

Relief is on the way



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Traders work the crude oil options pit at the New York Mercantile Exchange Friday after oil prices recovered.

US gas prices likely to drop

Cost could hit \$3.50 by July

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NEW YORK — Just shy of \$4 a gallon, average U.S. pump prices are about to start falling and could hit \$3.50 by summer.

You probably won't see a change at the gas station this weekend. But relief will come soon because oil prices fell 15 percent this week, the steepest decline in two and a half years. Oil hit a two-year high of \$114.83 in Monday trading. It closed Friday at \$97.18.

The plunge was part of a sharp sell-off across in commodities this week. Analysts say investors — demonized as "speculators" by some market watchers — got nervous that oil, metals and grains had risen over the

past few months to unrealistic heights.

Their rush to sell knocked silver prices down 28 percent, sugar down 13 percent and natural gas down 10 percent.

While analysts cited reasons specific to each commodity, they had one common explanation for the pullback: The strengthening U.S. dollar.

Commodities, such as oil and silver, are bought and sold in dollars. When the dollar is weak, those commodities look cheaper to holders of foreign currency so they buy. Conversely, when the dollar rises, commodities look more expensive. So they sell.

Speculators, knowing this, tend to sell commodities and buy dollars if they anticipate the dollar will rise. That amplified this week's retreat in prices.

"This move wasn't

about supply issues," said Rich Ilczyszyn, Senior Market Strategist at Lind-Waldcock, a Chicago futures brokerage firm. "It was people hedging and people investing."

An index of the dollar compared with a basket of foreign currencies rose 2 percent for the week.

Commodity prices began to rise in late August. That's when the Federal Reserve signaled its intention to embark on what eventually became a \$600 billion government bond-buying designed to push down interest rates, boost stock prices and jolt the economy. But the dollar fell as a result. Investors knew the Fed would be flooding financial markets with U.S. currency. Many of those dollars poured into commodities, pushing them ever higher.