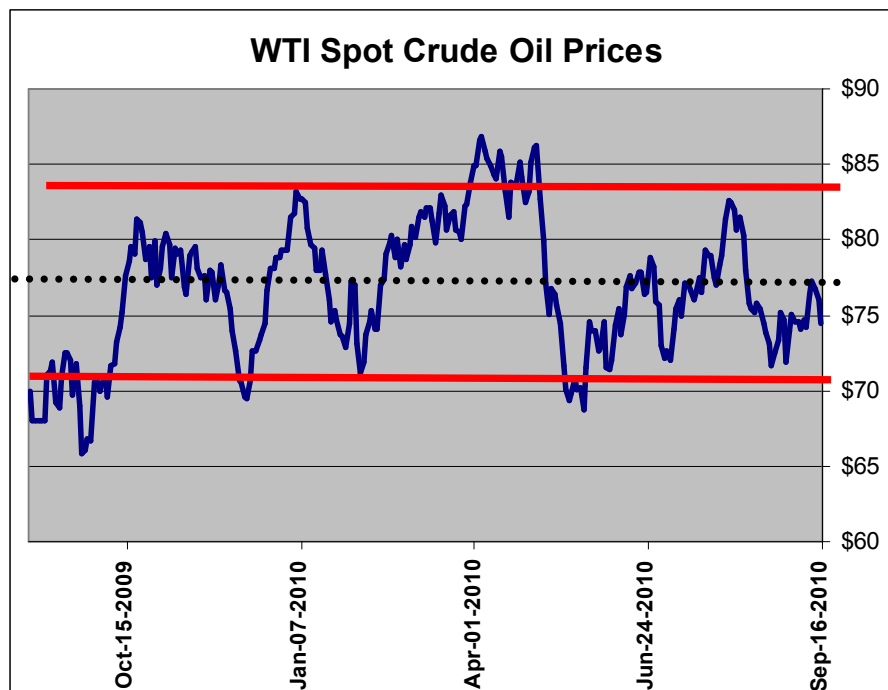




Sustainable Wealth Management Ltd.

Rising Costs and Declining Prices

What happened to the North American natural gas market could easily happen to crude oil. Unconventional sources of natural gas from coal seams, shale and tight gas has dramatically impacted the supply of natural gas and its price. My concern revolves around the double threat of weak global demand for crude oil combined with the economic needs of oil producing nations. I've read two viewpoints on this issue over the last month. One side believes that supply will be constrained and more conflict in the Middle East will further constrain supply. The other viewpoint is that current supply and demand indicates that a much lower crude oil price is warranted at this time. My own viewpoint is that the investment demand for crude oil is much higher than commercial demand at this time. The risk is that investment demand could disappear, like it did in mid-2008. This could result in a renewed, rapid decline similar to what we experienced two years ago. The chart below shows how tight the trading range of crude oil has been in the last year. I think a decisive break either below or above this trading range will be the beginning of a new long term trend. For now I will impatiently wait in anxious anticipation.



Derek Gates, CFA

Founder of the Oil Sands Sector Index ®

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