

## Advisers wary despite oil price drop

Most are suggesting it may be too soon to invest in energy

By **Aaron Siegel**  
October 26, 2008

With the economy in the throes of a financial crisis, financial advisers have found a silver lining in recent declines in crude-oil prices, but many are still skeptical about jumping into the energy market right away.

From Sept. 15, when the liquidity crisis erupted, through the close of trading last Thursday, the price of a barrel of light sweet crude oil on the New York Mercantile Exchange had fallen \$33.34, or 32.9%, to \$67.84.

Reversing a sharp spike to \$145.29 on July 3, crude prices had declined 53.3% since then and had shed 29.3% year-to-date through Thursday.

With demand falling by between 6% and 7% off year-earlier levels, energy prices have declined by a greater amount than expected, said Mark Gilman, an oil and gas analyst at The Benchmark Co. LLC in New York. He has predicted that crude oil could fall to as low as \$55 a barrel.

The recent declines are even more stunning, considering that last spring analysts were expecting energy prices to continue their ascent.

In a report dated May 5, a team of analysts at The Goldman Sachs Group Inc. of New York, led by Arjun N. Murti, wrote that "the possibility of \$150-\$200 per barrel seems increasingly likely over the next six to 24 months."

Following that prediction, crude oil traded up 23% from \$119.97, reaching an intraday high of \$147.27 on July 11, just before the commodity began its downturn.

"Oil prices are coming back down on a lot of the reasons that drove it up," said Brian Youngberg, a senior area analyst in utilities and energy at Edward D. Jones & Co. LP in St. Louis, who noted that the global economic slowdown has hurt demand and has led many speculative investors to liquidate their positions.

"The credit crisis has amplified how quickly energy prices could come back down," said Mr. Youngberg, who predicted that the price of a barrel of oil would stabilize at \$75 per barrel in the long term.

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As a result, he said, the lower prices are easing inflation concerns and can have a positive impact on the whole economy.

While analysts are expecting the price of crude to continue to fall, advisers have been pleasantly surprised to see energy prices retreat from their record levels. Few are willing to jump into the market, however.

In the short term, the decline in energy prices is a deflationary move that is a "wonderful thing" and is "exactly what is needed to maneuver through rough economic times," said Mark B. Schindler, a partner at PivotPoint Advisors LLC in Bellaire, Texas, which manages \$25 million in assets.

Ted Feight, president of Creative Financial Design in Lansing, Mich., which manages \$19 million in assets, said that he is a "little bit surprised" that the price of crude oil has gone down recently, and he thinks that the decline is a "huge benefit" for the economy and will ultimately drive living costs down across the board.

Mr. Feight, who holds a bachelor of science degree in petroleum sales and management from Western Michigan University in Kalamazoo, began to get out of the energy market in August 2007 and liquidated his last positions 12 months later.

"We are antsy to go back into the market, although I don't think that it is time yet," he said.

Drew Tignanelli, president of The Financial Consulate, a Hunt Valley, Md., firm with \$175 million in assets, said that if the economy remains in a short-term deflationary mode, he will stay on the sidelines in the energy market.

"Once I see that the liquidity situation has calmed down, then I will see if the inflation scenario will come true," he said.

*E-mail Aaron Siegel at [asiegel@investmentnews.com](mailto:asiegel@investmentnews.com).*

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