

WTI Rises to 14-Month High on U.S. Jobs Gain Amid Egypt Unrest

2013-07-05 15:28:34.732 GMT

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

By Mark Shenk

July 5 (Bloomberg) -- West Texas Intermediate crude rose to a 14-month high after data showed the U.S. added more jobs than forecast in June, bolstering optimism in the world's largest economy, and on concern that unrest in Egypt will escalate.

WTI climbed as much as 1.3 percent in New York as the Labor Department said payrolls advanced by 195,000 workers. Analysts surveyed by Bloomberg forecast a 165,000 gain. Supporters and foes of former President Mohamed Mursi and Egyptian security forces clashed after the Muslim Brotherhood called for protests after his ouster. Brent oil in London increased more than WTI on a report that North Sea exports will fall next month.

"The payrolls number came in much better than expected," said Bill O'Grady, chief market strategist at Confluence Investment Management in St. Louis, which oversees \$1.4 billion.

"There might have been some initial excitement about the events in Egypt but it's important to remember that a coup is never a good thing. At least half of the population voted for the Islamists and are not at all pleased with what's taken place."

WTI oil for August delivery rose \$1.07, or 1.1 percent, to \$102.31 a barrel at 11:03 a.m. on the New York Mercantile Exchange. The volume of all futures traded was 2.8 percent above the 100-day average. There was no floor trading yesterday because of the U.S. Independence Day holiday and all electronic transactions will be booked today for settlement purposes.

The U.S. benchmark crude has advanced 6 percent since June 28 and is poised to end the week above \$100 for the first time since April 2012.

Brent Market

Brent crude for August settlement advanced \$1.58, or 1.5 percent, to \$107.12 a barrel on the London-based ICE Futures Europe exchange. Volume for all contracts was 55 percent higher than the 100-day average. The spread with WTI touched \$3.10 on July 3, the narrowest based on intraday prices since January 2011. It widened to as much as \$5.15 today.

Shipments of the four most important North Sea crude grades will drop 11 percent in August, according to loading programs obtained by Bloomberg News. Exports of Brent, Forties, Oseberg and Ekofisk, which make up the Dated Brent benchmark, will be 754,839 barrels a day next month, compared with 851,613 barrels

in July.

"We are certainly seeing high volumes today," said Addison Armstrong, director of market research at Tradition Energy in Stamford, Connecticut. "This shows that there's some bullish conviction behind the move."

Unemployment Rate

The U.S. jobless rate stayed at 7.6 percent last month, while hourly earnings in the year ended in June advanced by the most since July 2011, according to the Labor Department data released in Washington.

WTI surged above \$100 a barrel this week as political upheaval in Egypt heightened concern that unrest in the most populous Arab country will spread and disrupt regional oil supplies.

Egypt's army forced Mursi from power a year after his election and a military-appointed interim president, Adly Mansour, was sworn in. The White House and most leaders in Congress have so far avoided describing the transition as a "coup," which could cost Egypt more than \$1.5 billion a year in military and humanitarian aid under U.S. law.

Egypt controls the Suez Canal and the Suez-Mediterranean Pipeline, through which a combined 2.24 million barrels a day of oil was shipped from the Red Sea to Europe and North America in 2011, according to the U.S. Energy Information Administration. The waterway remained open today with 28 vessels transiting from the north and 17 from the south, according to the Suez Canal Authority.

Goldman Sachs

Goldman Sachs Group Inc. maintained its three-month forecast for Brent at \$105 a barrel, saying there hasn't been a supply disruption reported in Egypt. Still, the options market has turned "short-term bullish," Jeffrey Currie, a New York-based analyst at the bank, said in a report e-mailed today.

The Dollar Index climbed to the highest level since 2010 as the U.S. jobs report fueling bets the Federal Reserve will begin slowing monetary stimulus. The U.S. currency was also up after European Central Bank President Mario Draghi pledged yesterday to keep interest rates at a record low for an "extended period."

A stronger dollar reduces the appeal of commodities as an investment. Gold, silver and copper futures in New York were down more than 3 percent.

"The strength of the dollar is going to cap the rally in oil," Armstrong said. "We might even close unchanged or lower

at the end of the day because of the dollar.”

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