



Oil Review 11.04.09

Federal Open Market Committee (FOMC) concluded their scheduled meeting today releasing their thoughts on the overall economy and for the federal funds rate. They decided to keep rates at record lows between zero and a quarter percent to help stimulate the economy and keep banks in business. The FOMC press release expressed current problems in the economy sighting “ongoing job losses, sluggish income growth, lower housing wealth, and tight credit.” On the other side of the coin the committee still feels that, “policy action to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces will support a strengthening of economic growth.” The Federal Reserve has to remain optimistic and upbeat about the current economic situation, because if they did not then no one would. The equities and commodities markets rallied today from optimism over future economic growth

With the Federal Reserve set to keep the federal funds rate near zero the US dollar index suffered a massive blow to confidence. The index which traded as high as 77 points early yesterday morning dropped back into the mid 75 point range today. Such a drop is only going to support the high price of oil. Dollar strength is not on the mind of the Federal Reserve at the moment, but only to stabilize the economy even if that suppresses the dollar.

The Energy Information Administration (EIA) weekly inventory report came out today shooting the price of oil up from \$80.15 to \$81 in two minutes. There is only one conclusion from such a spike, that the data was bullish. Motor gasoline stocks fell by 300,000 barrels and commercial crude fell by 4 million barrels. The largest driver for a price spike was the drop in commercial petroleum by a very large 8.4 million barrels. All inventory categories dropped last week, which in turn only pushed the price higher.

Lower inventories, a weak dollar, and a positive Federal Reserve statement only leans on the price of oil to stay up.

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.