

# Election News Props Up Oil, But Inventory Reports Loom

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Oil futures went as high as \$50.25 a barrel in electronic trading Wednesday, but was moving back and forth through the \$50 level, as traders anxiously watched results from the U.S. presidential election.

The increase came amid uncertainty about international oil output, with a strike looming in Nigeria and saboteurs attacking pipelines in Iraq. But weekly petroleum inventory reports likely will have the bigger effect on trading today.

The crude contract for December delivery on the New York Mercantile Exchange recently was up 27 cents at \$49.89 a barrel in electronic trading at midday in Europe Wednesday, off its earlier high of \$51.20 a barrel. The price started to rise during the Asian day when some traders began to feel that U.S. election returns favored President Bush over challenger John Kerry.

Heating oil meanwhile, stood at \$1.41 a gallon, up two cents, while on London's International Petroleum Exchange, December Brent crude futures rose 65 cents to \$47.20 a barrel.

Analysts are wary of the effect that a Bush re-election would have on developments in the oil-rich Middle East, where militants hostile toward the incumbent's policies in the Arab world have vowed to remove or kill foreigners in Saudi Arabia and Iraq.

Mr. Bush also wants to boost the U.S. strategic reserve of petroleum, which would drive down available supply and push up the price. Mr. Kerry wants to look for alternative sources of energy and reduce America's dependence on oil from the Middle East.

"Bush is pro-oil and I think there was a fear that Kerry may go on a witch-hunt on oil companies," said Esa Ramasamy, oil editorial manager at energy reporting agency Platts.

Tuesday's closing price for crude was its lowest in a month and came just over a week after Nymex crude settled Oct. 22 at a record \$55.17, in a high matched on Oct. 26.

Before Wednesday's spike, prices had been declining for about a week as concerns eased about heating-oil supplies ahead of the Northern Hemisphere winter and production in the Gulf of Mexico -- buffeted by Hurricane Ivan -- came back on line.

Prices are about 70% higher than a year ago, but would need to surpass \$90 a barrel to approximate the all-time high, in inflation-adjusted terms, set in 1980.

Traders on Wednesday were awaiting the U.S. Energy Department's weekly petroleum supply report.

Last week, oil prices tumbled from record levels on Nymex after the Energy Department said U.S. commercially available crude supplies had increased by four million barrels to 283.4 million barrels -- roughly double what Wall Street was expecting.

Washington also has about 670 million barrels stockpiled in its Strategic Petroleum Reserve, located in underground caverns in Texas and Louisiana.

Messrs. Bush and Kerry represent differing views on how to use that reserve. Mr. Bush wants the stockpile increased, while Mr. Kerry has long urged Mr. Bush to make reserves available to reduce prices.

In northern Iraq on Tuesday, saboteurs blew up an oil pipeline and attacked an oil well. The attacks were expected to halt oil exports for the next 10 days.

In Nigeria, oil giant Royal Dutch/Shell Group's first-round bid to block a strike targeting oil exports failed, again threatening the flow of crude from the world's seventh-largest exporter.