



Oil Review 12.30.08

With the economy kicking the can the only thing to bring up the price of oil at this point is a terrorist attack and/or tension in the Middle East. With a weekend full of reports and analysis of conflict between Israel and the Gaza Strip many investors pressed the buy button on oil. In the pre-market hours on Monday the price of crude oil jumped as high as \$42, before falling back to earth and settling around \$40 a barrel. Today's continued action is stirring uneasiness and questions on what this may cause and its effect on the broader region.

The prior Christmas week we saw February crude oil back down into the \$35 range looking to make a push at going lower. With continued negative economic reports after report one has to question what will hold the oil market up. Consumer Confidence has continued to fall with a new low for the month of December falling to 38.0 from 44.7 in November. The levels are lower than they were in the 90-91 down turn, but are not as low as the 80-81 recession, suggesting this could fall further. This data was found off of The Conference Board official website conferenceboard.org. With consumer confidence going lower, the outlook for the economy is not good, much less the consumption of crude oil.

Now looking afar at the dollar chart for the March 09 contract, there is a fairly good head and shoulders formation which took place from October to mid December bringing the dollar much lower. From here the dollar is trying to show support in the 82 point range and on the other side of the coin the Euro is holding strong in the \$1.40 range. The Euro with all of its strength is now at all time highs compared to the British Pound and the Russian Ruble.

Crude Oil is facing continued pressure from a weak economy with additional negative reports and sluggish growth from around the world. This week the conflicts between Israel and the Gaza strip helped to hold up the price of oil. Unless there is additional violence in the region due to conflict I do not see the price of oil jumping much higher.

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