

Oil prices rise to 6-month high, \$58 a barrel

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HOUSTON - Oil prices climbed above \$58 a barrel Thursday for the first time in nearly 6 months as the U.S. economy showed some signs of recovery, though analysts continue to search for fundamental reasons why energy prices are rising.

Demand is anemic and most experts say it will be some time before there's a rebound, save for an uptick in summer driving.

Benchmark crude for June delivery rose \$1.10 to \$57.44 a barrel in trading on the New York Mercantile Exchange. Earlier in the session, the contract reached a high of \$58.57.

Crude prices rose overnight even before the latest employment and retail reports provided investors with a bit of good news. But heavy industry and manufacturers, among the biggest consumers of energy, continue to struggle.

General Motors Corp. on Thursday reported a \$6 billion first-quarter loss and chemical maker DuPont Co. said it was eliminating 2,000 more jobs as both companies adjust to falling sales.

Earlier this week the Energy Department released data that showed unused crude in storage far exceeded norms for this time of year and that demand is way off.

"We have events coming together that can drive energy prices higher in spite of the plush supplies we have," Phil Flynn, an analyst at Alaron Trading Corp., wrote in a client note Thursday. "We have a market that's fixated on the prospects of a much-faster-than-expected global economic recovery."

The benchmark contract Wednesday rose 4.6 percent, or \$2.50, to settle at \$56.34, the highest level since mid-November.

In London, Brent prices rose 17 cents to \$56.86 a barrel on the ICE Futures exchange.

New signs of recovery emerged Thursday as:

- A host of retailers, including Wal-Mart Stores Inc., reported better-than-expected April sales.
- New applications for jobless benefits fell to the lowest level in 14 weeks, signaling a wave of layoffs may have peaked.

Still, the number of unemployed workers getting benefits climbed to a new record.

Even though crude-storage levels continue to rise, the government reported Wednesday they climbed less than expected last week. That apparently was reason enough for some to start buying oil.

"The overwhelming sense in the market is that the economy is improving and that traders and hedge funds don't want to miss out on buying at relatively low levels," Tom Pawlicki of MF Global Research said in a report Thursday. "This sentiment suggests that fundamental factors will continue to be cast

to the side."

Higher energy prices are starting to show up at the pump.

The average national retail price for a gallon of unleaded rose more than 3 cents overnight - the second 3-cent-plus jump in as many days - to \$2.141 a gallon, according to auto club AAA, the Oil Price Information Service and Wright Express. That's nearly a dime higher than the price just a week ago but still \$1.47 a gallon below year-ago levels.

It's the first time this year there's been a strong rally at the retail level, and with the traditional summer driving season about to kick off, expectations are that prices will continue in the same direction.

Production cuts by the Organization of Petroleum Exporting Countries have helped bolster crude prices, and the cartel next meets May 28 to discuss further possible output reductions. OPEC leaders have said they need oil prices to get to \$70 a barrel, or they may be forced to cut back on production because of the costs involved.

"For most of OPEC, including Saudi Arabia, \$50 a barrel is enough to break even on government budgets," said Francisco Blanch, head of global commodity research at Bank of America Merrill Lynch. "So I don't think the \$70 a barrel number that OPEC is talking about is necessarily a benchmark, it's just something they would like."

Investors will be eyeing U.S. bank stress test results set for release after the markets close Thursday and April unemployment figures due out Friday for more insight into the health of the economy.

In other Nymex trading, gasoline for June delivery rose 4 cents to \$1.6672 a gallon and heating oil gained 2.7 cents to \$1.4982 a gallon. Natural gas for June delivery rose 5 cents to \$3.935 per 1,000 cubic feet.

Associated Press writers Pablo Gorondi in Budapest and Alex Kennedy in Singapore contributed to this report.