



A milestone has been crossed in the world's most vital commodity market as crude oil barreled past its inflation-adjusted 1980 high on its way to \$90. Yes, black gold now costs more than it did when the oil crisis led the economy into stagflation and recession in the 1970's and '80's.

We've been warning of continued high oil prices for quite some time and our investments have prudently taken advantage of the trend. And as we reported in our latest quarterly newsletter, we don't see high oil prices abating any time soon. The reasons are on one hand as simple as supply and demand but on the other hand as complex as politics in the Middle East. To review the Newsletter please visit our website: www.bedellinvest.com.

Yes, demand is outstripping supply as global demand is now 88 million barrels/day while 85 million are being produced. **Emerging economies continue to guzzle the black stuff in unprecedented quantities while demand in the US and Europe has remained flat.** OPEC, the global cartel of oil producers, is flexing its muscles to keep prices high enough to earn top dollar. We think OPEC is sitting on 3 million barrels of spare capacity that could be tapped-if they wanted to.

Oil traders have been contributing to the run-up as well. New electronic investment funds and techniques make investing in oil futures easier than in days gone by. This encourages more speculation in the oil market. And a **fear premium is mixed into oil prices** as Middle East turmoil continues to dominate headlines. However, you may recall that investor fears often translate into bond profits as a flight to safety takes off.

INDEX	10.19.2007	12.31.2006	%Change
DOW JONES	13,552	12,463	+9%
S&P 500	1,501	1,418	+6%
NASDAQ	2,725	2,415	+13%
Bond YIELD	4.40%	4.71%	-6.6%*

Strange as it may seem, oil is not as vital to our economy as it was a generation ago. In fact, it takes only a fourth as much oil to add a unit of economic growth (GDP) as it did in the 1970's. Thankfully, gasoline prices have not yet kept pace with the rise in crude. Investor interest in renewable energy technologies has never

Bond Prices

Bond Yield %

been greater. And OPEC is smart enough to increase supply if high prices begin to derail the global economy. OPEC hates recession as much as any capitalist.

So hold on for the ride. Oil prices are likely to remain high, but we know way to profit from this trend.

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