Expect oil at $150 a barrel by 4th of July, analyst says

Commodity takes biggest one-day jump on Friday

Oil prices made their biggest single-day leap ever Friday — clearing $139 a barrel after Morgan Stanley predicted prices would bit $150 by the Fourth of July.

The unprecedented jump is all but certain to drive gas prices well past the $4 mark in the coming weeks.

Oil's meteoric surge, which pushed prices more than 8 percent higher in a single day, capped its biggest two-day gain in the history of the New York Mercantile Exchange.

The burst also raised the prospect of accelerating inflation by adding to already strained transportation costs.

Light, sweet crude for July delivery jumped as high as $139.12 on the Nymex, before easing slightly to settle at $138.54, up $10.75. The previous record was set on May 22, when prices hit $135.09 a barrel.

Friday's rise was bigger than the entire price of oil on Dec. 10, 1998, whencrudetradedat$10.72 a barrel. Oil has more than doubled in the past year.

Prices pushed sharply higher Fri day after Morgan Stanley analyst Ole Slorer predicted strong demand in Asia could drive prices to $150 by Independence Day, when millions of Americans are expected to take to the roads.

Oil may "spike" because "Asia is taking an unprecedented share" of Middle East exports, Slorer wrote. He said shipments from the Middle East are mimicking patterns seen in the third quarter last year, when Morgan Stanley based an oil price spike prediction on falling supplies in the Atlantic.

"We made the same call using the same parameters, but now we are starting from much lower inventory levels," Slorer said.

A further weakening of the dollar also helped send oil prices higher by enticing overseas buyers armed with stronger currencies and others looking for a hedge against the green-. back.

But it also represented a stampede by bullish traders and optimistic computer models betting that prices still have further to rise.

Meanwhile, U.S. gas prices at the pump continued to hover just shy of an average $4 a gallon, easing only 0.3 cent from Thursday's record.

On Friday, Colorado's regular, unleaded gasoline stayed at the record high average price of $3.932 a gallon for the second day in a row, about 60 cents higher than the $3.282 a year earlier.

Drivers are now paying an average of $3.99 for a gallon of regular gas nationwide, according to AAA and the Oil Price Information Service.

In many parts of the country, consumers are already paying well over $4. Retail diesel slipped a penny over-night to $4.76.

Pump prices are bound to rise even further if oil sustains its advance. James Cordier, president o Tampa, Fla.-based trading firm Liberty Trading Group, predicted prices could rise to $4.25 as early as the end of the month.

“Unfortunately, drivers cutting back isn’t going to lower the price of gasoline any time soon,” he said.

Many traders buy commodities such as oil as a hedge against inflation when the dollar is falling, and a weaker dollar makes oil cheaper for investors dealing in other currencies.

Analysts believe the dollar’s protracted decline has been a major reason why oil prices have nearly doubled in the past year.

Oil is “being used as a hedge by speculative buyers for the weakened dollar,” said Gary Adams, vice chairman of oil and gas consulting at Deloitte & Touche LLP in Houston. “We are seeing that the price will continue to go up as investors look for alternatives.”