

## Oil hits new 6-month high above \$66

**AP** Associated Press

Oil rallies to above \$66, hitting fresh 6-month high on economic recovery signs

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LONDON (AP) -- Oil prices extended a rally to above \$66 a barrel Friday to hit a fresh six-month high, after the U.S. reported a fall in oil inventories and further signs of an improving economy.

OPEC oil ministers, who on Thursday agreed to leave production levels unchanged, expected the rally to continue until 2010. "I think that by year end we will see \$70 to \$75," Abdalla Salem El Badri, secretary general of the Organization of the Petroleum Exporting Countries, said Friday in Vienna.

Benchmark crude for July delivery was up \$1.16 cents to \$66.24 a barrel by late morning in Europe in electronic trading on the New York Mercantile Exchange. On Thursday, the contract rose \$1.63 to settle at \$65.08, a six-month high and almost double the lows reached in March, when it fell below \$35 a barrel.

The Energy Department's Energy Information Administration on Thursday said U.S. oil supplies dropped unexpectedly by 5.4 million barrels last week. Though crude inventories remain near 19-year highs, it was the third week in a row that supplies have fallen.

Investors were also cheered by signs the U.S. recession may be bottoming out. The government reported Thursday that demand for big-ticket manufactured goods in April had its biggest jump in 16 months, while separate data showed the number of newly laid-off people requesting jobless benefits fell last week.

"We've got a lot more optimism about the economic outlook than we did," said Toby Hassall, an analyst with Commodity Warrants Australia in Sydney. "The market is factoring in a recovery in demand by the end of the year."

"But there's no real evidence that demand is picking up at this point."

OPEC's announcement to keep output levels unchanged was widely expected and did not weigh on prices. It had made production cuts totaling 4.2 million barrels a day between September and January, but has kept output steady since then.

El Badri, speaking to reporters a day after the meeting, said OPEC would be careful "not to take any negative decision" to hurt the chances of economic recovery. He even held out hope of output increases "if the price goes high" and if stockpiles diminish too much -- but declined to specify what a "high" price would be.

Analysts at JBC Energy noted in a report, however, that "supply is still exceeding demand with oil inventories around the world close to record highs" and that a further output cut is still possible.

In other Nymex trading, gasoline for June delivery rose 1.8 cents to \$1.93 a gallon and heating oil gained 3.45 cents to \$1.64 a gallon. Natural gas for June delivery was up 12.9 cents at \$4.09 per 1,000 cubic feet.

In London, Brent prices rose 92 cents to \$65.31 a barrel on the ICE Futures exchange.

Associated Press writer Alex Kennedy in Singapore and George Jahn in Vienna contributed to this report.

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