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OIL GUSHES TOWARDS \$US70 – TRANSPORT STOCKS HIT

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World crude oil prices are tipped to climb again next week after surging through \$US66 a barrel yesterday for the first time.

Pumped up by serious worldwide supply concerns as increased fuel demand cuts into stockpiles, crude oil traded yesterday at up to \$US66.11 – prompting some analysts to predict a move above \$US70 in coming weeks.

A majority of analysts surveyed yesterday by news agency Bloomberg said oil would continue to climb for the fifth straight week, its longest run of gains since March.

Transport-related companies listed on the Australian stock exchange again suffered on the news yesterdays, while energy stocks had another solid day.

Qantas, Virgin Blue and Patrick Corporation all lost some value, but Oil Search and Origin Energy marched higher.

The oil price helped shield Santos after it announced "disappointing" preliminary results from a well at its Indonesian Jeruk oil field, with the stock off just 1 at close of trade.

But Woodside Petroleum suffered at the hands of profit-takers after its record-breaking week, shedding 10 to \$33.14.

Oil prices are now more than 45 per cent higher than a year ago, having gained 36 per cent in the past three months.

But even the psychological \$US70 a barrel mark would still be \$US20 below the all-time inflation-adjusted peak price for crude oil set in 1980.

Analysts said yesterday that the major reason for yesterday's price spike was not concern about terrorist attacks in Saudi Arabia or worry about Iran's nuclear program.

Rather, traders were punting on a belief that US oil refiners would strain to meet domestic petrol demand in coming weeks while also storing enough heating fuel for the northern hemisphere winter.

Added to those supply problems was a report this week from the International Energy Agency revealing that non-OPEC nations were failing to deliver as much oil as expected this year, leaving a stretched OPEC to fill the void.

Amid all this background, Mizuho Corporate Bank derivatives unit vice-president Naohiro Niimura said yesterday there was simply no reason at the moment for traders to sell their oil stocks.

"Rather, these statistical figures are calling investment money back to the oil market," he said.

Mr Niimura said the bullish oil market now wanted to see whether the economies of the world could cope with a price of \$US70 a barrel.

If stockmarkets managed to then endure such a price, "oil will scale higher peaks", he predicted.

Tom Bentz, an oil broker at BNP Paribas Commodity Futures, said the US demand for petrol would sustain the oil price through coming months – at least until the Labour Day holiday on September 5, a period when Americans take summer vacations.