

Oil price rebound scares investors ahead of key US Fed speech

THE price of [oil](#) surged back over \$100 a [barrel](#) mark today adding to concerns about the cost of living crisis ahead of likely forecourt fuel hikes.

The cost of a barrel of [Brent](#) crude rose \$3.74, or nearly 4 per cent overnight to \$100.22 after Saudi Arabia mooted the idea of cuts in production to support profits and reports of [US](#) stockpiles falling by more than 5 million barrels.

The rise gave nervy [investors](#) another reason to shun shares ahead of a highly anticipated speech from Federal Reserve chairman Jerome Powell on Friday at the annual Jackson Hole economic gathering.

A fall in the price of oil since it peaked at \$125 in June has been one of the few bright spots in an otherwise increasingly gloomy economic outlook over recent weeks.

It fell as low as \$91.50 earlier this month, allowing petrol prices to ease from record highs of £2 a litre to around 171p for unleaded today.

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However, that trend is now likely to be reversed as higher crude oil price flow through the production chain.

Ofgem, the energy regulator, is due to announce on Friday that the household energy price cap will rise by roughly 80% in October, to an average of about £3,550, from £1,971 today.

Meanwhile financial markets were waiting for Powell's remarks which are likely to signal an even stronger line on beating inflation, leading to higher interest rates both in America and around the world.

Nearly all recent economic indicators have been negative over recent days, and City traders were edgy today.

Susannah Streeter at Hargreaves Lansdown said: "Caution is the name of the game on equity markets with expectations that aggressive policies to tame roaring inflation will continue despite fresh signs that the US economy is slowing."

Figures on Thursday are expected to confirm that the US economy contracted by 0.7% in the second quarter of the year, putting the world's biggest economy in recession even if politicians say otherwise.

The FTSE 100 fell 1% in early trading before recovering ground. In the Square Mile, bankers say privately they fear a looming jobs cull as big banks cut costs in the face of declining revenues while clients sit on the sidelines, too nervous to make big moves.

UBS chief economist Paul Donovan said: "Financial markets remain volatile, with sentiment perhaps outweighing economic facts. The problem is the global economy is in a very weird place."

The beleaguered pound continued its one-way route down, falling another third of a cent to \$1.1811. It started the year at \$1.38.