



Oil Review 02.11.09

Every possible indicator is pointing towards the price of crude oil going lower. There is a week or so left on the current March contract before rolling over to April and the price of crude could easily drop to \$34 or below. The Treasury Secretary, Timothy Geithner, yesterday announced the country's financial rescue package and in turn the Dow Jones fell nearly 400 points closing well below the 8,000 mark. The market clearly did not like what he had to say. US crude oil inventory levels continue to rise, stock market confidence is at extremely low levels and OPEC and non-OPEC countries are suffering through continued budget shortfalls with worsening currency devaluations. All indicators point toward oil going lower.

The Energy Information Agency (EIA) released their weekly inventory report this morning. Inventory numbers did rise 4.7 million barrels from the previous week to 350.8 million barrels which is at the high end of typical inventory levels for February. One item of interest is that jet fuel demand is down 15.1 percent than the same four week period last year.

Treasury Secretary Timothy Geithner's speech was not taken well by the market. The government will spend 800 billion on multiple projects to prop up housing, banks, unemployment, etc. The plan sounded vague and unclear on what the government would do to salvage many banks, which probably are not worth saving. This could just be denying the inevitable and holding back from forcing many of these banks to fail.

The US dollar index is holding up very well, above the 86-point mark in trading today. With much of the world in worse off shape than the US, the dollar is firming and could easily go higher. Which intern is hurting many US corporations because their foreign sales are going lower with the exchange back to dollars. But these are all good things for oil bears that feel the market can fall even further, a stronger dollar and worsening economy.

On the lighter side of things the Iranian President Mahmoud Ahmadinejad said he would be open to talks with the US. Unfortunately Iran still continues with its nuclear ambitions and the world is unsure on the response/stance to take.

With the stock market responding very doubtful to the new Democratic administration's plan to resurrect the economy, things do not look positive for now. Continued increases in oil inventories and decreases of commercial and consumer fuel use should bring the

price of crude lower. There is just not much in favor of crude going higher at this point. I would remain very cautious and bearish at this point.

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