

## Oil Relief

Just as oil surged past \$145 per barrel and analysts suggested that prices would reach \$200 per barrel or more, oil prices started easing, giving investors some relief. As several individuals have noted, this decline was extremely slow to show up at the gas station.

The last two months have been especially hard on everyone due to the triple impact of lower home prices, higher oil prices, and lower stock prices. These factors lower our store of wealth (home prices and stock prices) and increase the cost of living (oil in just about everything we do or use).

Earnings thus far, while not great, are not as bad as the decline in the stock market would suggest, its decline being driven by fears of oil prices and the continuing barrage of bad news from the banking industry. Now banks or mortgage companies saying, "This is the last time we are lowering the price of our book value, and we will not have to get more funding to continue to do business," is becoming old news.

Since the middle of July, we have seen oil prices decline and in some cases by \$16 over a three-day stretch. In total we have seen a 16% decline from the peak of \$147 per barrel.

While the decline in oil prices has provided some relief to stock prices, the government bail-out of mortgage institutions also had a positive impact on stock prices. However, the implications are costly for individual tax payers for a long while to come. The purchase of risky loans by the government will at a minimum result in \$25 billion in additional debt and most likely \$100 billion. This means \$100 billion more in taxes and a \$100 billion greater deficit. **The result is a lower value of the US dollar.**

As a result, we continue to like international holdings even more. International currencies will just rise in value relative to the US dollar. This has us on the lookout to buy international stocks or those investments that may increase in value as the dollar declines.

During the downturn in the stock market we were hesitant to make a change, as emotion took over for sound judgment. While the recent action in the market is hopeful, it intensified the need to look at signs of improvement even more. Specifically we look:

1. to the ISM (Institute of Supply Management) for economic and manufacturing growth,
2. for unemployment insurance claims to recede, and
3. for the level of interest rates to decline.

Of biggest concern is the gap in interest rates between corporate bonds and government bonds, which has increased as the market has improved. This widening indicates that investors are concerned about the ability of corporations to repay loans. This action of increasing corporate interest rates has historically limited rebound in the market. As a result, our focus will be looking for declining interest rates. Without this, the rebound will be short-lived.

Therefore, we continue to concentrate on investments with underlying growth that will benefit as the dollar declines in value.

*Please feel free to pass "The Portfolio Reporter" to interested friends and family members. The opinions expressed here are based on the author's views and should not be construed as financial advice. For more information about your investments, please contact your financial professional.*

**MONTHLY CONFERENCE CALL**

**Our next monthly conference call will occur Thursday, August 21st at 11 a.m. Mountain Time (1 p.m. EST).**

*Phone Number: 866-740-1260*

*Access Code: 4682824*

**To view slides on the internet during the call, go to [www.readytalk.com](http://www.readytalk.com) and enter 4682824 under "Join a Meeting".**