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API data showing large crude stockbuild hits sentiment

* EIA data delayed to Friday due to snowstorm

* U.S. blizzard, weak dlr, Greece rescue plan to boost prices

Oil hovered above \$73 a barrel on Wednesday, giving up some of the previous day's gains after data showed a large build in U.S. crude stocks, signalling persistently weak demand in the world's top energy consumer.

Oil had settled more than 2 percent higher on Tuesday, buoyed by a weaker dollar, gains on Wall Street, and a huge snowstorm looming over the U.S. Northeast, the world's largest consumer of heating oil.

The optimism was dashed by data from the American Petroleum Institute (API) showing a surprisingly large rise in U.S. crude and gasoline inventories last week, though developments in the financial markets will also affect prices, one analyst said.

"The market should not get too bearish despite the rise in weekly inventories, because of the snowstorms sweeping across the Northern Hemisphere," said Keiichi Sano, general manager of research at Tokyo-based SCM Securities.

"Oil should not fall below \$70. It will remain driven by the dollar's movements and the mood in the financial markets."

U.S. crude for March delivery fell 22 cents to \$73.53 a barrel by 0715 GMT, off a morning low of \$73.18.

London Brent crude was down 35 cents at \$71.78.

Crude prices are down nearly 8 percent this year to stand at about half their July 2008 high of more than \$147 a barrel. Prices have been hammered by data showing bulging fuel stockpiles in the U.S. despite cold weather, worries about slower Asian demand if China further tightens its monetary policy, and more recently, jitters over Europe's financial stability.

Last week, U.S. crude inventories jumped by 7.2 million barrels to 337.6 million barrels, against expectations of a rise of 1.5 million barrels, and despite a drop in crude imports and weekly crude runs.

Gasoline inventories also rose more than expected, climbing 1.6 million barrels to 228.8 million barrels, exceeding analyst estimates of a 500,000 barrel build.

The EIA said Tuesday its weekly data, normally released on Wednesdays at 10:30 a.m. EST, will be delayed until Friday due to the snowstorm blanketing the U.S. capital.

U.S. heating demand this week is seen 11.5 percent above normal, due to the storm sweeping across the U.S. mid-Atlantic, weather services said.

China's crude imports slid in January, down to 4.03 million barrels per day from their December peak of 5 million bpd, although they were still up 33 percent on the year.

Asian stocks rose on Wednesday on signs that the European Union may rescue debt-strapped Greece, coaxing nervous investors back to riskier assets, but uncertainty over the plan weighed on the euro.

European governments have agreed in principle to help Greece, German coalition sources told Reuters on Tuesday. However, a German government spokesman dampened hopes by saying a decision had not yet been reached. European Union leaders will hold a special summit on the economy on Thursday.

Forex drives gold as fate of U.S. bank reform plan unclear

* Holdings of SPDR Gold stay flat for 2nd day

Gold prices edged down on Wednesday as the euro lost some of its gains from the previous day, when reports of a possible European bailout for debt-stricken Greece lifted the single currency and helped risk aversion to recede.

The euro fell after marking its best day of gains since November on Tuesday, sapping the allure of gold, with investors keen to see details of a rescue package for Greece and how it could impact the euro zone economy.

Concerns about Greece's public finances and potential contagion effects have hit the euro and soured risk appetite in recent weeks. European Union leaders will hold a special summit on the European economy on Thursday.

Spot gold was at \$1,075.35 per ounce as of 0606 GMT, down 0.2 percent from New York's notional close of \$1,076.95, and off Tuesday's high of \$1,083.05.

U.S. gold futures for April delivery edged down 0.1 percent to \$1,076.20 per ounce after rising \$11 the previous day on the COMEX division of the New York Mercantile Exchange.

On Friday, spot gold fell as low as \$1,043.75, its lowest since Nov. 2, as the euro fell on fears over the outlook for some euro zone economies.

"On the surface, the currency market is a main driver for now in the gold market and causing ups and downs in prices," said Yuki Sonoda, an adviser at Daiichi Commodities Co in Tokyo.

"But what people really want to know is the fate of proposed regulations on U.S. banks, because that will determine money flows of risk-taking funds, and whether or not President Obama will make compromises and how," he said, referring to stalled financial regulatory reform plans.

President Barack Obama last month unveiled proposals to limit risk taking by restricting some banks' most lucrative operations, which he blamed for helping to cause the financial crisis.

Imposing tighter regulations on U.S. banks as proposed could send gold well below \$1,000 per ounce, Sonoda said.

But if the banking reform plan follows the same course as Obama's healthcare proposals, on which he has shown willingness to compromise, it could send gold back to \$1,200, Sonoda said.

The world's largest gold-backed exchange-traded fund, SPDR Gold Trust, said its holdings were at 1,106.378 tonnes as of Feb. 9, unchanged for the second straight day.

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