

Investment Forum Program for Wednesday, April 6 at 11:45

Program Announcement

This week the Forum will host a speaker from The Motley Fool investment advisory service based in Alexandria (www.fool.com).

Follow-Up: Last week's program included a brief discussion of oil, pointing out that strongly divergent opinions on the outlook for the commodity price of crude are appearing in the financial media. One perspective is that the supply/demand situation will favor oil producing stocks over the long term, and the other perspective is that oil is in a speculative bubble that will eventually burst. Those two differing opinions have continued to appear in the media. On March 30, the *Financial Times* published an article entitled "Wells of anxiety," which included the subtitle "Even after the current upheavals in and around the Middle East subside, oil prices are likely to remain high – as traders demand a premium to offset their increased risk." Meanwhile, on the same day, the AOL financial website posted an article entitled "Could Oil Prices Be Headed for a Dip?" Excerpts from the article include the following. "The reasons for oil's climb above \$100 a barrel are well-known, including rising demand from fast-growing Asian economies, along with the risks of continuing geopolitical turmoil in North Africa and the Middle East. But, a significant premium in the price of oil stems from speculation, which has recently skyrocketed as traders and fund managers seek out commodity plays." "Major players are betting (or hedging) that oil could drop precipitously." "Goldman Sachs estimates that there is no more than \$10 a barrel downside in the price of oil." "But estimating the consequences of increased speculation is not a precise science." And, a weaker dollar is also a factor in rising oil prices. Meanwhile, a recent issue of the *Standard & Poor's Outlook* weekly stock newsletter featured an article on oil from an investment perspective. It discussed the broad ramifications of oil rising well above \$100 per barrel. S&P generally regards oil stocks favorably. For aggressive investors who seek a pure commodity play, there is an exchange-traded fund for exploration-and-production stocks that trades under the ticker symbol XOP. For more conservative investors who also seek dividend income and the resilience of big integrated companies, S&P is favorably disposed towards Chevron (CVX), Exxon Mobil (XOM) and Total (TOT).