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Oil falls below \$77 on stronger dollar

- * Fall in commodities, gold also hurts sentiment
- * Oil demand to stay strong, but prices unlikely to jump

Oil fell below \$77 a barrel on Thursday, dragged down by a stronger dollar and weaker gold prices, which dampened other commodities and outweighed upbeat news on the U.S. economy.

The dollar rose to near nine-month highs on the euro, which was hounded by the sovereign debt woes of Greece and a weak eurozone growth outlook, in contrast to news that Federal Reserve policy makers, confident in the U.S. recovery, aim to begin unwinding stimulus measures soon.

U.S. crude for March delivery fell 64 cents to \$76.69 a barrel by 0807 GMT. London Brent crude for April lost 61 cents to \$75.66 a barrel.

"The U.S. dollar has rebounded, as it was pretty much oversold previously," said Peter McGuire, managing director of Commodity Warrants Australia in Sydney.

The Australian dollar was under pressure on plans by the International Monetary Fund to sell more of its gold holdings. Australia is the world's No.2 gold exporter. Spot gold dropped about 1 percent, and by 0807 GMT the precious metal was down 0.6 percent at \$1,099.90 from New York's notional close of \$1,106.00.

Spot gold had hit a peak of \$1,126.85 an ounce on Wednesday ahead of the IMF statement, its highest since Jan. 20.

"Gold was off nearly \$20 from a high, and that probably floated a little across to the crude market," said McGuire.

He added that crude prices will be within the \$72-\$79 a barrel band in the short term.

But other analysts are more optimistic, saying that demand for crude is expected to stay strong due to the recovery underway in Asia and the United States.

"The demand profile remains robust, with growth outpacing supply-side additions," Barclays Capital said in a report. "With even the middle of the barrel likely to show some relative improvement in the second quarter, the likely price momentum remains skewed to the upside, in our view."

Barcap added that the trading range should start to move up, with \$80 per barrel transitioning from being an effective ceiling to becoming an effective floor.

"The level of floating crude inventories not in transit continues to fall and should become insignificant over the next couple of months," it added.

But in the short haul, oil prices may not see any major upward movement as distillates stocks held on tankers remained a worry despite the recent falls, other traders said.

U.S. crude inventories edged down unexpectedly by 63,000 barrels last week -- versus forecasts for a 2.2. million-barrel rise -- as refineries increased activity, data from industry group American Petroleum Institute showed.

Spot gold slips after IMF says plans to sell gold reserves

Spot gold dropped about 1 percent on Thursday after the International Monetary Fund (IMF) said it would sell its remaining gold reserves, but settled in a narrow trading band as the market absorbed the news.

The IMF announced it would begin phased open-market sales of the remaining 191.3 tonnes of gold under a program launched last year to raise new resources for lending.

Gold was already losing ground early on Thursday and was quoted at \$1,114.00 an ounce prior to the IMF statement, which quickly erased a further \$8.25 off bullion. "This wasn't totally unexpected given what the IMF has been saying, but it was still enough to give the market a rattle," a gold dealer in Sydney said.

Spot gold was quoted at \$1,108.10 an ounce at 2219 GMT.

Spot gold hit a peak of \$1,126.85 an ounce ahead of the IMF statement, its highest since Jan. 20, before fresh gains in the U.S. currency pressured prices from highs.

"This is probably a knee-jerk reaction. At the end of the day, the sales from the IMF are well-known," said Jacob Oubina, senior currency strategist for forex.com.

To avoid disruptions of the gold market, the IMF said the open-market sales "will be conducted in a phased manner over time."

The Fund announced last year it would sell a total of 403.3 tonnes of gold, about one-eighth of its total stock, to diversify its sources of income and increase low-cost lending to poor countries.

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