

Hi FOLKS,

In the last few weeks I have been asked two questions quite often. Because of the relevance and timeliness of these questions I thought I'd share my take on the two subjects.

I. Having been a past President and Chair of the Capital District Hospice for two terms and on the Board for 10 years – I want to tell you that Hospice is a wonderful and well-intentioned organization, despite some of the bad press it took in the Terry Schiavo case in Florida. Not only did a complicated personal matter become a national story with many sides to it, but the coverage of the story often left integrity and quality of life issues unanswered and unaddressed on TV.

One lesson to be clearly learned from Terry's situation is the importance of having a current Living Will and Health Care Proxy in place... and the importance of taking the time to think about what you would want done...it may mean putting yourself in to some "what if" situations. Think about who are your Power of Attorneys and your alternate and then talk about these issues with your significant others and family members so your wishes are known and can be carried out as you desire. But, having it in writing and updating it as your thoughts and feelings may change is paramount to everyone's peace of mind.

Talking with your attorney is often the best place to begin and I can share names of counselors with you who specialize in this area. There are also other sources of information you can refer to at, www.living-will-us.usa.za.com. I strongly suggest you take a moment out to do this if you haven't.

II. The second question I have been fielding relates to the price of oil and whether or not the demand is "real" or hyped and artificially inflated like it was once before when we had gas lines and "odd and even" days.

Well, in 1981, (during the last oil crisis) crude oil did reach a high of \$50.90 a barrel. If you recall, precious metal and commodity prices peaked around this time, and inflation and interest rates were quite high and on the rise. Over the last century there have only been three periods of time when inflation has exceeded 10%. The first two times followed the ends of WWI (1917-20) and WWII (1946-47). Inflation (as measured by the C.P.I. gauge) also exceeded 10% in the years 1974, 1979, and 1980, coinciding with the period of 1973-1982 during which time inflation averaged over 9% per year.

Oil jumped, incidentally from \$5 a barrel in 1973 to its high of \$50.90 in 1981. WOW! Fed Chairman Paul Volker tried to tame inflation by raising rates ... Not an identical comparison to today, but there are similarities. Raising rates too fast and too much could create a recession or some sort of stagflation/stall in a contracting economy. Some analysts warn that rapid rate hikes could spell

economic disaster because America (in 2005) is heavily burdened in debt. It is our hope that Greenspan will try to curb the coming wave of inflation by gradual and small, measured rate increases and by smart reductions in government spending... and the end to the Iraq war will help reduce our deficit from expanding further. Many experts contend that further rates hikes may not be that necessary at the moment because spending patterns have eased.

What is different this time around? Oil demand is real and increasing. The US Department of Energy and the International Energy Agency both predict that global oil demand will rise by 50% between 2004 and 2010... In fact, global oil use could grow from 77.2 million barrels a day from 2003 (actual report) to 119 million barrels a day by 2013 (a 55% increase in ten years). We can root for the hydrogen fuel cell, conserve more, and have hydro, ethanol, and coal fill in some of the gap... but the demand in China, India and the Pacific Rim area is real and it is expanding. No OPEC hype or poker games this time around. The supply/demand fundamentals point to oil prices remaining cyclical and volatile, but the upward pressure is real and seems to have meaningful follow-through with related consequences. Naturally, as your investment advisor I am taking the "oil factor" in to account when providing advice to you...

We can be thankful that oil and gas prices will level off and even retreat from time to time, but the overall trend seems to be "up." Keep that in mind as stock prices will mirror these patterns.

As always, please don't hesitate to call me should you have any questions or comments.

JC
4/05