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As the Dollar Sinks, Oil Skyrockets

By [CLIFFORD KRAUSS](#)

HOUSTON — Crude [oil](#) soared to close above \$80 a barrel on Wednesday, breaking that psychological barrier for the first time this year, despite weak global economic conditions.

Prices have been up in 9 of the last 10 trading days, owing at least in part to the slide of [the dollar](#). Many oil analysts predicted that prices would continue to rise in coming weeks and could reach \$100 a barrel by early next year.

“Oil is just flying,” said Phil Flynn, senior market analyst at PFGBest Research, a futures trading firm. “It’s off to the races.”

Analysts said rising oil prices reflected confidence that the economy was beginning to rebound from a deep [recession](#), as well as higher demand from refineries for superior grades of oil that were cheaper to refine.

But they say the most important factor is the falling value of the dollar, which is encouraging traders, institutions and foreign countries to invest their cash in hard assets like oil and gold. Oil is priced in dollars on global markets, and a falling dollar almost always puts upward pressure on oil.

The rise in the price of crude oil is being accompanied by an increase in gasoline prices, a potential threat to retailers that hope consumers will be able to spend their cash at the mall this holiday season and not at the gas station. The national average price of a gallon of regular gasoline rose by 2 cents on Wednesday from the day before, to \$2.60, according to AAA, the automobile club.

That was nearly 12 cents above the price of only a week ago. But it is still about 30 cents below the pump price of a year ago, and well below the \$4 mark crossed in the summer of 2008.

The price rise is a reminder of a time just over a year ago when companies up and down the energy pipeline were rushing oil to market, struggling to keep up with demand.

That boom ended with the financial panic of late last year. Economic conditions are still weak, leading oil companies to cut their investments in new drilling and production projects and close refineries.

Demand for oil products in the United States and other industrialized countries remains sluggish. Imports have been declining and are now at the lowest levels since mid-August, while inventories are rising.

Tom Kloza, chief oil analyst at the Oil Price Information Service, said the Organization of the Petroleum Exporting Countries was producing 800,000 barrels a day more than the world market could consume, despite attempts to curtail production.

“You have to be looking through magenta-colored glasses at this point to see demand outstripping supply any time in the next six months,” Mr. Kloza said. “This is a minibubble that is dollar-related, and related to financial flows wanting to be long oil as a leverage against a weak dollar.”

[T. Boone Pickens](#), the Texas oil man, said that he thought the price reflected oil’s role as a “finite resource” that could potentially rise to \$100 again next year. “Get used to it,” he said, referring to high oil prices. “You’re going to have to live with it.”

Traders drove the spot price of oil up \$2.25, to \$81.37 a barrel on Wednesday, and the price briefly hit \$82 before easing.

Wild price swings, reflecting an unstable market, have become almost normal in recent years. The price of a barrel of oil swelled from just below \$100 in January 2008 to nearly \$150 that July before collapsing to less than \$35 last December. The price has more than doubled since then, and few analysts see the price moving below \$75 any time soon.

Oil executives expressed optimism that higher prices would encourage more drilling in the United States, which had fallen sharply since last year along with oil prices. But they said they were worried that the continuing zigzags would make future investment decisions difficult.

“We all recognize that last year’s too high a price hurt the consumer and the industry itself because the prices were unsustainable,” said Glenn M. Darden, president and chief executive of [Quicksilver Resources](#), an oil and gas company in Fort Worth. He said he hoped for “stabilized prices,” adding, “at least \$80 oil is a lot different from \$140 oil.”

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