



Oil Review 02.17.09

At this point every possible indicator is helping to push the price of crude oil lower. The dollar is staying firm, if not getting stronger against the Euro and the Pound. The Dow Jones closed down 300 points today at new three month lows after testing the November bottom. February monthly reports by OPEC and the EIA are predicting a bearish outlook for the price of oil. With supply staying steady and consumption down the outlook for oil still remains extremely bearish.

The current March contract for crude oil traded below \$35 dollars today with the soon to be current contract April trading below \$39 dollars. The April contract actually closed at new contract lows and continued to trade lower in the after hours facing pressure from the fallout of the stock market. With the April contract now below \$39 a barrel at the start of its tenor as the front month, oil could possibly test the low 30 dollar range again.

In the recent February outlooks for oil published by OPEC and the EIA over the last week they concluded the same main points. Global demand is falling more than expected, OPEC is lowering supply, non-OPEC countries are supplying more oil, and US oil inventory are at very high levels.

The US dollar index today jumped upwards of 88 points pushing the Euro below \$1.26 for the first time since early December. With the economy looking dire here in the US, it does not look much better in Europe. Moody's announced possible downgrades for banks exposed to Eastern Europe with many of those banks in Western Europe the Euro Zone is not going to win this battle. With a stronger dollar this will put pressure on oil to stay down.

Global oil supply seems to be meeting current demand. The dollar is strengthening once again and could possibly test new highs. With a new crude oil April contract soon on the horizon starting below \$40 the price per barrel could easily stay in the mid to low \$30 range for the near term. There is no reason to be buying oil at this point.

Michael M. Sander is an Investment Advisor Representative at Sander Capital Advisors, Inc. He may be reach at:
206-323-8822
mike@sandercapital.com
www.sandercapital.com

Sander Capital Advisors, Inc. is an investment advisory firm based in Seattle, Washington, registered with the SEC.

This article is presented for informational purposes only, and is not intended as a recommendation of any particular investment strategy or securities. This article discusses current market conditions as of the date of this article, which are subject to change. Information in this article has been obtained from sources believed to be reliable, but Sander Capital Advisors, inc. makes no representations as to its accuracy or reliability. Any opinions in this article reflect the judgment of the author as of the date of this article and are subject to change without notice.