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ENERGY STOCKS SET TO BENEFIT AS OIL PRICES CONTINUE TO SOAR

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Australia's energy heavy stockmarket continues to reap the benefits of the surging oil price, as producers gleefully watch crude oil futures hover around $US60 a barrel.

After oil stabilised temporarily at more than $US59 in Singapore trade yesterday, ANZ energy analyst

Daniel Hynes predicted the price of crude would shoot past $US60 over the next day or two.

"There's little in the way of issues that could bring prices down," he said.

AMP chief economist Shane Oliver said the rising oil price was a negative for global growth but actually a positive for Australia's national accounts.

"Asia is powering on and that is where the demand for oil is coming from but Australia is a net energy exporter, so it is not a big deal even though the price of oil went up.

But the coking coal price rose 120 per cent and iron ore went up 75 per cent so our national income has gone up," Dr Oliver said.

"It is bad for trans nsumes 85 million barrels of oil per day, maintaining supply is a major issue.

Macquarie Bank has revised up its earnings for key energy stocks given the rampaging energy sector has returned 30.3 per cent year-to-date and 59.8 per cent financial year-to-date.

Macquarie's preferred stocks are Woodside Petroleum and Australian Worldwide Exploration.

Oil Search is fully unhedged to oil prices and more than 90 per cent of its production is crude.

CommSec chief equities economist Craig James said the clear winners out of the surging oil price were the traditional oil producers and coal companies.

"Any producer of energy has seen their prices rise, the high prices are driven by higher demand and that is unambiguously positive for the energy producers," he said."Transport and chemical companies are most at risk and consumers place pressure on their spending levels as well.

"Petroleum is used as an input to the production process of chemical companies so if that rises, the cost pressures rise and unless the company can exercise a degree of price leadership then if costs go up, they will face a squeeze. "Pharmaceuticals will also be affected."

Mr James said consumer discretionary companies like David Jones, Harvey Norman and Coles Myer's Myer/Target/K mart businesses might be affected as people cut back on non-essential spending.

"The discount retailers like Millers and The Warehouse won't be affected to the same extent but Oroton, Angus & Coote, Country Road, Billabong and Colorado may be, as consumers tend to restrain their amount of spending.