



Crude Oil

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

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