

TAM INVESTMENT NOTE

November 2008

It would have been hard to imagine four months ago, that the price of crude oil, then near \$150 a barrel, would plummet over 70% to its current level.

But plummet it has and to a level we now consider offers an excellent opportunity for investment. Since breaking above \$80 in 2007 the oil price moved strongly as investors wary that the spiking oil price would ignite inflation, (and weaken the dollar) invested in the highly liquid oil futures market as a strategy for hedging against the future effects of inflation. However this summer's escalation of the financial crisis, the acceptance of a global slow down or recession, and the inevitable fall in inflation prompted many to exit their directional oil positions and the price collapsed. However, with a number of initiatives now promised by the President Elect in the US, further potential cuts in supply given OPEC's desire to move oil back to \$70, we anticipate short-term gains in price with limited downside risk. However given the very volatile nature of this market any such investment would only be suitable for the more adventurous or growth oriented portfolios.



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