Oil prices fall as stimulus hopes fade

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ASSOCIATED PRESS

NEW YORK — Oil prices fell Tuesday as hopes faded for a new round of government stimulus in the U.S.

Benchmark U.S. crude lost $1.93, or 2.2 percent, to $87.85 per barrel in New York, while Brent crude lost $1.58 to $104.62 per barrel in London.

Traders have been guessing for months about when and whether the Federal Reserve would try to spark the economy. Hopes rose last week, then faded Tuesday, following reports of strengthening consumer confidence and home values.

The Conference Board said U.S. consumer confidence rose in July after four months of declines. That's an especially promising sign, given that consumer spending drives 70 percent of the U.S. economy. And the housing industry's prospects looked brighter as prices rose across the country.

As long as the economy shows signs of life, the Fed may hold off on new stimulus measures that in previous years propped up the price of oil, analyst Phil Flynn said.

"Good news is bad news when it comes to the stimulus," he said.

The Fed will talk about possible stimulus measures at a policy meeting this week.

At the pump, retail gasoline prices rose 1.4 cents to a national average of $3.50 per gallon, according to AAA, Wright Express and Oil Price Information Service. A gallon of regular has increased by an average of 17 cents in July, but it's still 44 cents cheaper than its peak price in April.