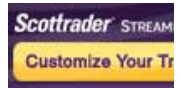


Trade Now

Select Your Broker...



Colin Barr

 Following the money in banking, economics, and Washington

Speculators double down on oil

By [Colin Barr](#) March 7, 2011: 6:33 AM ET

Ready for higher oil prices? Wall Street is.

Big traders are betting the ranch that oil prices will keep rising, testing the pain threshold of an economy that is not exactly setting records as is.

Large noncommercial speculators – firms that play the futures markets without taking delivery – added to their long position in West Texas Intermediate crude by 50,200 contracts last week, according to Commodity Futures Trading Commission [data](#).

The surge of speculative money into the oil futures pits shows that big financial players are expecting the price of WTI crude to surge well above the recent \$105 or so seen last week. If they are right, it will bring **\$4 gasoline** a step closer.

That will not be good news for most consumers, though it could help some big energy traders score big paydays, thank goodness. You would hate to see the **talent** fail to get its due.

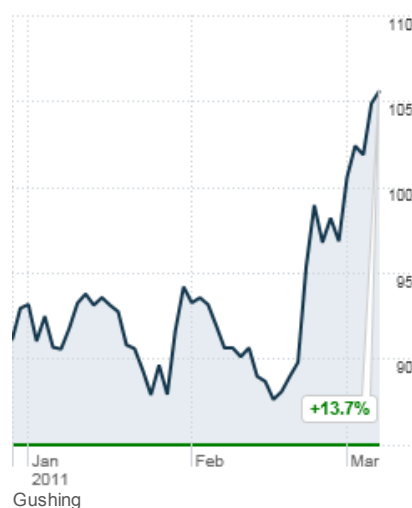
"It does not get any clearer which way Wall Street is

trying to take oil," says Stephen Schork, who writes the Schork Report energy markets newsletter in Villanova, Pa.

Schork notes that speculators now own nearly six times as many barrels of oil – 268,622 futures contracts representing nearly 269 million barrels – as can be stored at the WTI trading hub in Cushing, Okla. And since the CFTC numbers released Friday only go through last Tuesday, they likely underestimate the degree of speculative fervor building in the energy markets.

Olivier Jakob, who covers energy markets for Petromatrix in Zug, Switzerland, estimates that traders added 40,000 to 50,000 crude contracts to their long positions in the second half of last week. That would take them up to seven times the Cushing capacity, a level he calls "extraordinary."

How high?
Speculators betting on oil's rise



Follow Colin Barr

[Recommend](#)

568 recommendations to see what your friends recommend

About This Author



Colin Barr
SENIOR WRITER
FORTUNE

Colin Barr has worked in finance for Fortune since November. Previously he was an editor for

TheStreet.com, winning a 2006 Society of Business Editors and Writers award for "Dumbest Things on Wall Street," and Fortune Newswires. He is a 1991 graduate of Fordham University, lives in Port Washington, N.Y., with his wife, Bose and their two kids.

[Email Colin](#)

From the Crowd

Commentary and analysis from outside investors, hedge funds and economists

[Where the girls aren't: Tales from JP Morgan](#)

The speculative fervor is so remarkable that the big trading firms now have nearly twice as many long contracts open as they did in 2008, when oil spiked to \$147 in the summer, a development that either foreshadowed or caused the global economic meltdown, depending on how you look at it.

All this seems to point to a further rise in oil prices, which will only add to the squeeze on consumers' wallets. If oil and other commodity prices continue skyward, it is only a matter of time till the economy cries uncle, it stands to reason. \$4 gasoline this spring could spell slowdown in the fall or winter, Goldman Sachs economists say.

"Our analysis shows the maximum impact of oil on growth occurring with a lag of 3-4 quarters, which would point to a peak impact in late 2011," Goldman's Jan Hatzius wrote in a note to clients Friday.

This is not the ideal time for a big impact from higher oil prices, what with the United States banking on a growth spurt to get out from under a massive debt burden.

That said, Jakob notes that prices could also fall, believe it or not -- with equally interesting ramifications.

A huge level of speculative interest "is fine as long as fighting intensifies in Libya or protests continue in Bahrain," Jakob writes, "but on any signs of conflict resolution there will be historic level of speculative investments that will need to be unwound."

Sounds messy. But maybe then we can talk about **\$2 gasoline**, at least for a while.

Also on Fortune.com:

- [Don't blame Mideast turmoil for oil woes](#)
- [Beazer chief coughs up \\$7 million](#)
- [Guns, Roses and money management](#)

Posted in: [commodities](#), [oil](#), [speculators](#), [Wall Street](#)

Recommend

568 recommendations. [Sign Up](#) to see what your friends recommend.

227

136

Email

Print

RSS

Sponsored Links

Could This Stock Triple?

The Hottest Gold Stock on Wall Street right now!
chicagofinancialtimes.com/SAGE/

RBCC - Breakout Gains!

The Most Promising Biotech Company Could Make You Extremely Wealthy!
www.BestMicroCapStock.com

Hot Stock Alert ONYX

ONYX Gets Approval For \$84 Million Solar Installation. Invest Today!
www.OnyxService.com

[Buy a link here](#)

More from Colin Barr

[Goldman's uphill buyback battle](#)

[A new way to bet on Japan](#)

[Chewing on Dodd-Frank spaghetti](#)

Conference

[Texting is killing real business communica](#)

[A Democrat's defense of Romney and Bai](#)

[How to manage corporate venture capital](#)

[Scaling is hard](#)

Contributors



KATIE BENNER

[The triumph of Blackst Street](#)



DAN PRIMACK

[Gingrich's private equi 2\)](#)



DUFF MCDONALD

[For investors, playing 1 risk has never been ea](#)



HEDGEYE

[The resiliency of oil](#)



BECKY QUICK

[Jobs: We need long-te too](#)



ALLAN SLOAN

[A new stimulus: Have 1 bail out Main Street](#)



NIN-HAI TSENG

[How to make money or yields](#)



SHAWN TULLY

[The lure to leave the e prove irresistible](#)

Featured Newsletters

Today in Tech

Every morning, discover the companies trends in tech that are moving markets headlines. [SUBSCRIBE](#)

The Term Sheet

Receive Fortune's newsletter on all the matter, from Wall Street to Sand Hill R [SUBSCRIBE](#)

Big Tech

Covering the digital giants of Silicon Va beyond, an in-depth look at enterprise c the startups disrupting them. Written by [Ram](#) and emailed twice weekly. [SUBSCI](#)

Ask Annie

Anne Fisher answers career-related que offers helpful advice for business prof [SUBSCRIBE](#)

[VIEW ALL](#)

Join the Conversation

[SEE ALL NEWSLETTERS](#)

Markets

MARKET MOVERS	US INDICES	
Company	Price	Change
Bank of America Corp...	6.68	0.19
Citigroup Inc	28.71	0.49
Microsoft Corp	28.02	-0.24
Intel Corp	25.41	0.37
Cisco Systems Inc	19.46	0.16

Data as of

Most Popular

[World Bank warns on risk of global recession](#)[SOPA explained: What it is and why it matters](#)[Detroit teeters on the brink despite autos comeback](#)[Has Obama's housing policy failed?](#)[Why Google's new search might be illegal](#)

Job Search

[Accounting jobs](#)[Engineering jobs](#)[Finance jobs](#)[Management jobs](#)[Marketing jobs](#)[Sales jobs](#)[SEE ALL JOBS](#)

Sponsored Links

397 Bip Forex Moves

Use social media and search engines for pr trades.

Penny Stocks Jumping 2100%+

Which stocks have the potential to jump 200 We'll tell you... 100% FREE!

The Stock Market Santa?

\$200 in pocket change can turn into a pile o cheap stocks...

Official Obama Website

In 2008, we changed the world. You should again in 2012.

Current Issue



- The fut**
- Give the
 - Get the f
 - Subscrib



About CNNMoney

- [Contact Us](#)
- [Advertise with Us](#)
- [User Preferences](#)
- [Career Opportunities](#)
- [Conferences](#)
- [Business Leader Council](#)

Content

- [Fortune Magazine](#)
- [Money Magazine](#)
- [Business News](#)
- [Markets](#)
- [Term Sheet](#)
- [Economy](#)
- [Tech](#)
- [Personal Finance](#)
- [Small Business](#)
- [Video](#)

Magazines

- [Subscribe to Fortune](#)
- [Subscribe to Money](#)
- [Give the Gift of Fortune](#)
- [Give the Gift of Money](#)
- [Reprints](#)
- [Special Sections](#)
- [Magazine Customer Service](#)

Site Tools

- [Site Map](#)
- [Watchlist](#)
- [Search Jobs](#)
- [Real Estate Search](#)
- [Mortgage and Savings Center](#)
- [Calculators](#)
- [Widgets](#)
- [Corrections](#)
- [Market Data Alerts](#)
- [News Alerts](#)

Stay Connected

- [My Account](#)
- [Mobile Site & Apps](#)
- [Facebook](#)
- [Twitter](#)
- [LinkedIn](#)
- [YouTube](#)
- [RSS Feeds](#)
- [Newsletters](#)
- [Tumblr](#)

Market indexes are shown in real time, except for the DJIA, which is delayed by two minutes. All times are ET. [Disclaimer](#) [LIBOR Warning](#): Neither BBA Enterprises Limited, nor the BBA Banks, nor Reuters, can be held liable for any irregularity or inaccuracy of BBA LIBOR. [Disclaimer](#). Morningstar: © 2012 Morningstar, Inc. All Rights Reserved. [Disclaimer](#) The Dow Jones proprietary to and distributed by Dow Jones & Company, Inc. and have been licensed for use. All content of the Dow Jones IndexesSM © 2012 is proprietary to Dow Jones & Company, Mercantile Association. The market data is the property of Chicago Mercantile Exchange Inc. and its licensors. All rights reserved. FactSet Research Systems Inc. 2012. All rights reserved. quote data provided by BATS.

© 2012 Cable News Network. A Time Warner Company. All Rights Reserved. [Terms](#) under which this service is provided to you. [Privacy Policy](#). [Ad choices](#)

Powered by [WordPress.com](#) VIP.

