



March 8, 2011

Dow: 12,238

ACHILLES

Achilles was a Greek hero of the Trojan War. He was the greatest warrior of Homer's Iliad. It was stated that Achilles was invincible except for his heel. He died in battle because of a small wound in his heel. Since the beginning of the Republic, the US has been invincible, overcoming many natural and man-made disasters. The US was first made aware of its Achilles heel during the 1970s oil embargo. Most people today were too young to remember the long lines at the gas stations and the alternate days imposed for filling your tank. Fortunately, the Middle East agreed to pump more oil, and the negative impact on the economy was short lived. However, we said goodbye to gas at 25 cents a gallon. The booming US economy from 1982-2007, plus the rise of global capitalism and the demand for oil, pushed oil prices up to \$150 per barrel and gas to \$4.00 per gallon in 2008. The ensuing financial crisis pushed oil back to \$32 per barrel in 2009. The global economic recovery has once again caused heavy demand and rising prices for the liquid gold. Now, however, we add tensions in the oil producing countries in the Middle East and we have a perfect storm brewing. Oil is once again over \$100 per barrel and gas at the pump is \$4.00 a gallon in some parts of the country.

The US imports about 65% of its oil needs. Much of this is imported from countries that are not friendly to us. We do not profess to be experts on Middle East politics, but what is happening in Egypt, Tunisia and Libya is probably just the tip of the iceberg. Tensions are high in Bahrain, Saudi Arabia, Yemen and even Iraq which does not have a stable government in place yet. Let's not forget Iran, the military there is stronger than any of the other nations and would likely put down any uprising. Some believe Iran is trying to position itself as the major power in the area. Let's not ignore Venezuela, a major supplier of oil to the US who has close ties to Iran. No one knows how all of this will play out, but it certainly will not end overnight and could go on for months or years. In any event, it puts us in a very vulnerable position just when we and the rest of the world are at the beginning of an economic recovery which will only increase the demand for oil. We face strong competition for this oil from China which has been locking up contracts with other oil producing nations – Brazil, Venezuela and Mexico.

That brings us to alternate sources of energy. First there is wind and solar which provide about 1% of our current energy needs. Neither of these appears to be a long-term solution as the wind does not always blow and the sun does not always shine, plus it is expensive to convert these sources to usable energy. Irrespective of the recent earthquake in Japan and the impact on the nuclear reactors, nuclear energy is still a

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very viable source of energy. We currently have 104 reactors in the US that provide 20% of our energy needs. The technology advances made since Three Mile Island (1979) makes this energy source much more safe as long as they are not built on a fault line. This source of energy burns clean and sources of the necessary uranium are plentiful in this country and other countries friendly to us – namely Australia. There are many start-up companies now doing research to develop smaller, cheaper and safer nuclear reactors. Bill Gates of Microsoft is now funding and guiding such a company, Terrapower LLC. Other inventors are working in kinetic energy, ocean-thermal energy conversion and osmosis. These sources of energy may be further down the road but hold exciting promise.

In addition to sources of energy, there is energy conservation going on right under our noses. Jimmy Carter famously told us to turn down our thermostats and put on a sweater, but today's new efficiencies in home and commercial construction are doing much more for energy conservation. Electric and hybrid cars, self-adjusting thermostats and many thousands of other constantly improving technologies keep springing forth.

That brings us to oil. We need oil and natural gas now until some of these other technologies come on stream. Oil is available right here in the good old USA. The Energy Department and other independent sources have stated that we have enough oil in the continental US to supply us for decades. In fact, some have said we are the Saudi Arabia of natural gas. We need to tap these sources now and wean ourselves off dependency on unreliable sources. Congress loves to talk about being for the little guy, but \$4.00 for a gallon of gas is not helping the little guy nor is it helping small and large businesses and consumers, especially those struggling to make ends meet. The state of Maryland is considering increasing the tax on gasoline. High gas prices hurt everyone and will slow our economic recovery even more and cost more jobs. To paraphrase Al Davis, owner of the Oakland Raiders, "drill baby drill."

On the economic front we created 192,000 new jobs in February, a nice increase, and the unemployment rate dropped under 9% for the first time in 21 months. It's a move in the right direction, but we need much more. Let's not let lack of oil stand in the way of our economic future. There is energy everywhere and we will tap into it.

Random Thought for March 2011:

Antarctica is the only land on our planet that is not owned by any country.

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