

>: Big Profits in Big Oil Still?

Monday, April 7, 2008 / Dylan Jovine

HAVE YOU SEEN THE LATEST POLITICAL AD ATTACKING BIG OIL?

"Since the gas lines of the '70's, Democrats and Republicans have talked about energy independence, but nothing's

changed? except Obama Energy's making \$40 billion a year and we're paying \$3.50 for gas

*It's called "Nothing's Changed," and here's an excerpt:
I don't take money from oil companies or Washington lobbyists, and I won't let them block change anymore. They'll pay a penalty on windfall profits. We'll invest in alternative energy, create jobs and free ourselves from foreign oil.*

I approve this message because it's time that Washington worked for you. Not them."

Although there was nothing original in this silly attack on big oil, I did spend a few minutes wondering how such smart guys like Barack Obama and his chief political strategist David Axelrod let this ad fly.

Here's what I've come up with:

LOCATION: Barack Obama for President National Campaign Headquarters.

SCENE: Two people are standing in a conference room that has been converted into a political "War Room." On the table is a big electoral map of Pennsylvania. Both people are talking feverishly and pointing at different locations on the map. One person, Barack Obama, looks far more energized than does his Chief Political Advisor David Axelrod.

David Alexrod: You can't go there. It's too far to the left.

Obama: I have to. It's the only way I can even think about winning PA.

Axelrod: No, you can't. Look ? as your senior political advisor, I have to warn you that moving that far to the left would be political suicide.

Obama: But David, I just don't see a choice here. The longer this goes on, it moves to Hillary's advantage. If I don't make strong inroads in PA I could be ruined.

Axelrod: But don't forget rule #1 of running an "insurgent" campaign ? move too far to the left during the primaries and you can't move to the center during a general election. Frankly, Bill Clinton almost made the same mistake in 1992, but fortunately his senses got the better of him.

Obama: You mean you and Carville and Stephenopolous got the better of him.

(Axelrod smiles. Yes, he loved insurgent campaigns indeed. And he couldn't believe his luck. Lightning did strike twice in his lifetime. Bill Clinton in '92 and Barack Obama in '08. And all he had to do was dust off the same play-book Clinton used in '92 and Viola! Here we are. Bob Strum eat your heart out

Obama (coughing loud so David will stop daydreaming):

So what ... I'm going after big oil? Everybody hates big oil. They're robbing American citizens left and right. Gas is now \$3.50 per gallon!

Axelrod (explaining it patiently, once again):

But remember Barack. There's really no such thing as "windfall profits." Companies like ExxonMobil ? well the whole oil industry really ? they make big profits when oil is high and little profits when oil is low. Throughout the 1990's oil was really cheap. From 1998 to 2003 oil was floating around \$12 per barrel. So the oil companies had 10 years of making little profits, and then come 10 years of big profits ...

Obama (finishing David's sentence): "And in the end it really all averages out." I know, I know. Come on David. Of course I know that.

Axelrod: The truth is that big oil hasn't made "windfall profits" since Rockefeller was running Standard Oil and they broke the monopoly.

Obama (cutting David off):

Look David, that's not the point here. We all know we need big oil. What are we gonna do? Let the Saudis and Venezuelans run rampant around

the globe? Not on my watch. I know we need big oil to compete with the big oil companies worldwide.

(Obama pauses for a moment to catch his breath.)

Obama: And I know that 99% of the stock of big oil is owned by American investors. Heck, 99% of the people in the audience who applaud when I attack big oil own the stocks through their IRA and don't even know it. So obviously they haven't put 2 and 2 together, or they wouldn't be clapping.

Axelrod: But ...

Obama (cutting him off):

There's no "but" about it David. You see their faces when we attack big oil. It works all the time. The reason it works is because they're feeling the pain at the pump. It doesn't matter to them that every time gas prices at the pump rise 50 cents, the Exxon stock they own goes up 10%. They don't care about making money later ? they need relief now!

Axelrod (trying to calm his young protege):

Yes Barack, but remember, you already have 3 strikes left of center. During the general election all Republicans have to do is show you (1) hugging Ted Kennedy, (2) being supported by MoveOn.org, and (3) pictures of your pastor Mr. Wright. They will Swift-Boat you into the radical hippie-left before you can say "Jimmy Carter."

Obama (sighing knowingly):

I know, I know. But we first have to get to the general election. Even if that means making stupid anti-capitalist, ultra-populist, far-left attacks on big oil. And don't forget David ? big oil knows the game, too. They know the pendulum has swung to the left of center in this election cycle.

Anyway, that's as far as I've taken the conversation. Anybody want to help extend the conversation by adding to it?

Please do so by clicking on "Post a Comment" below ...



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Economic Calendar for the Week of April 07 - April 11

Wednesday, April 9

8:30AM - Initial Claims

Release Details

- Importance (A-F): This release merits a C .
- Source: The Employment and Training Administration of the Department of Labor.
- Release Time: 8:30 ET each Thursday (data for week ended prior Saturday).
- Raw Data Available At: <http://www.dol.gov/opa/media/press/eta/main.htm>.

Initial jobless claims measure the number of filings for state jobless benefits. This report provides a timely, but often misleading, indicator of the direction of the economy, with increases (decreases) in claims potential signalling slowing (accelerating) job growth. On a week-to-week basis, claims are quite volatile, and many analysts therefore track a four week moving average to get a better sense of the underlying trend. It typically takes a sustained move of at least 30K in claims to signal a meaningful change in job growth.

There are two other statistics in this report -- the number of people receiving state benefits and the insured unemployment rate; neither is watched closely by the market. Some analysts track the number of people receiving state benefits from month to month as a guide for job growth, though this series has a poor track record in predicting the monthly employment report. The insured unemployment rate changes little on a weekly basis and is never a factor for the market.

Highlights

- Initial claims shot 38K higher to 407K in the week of March 29.
- Continued claims jumped 97K higher to 2.937 mln in the week of March 22.

Key Factors

- The surge to above 400K marks a significant worsening in the labor market.
- The American Axle strike is partly behind the lift in mid-March, but not this week's.
- 4-week average rose to 375K.
- The 4-week average of continued claims has now surpassed the Hurricane Katrina effects and well above level at the start of last two recessions.

Big Picture

The early January lows near 300K compared to the 370K levels in late January, February and March as the last week of March reached a high 407K. The current 375K 4-week average is above the averages at the start of the last two recessions. Continued claims (a better read on hiring) also reached the highest level in 3 1/2 years as the 4-week average stands well above the levels at the start of the last two recessions. Claims provide a nearly real time read on layoffs and the labor market as the employment report reflects the broader combined read of layoffs and hiring.

Thursday, April 10

08:30AM - International Trade

Release Details

- Importance (A-F): This release merits a C .
- Source: The Census Bureau and the Bureau of Economic Analysis of the Department of Commerce.
- Release Time: 8:30 ET around the 20th of the month (data for two months prior).
- Raw Data Available At: <http://www.census.gov/foreign-trade/www/press.html>.

The trade report is most widely watched for trends in the overall trade balance. But trends in both exports and imports of goods and services bear watching as well. The export data in particular are important to watch for indications that a strengthening competitive position at home and/or strengthening economies overseas are boosting U.S. growth. Imports provide an indication of domestic demand, but given the severe lag of this report relative to other consumption indicators, it is not particularly valuable for this purpose.

The volatility in the monthly trade balance can play an important role in GDP forecasts. Net exports are a relatively volatile component of GDP, and the trade report provides the only early clues to the net export performance each quarter.

Highlights

- Raw Data Available At: <http://www.census.gov/foreign-trade/www/press.html>

Friday, April 11

10:00AM - University of Michigan Consumer Sentiment Index

Release Details

- Importance (A-F): This release merits a B-.
- Source: The University of Michigan.
- Release Time: Preliminary: 10:00 ET on the second Friday of the month (data for current month);
Final: 10:00 ET on the fourth Friday of the month (data for current month).

The Michigan index is almost identical to the Conference Board Consumer Confidence index, though there are two monthly releases, a preliminary and final reading. Like the Conference Board index, it has two subindexes - expectations and current conditions. The expectations index is a component of the Conference Board's Leading Indicators index.