

Traders Notes for April 17th 2008

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Opportunity Remains in Energy

From the chart below one can see that crude oil began making new highs in February 2008 when it eclipsed its prior highs (around \$98 a barrel) made in November '07. Since surpassing those highs in mid-February, the commodity has not looked back and rallied over 15% to over \$115 a barrel. Interestingly, the drilling and services companies only began surpassing their prior September and October '07 highs yesterday.

The implication, in our opinion, is that oil services stocks have more upside and are not as stretched as many think. While the skeptics continue to believe a pullback for the commodity is 'right around the corner', we continue to suggest overweighting the group with the comfort that much worry is already discounted into valuations. Analysts expect 18% EPS growth for the group using oil prices that are well-below today's levels in their estimates yet the stocks only trade at 12x '09. Our favorites in the space include: SPDR Drilling & Service ETF (XES-A-\$43.62), Schlumberger (SLB-N-\$94.80), Patterson-UTI (PTEN-O-\$28.47) and BJ Services (BJS-N-\$30.87).

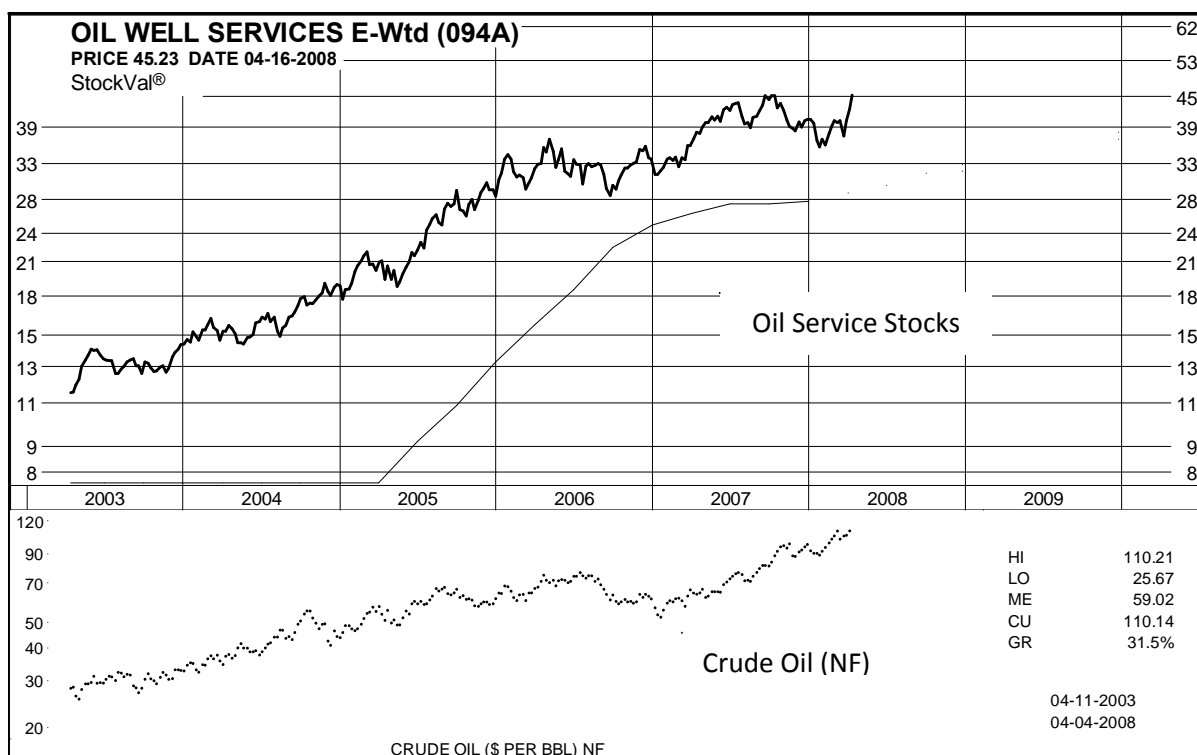


Chart Courtesy StockVal

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