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Crude May Reach \$60 Should OPEC Cut, BlueGold Says (Update1)

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By Chanyaporn Chanjaroen



March 6 (Bloomberg) -- Oil may rise 35 percent to \$60 a barrel should OPEC agree to cut production this month, according to **BlueGold Capital Management LLP**, the London hedge fund that returned 31 percent this year on energy trades.

The Organization of Petroleum Exporting Countries may agree to cut output for the fourth time since September at a meeting on March 15 in Vienna to shore up prices that fell as much as 77 percent from a record in July. Crude oil traded at \$44.33 as of 10:30 a.m. in London today.

"OPEC has shown good compliance on their output cuts and they might be successful in providing a floor to oil prices," BlueGold Chief Investment Officer **Pierre Andurand** said in an interview on March 4. "Oil prices have a chance to rise to \$60 soon if OPEC members carry on showing a high level of compliance and announce another cut."

Crude has rebounded 11 percent since March 3, partly on speculation OPEC will cut output. The group, accounting for 40 percent of world supply, may act after the International Energy Agency forecast demand this year will drop the most since 1982. U.S. crude **stockpiles** expanded 7.7 percent this year and are near their highest since July 2007.

BlueGold has returned 307 percent since starting operations in February last year, 32-year-old Andurand said. The money manager began trading oil in 2000 with Goldman Sachs Group Inc.'s J. Aron & Co. unit in Singapore. He co-founded BlueGold with **Dennis Crema**, 48, who has traded energy for more than two decades.

BlueGold's assets under management peaked at \$1.3 billion in January, falling to \$830 million in February as investors sought to raise cash, Andurand said. This year's performance has increased assets to \$1 billion. The fund is seeking additional investment, he said.

Economic Slump

The world economic slump is unlikely to end any time soon, the money manager said. Governments and central banks are spending trillions of dollars to combat the worst financial crisis since the Great Depression. More than **\$31 trillion** has been erased from the value of global equities in the past year.

"We are more likely to see deflation than inflation over the next few years," Andurand said. "It could be a multi-year process, with a danger of lasting more than a decade if governments don't react aggressively enough."

Hedge funds lost 19 percent on average in 2008, the worst year since Chicago-based **Hedge Fund Research** started tracking data in 1990. They were little changed in January. BlueGold returned about 16 percent in February.

Hedge funds are private and largely unregulated pools of capital whose managers can buy or sell any assets and make bets on falling as well as rising asset prices and participate substantially in profits from money invested.

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