



Oil Review 01.27.09

To start the week off on Monday Oil traded as high as \$48.59 before closing down for the day at \$45.79. Today oil continued to trade lower to \$41.87, down \$3.86. This is very positive for oil bears, because there are still 3 weeks in the life of this contract and if bearishness overcomes the market it could go into the mid 30 dollar range. With increased layoffs from big corporations, steady supply of crude oil (from non-OPEC and OPEC countries), and high reserve levels here in the US the market could easily go lower.

With all of the negatives in the market why did oil rally on Monday? One thought for a rally in the market was the publication of a Barron's article, suggesting now was the time to "Buy Oil". There were rumors and postings all over the internet yesterday stating that the Barron's article "Buy Oil" helped to boost the price. The article did suggest it could be a time to buy, but I did not take away the extreme bullishness that some did from it. There are many readers of this weekly in the financial community and I believe it did have an affect on the market, possibly helping boost oil up the price in the initial hours of trading.

The economy does not look to be turning the tide any time soon with additional layoffs this week announced by Caterpillar, General Motors, Sprint-Nextel, and Home Depot. In addition The Consumer Confidence Index which hit record lows in December at 38.6 went even lower in January hitting 37.7. The report suggests the American consumer has a negative outlook on the economy and thus much less likely to consume goods such as oil. This data was found on The Conference Board official website conferenceboard.org.

The dollar index is holding strong at the 85 point level. It has come down a bit from the highs of last week above 87, but if it can stay up and/or possibly go higher this would help to put pressure on oil going lower.

Pressure is being put on oil to stay down for now. Decreased global consumption along with a steady supply do not make for a bullish market place.

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