

# A Day That Will Live in Infamy

Well, at least for futures traders who speculated on the price of oil for May delivery. The price per barrel opened the trading day in the upper teens, already at the lowest price in decades. Yet as the day wore on, the price traded significantly lower - so low that it traded well into negative territory. In other words, anyone who had purchased a futures contract earlier in the day and wanted to sell at the end of the day would have had to pay the seller NOT to deliver the oil in May. While a negative price for oil is unprecedented and is unsustainable (can you imagine your local gas station paying you to fill up your car with gas?), it does reflect the tremendous stress in the energy industry due to a severe supply/demand imbalance

## **Market Outlook**

One thing that a stock investor does not have to worry about is liquidating a stock trading for a negative price - one can only lose the amount one paid for the stock, not more. The long term outlook for the price of oil is not as bleak as the short term outlook. We expect supply to fall sharply in coming months as bankruptcies of poorly financed oil production companies mount. Moreover, we expect the larger and financial stronger companies to benefit longer term from the decline in supply. Interestingly, the large oil stocks declined yesterday, but not as sharply as one may have expected. So we believe we may be closer to a bottom in the price of energy stocks than most pundits believe.

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