



## Oil Review 02.04.09

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Over the past week the charts on crude oil and the Dow Jones look very similar. Crude oil has traded down from the \$43 range to near \$40, while the Dow Jones has gone from 8,300 to below 8,000. This just continues to show the dominant influence on the price of crude oil is the state of the economy. Other events to draw attention are Kazakhstan's currency devaluation, Iran launching a rocket into space, and the EIA's weekly inventory report.

The EIA report showed a slight increase in refinery production to 205,000 barrels per day totaling 14.3 million, and crude oil imports averaged 10 million barrels per day. Crude inventories here in the US increased 7.2 million barrels to 346.1 million barrels total. These are all positive numbers for the price of oil to come down.

Russia and Kazakhstan are continuing to have economic difficulties with their banks, foreign investors taking money out of the country, and foreign debt obligations they need to pay. Kazakhstan today devalued their currency by 18% acknowledging the extreme difficulties they are having. The Russian Ruble has gone down roughly 40% to the US dollar since August. Both countries are large energy producers with weakening currencies, and both are going to continue to produce as much energy as possible to pay current budgets and foreign debt obligations.

On the terror watch Iran launched a rocket putting a satellite into space. It is unclear the capabilities of this satellite and how effective it will be.

The dollar index has been holding steady above the 85.00 point mark. The Euro is facing pressure from increased problems in separate member countries, such as increased housing problems in Ireland and Spain to public debt increases in Greece, Spain, and Italy. Stability in the dollar is bad for oil bulls, but helps keep the price of oil down.

For the week ahead and into the near future crude oil should remain flat to negative. With two more weeks on the current March contract the price could easily drop into the high to mid 30 dollar range. There is much resistance at the \$40 mark, but if it closes below that point I wouldn't be surprised to see a 3-4 dollar drop. Continuing factors going against the price of crude going higher are; unemployment is still on the rise, crude oil inventories will continue to rise, the dollar will firm or strengthen as the credit crisis continues, and OPEC and non-OPEC countries in need of cash will continue to sell crude oil on the open market.

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