent could easily widen back to \$12, give or take a dollar, soon."

The Michigan survey follows a Bloomberg measure of consumer outlook, which improved in May to its best reading in five months. The Bloomberg consumer economic expectations gauge, released monthly, rose to minus 1 from minus 4 in April.

The index of U.S. leading indicators climbed in April. The Conference Board's gauge of the outlook for the next three to six months climbed 0.6 percent in April after falling a revised

0.2 percent in March that was steeper than previously reported, the New York-based group said today. The median forecast of economists surveyed by Bloomberg called for a 0.2 percent gain. Federal Reserve Bank of San Francisco President John Williams said yesterday that growth and job-market gains may prompt the central bank to taper its \$85 billion of monthly bond buying under quantitative-easing stimulus.

Stimulus Outlook

“The statements from the San Francisco Fed president that stimulus may be gutted in the next few months is a great vote of confidence in the economy,” Larry said.

Japanese Prime Minister Shinzo Abe will outline a growth plan in a speech today. Investors are more confident in a Japanese leader than at any time since at least September 2010, according to a worldwide poll of investors, analysts and traders who are Bloomberg subscribers.

“The market is up because of positive economic data,” said Jason Schenker, president of Prestige Economics LLC, an Austin, Texas-based energy consultant. “The improving Japanese economy is probably the main driver at this moment.”

U.S. crude supplies fell 624,000 barrels to 394.9 million last week, an Energy Information Administration report on May 15 showed. U.S. fuel demand rose 0.1 percent to an average 18.5 million barrels a day in the four weeks ended May 10, the report from the EIA, the Energy Department’s statistical arm showed.

“I see Brent heading back to \$110 or slightly higher in the near term,” Wittner said. “While product demand isn’t going gangbusters, it is growing. We should see tighter supply in the Atlantic basin over the next few months while fuel consumption strengthens.”

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