



As the US economy gathers strength and more young people gain employment, it promises to be a boon for both the auto and energy industries, says Forbes Magazine Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher

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US love affair with oil endures

Old guys may like Viagra but Marathon Oil stock also has its charms because the US's younger half equate sex with gas-guzzling.

Suppose you're a twentysomething US male in any but a few of the country's largest cities. A near perfect aphrodisiac date is had by inviting a young lady to test-drive a "sports utility vehicle". That's how my youngest son found his trophy wife.

It's a new US tradition. Now, if you're 35 then you have to try harder – by throwing in a powerboat behind and a ski mobile on top. More gas-guzzling, more sexy! You're 45, say, divorced and rebounding toward twentysomething females? Easy, just step up to a Hummer. Bright multi-colours work best. Galls environmentalists, wins girls. It's the American way.

There is a new US generation and a half that believes gas-guzzling is sexy. Their entire adult experience came after 1980s peak energy prices. My generation first bought VW Beetles and took buses. Today's youth knows bigger is better. Size does matter.

While we're on the subject of bigger and better, the US economic recovery is stronger than anyone expected a month or a year ago. The media ridiculed President Bush's 2003 forecasts for 2004 job growth but his prognostications now look just about spot on.

Unemployment doesn't fall. Instead the labour market keeps growing fast as formerly discouraged and dropped-out workers return to the market. Employment is now booming. And what ages are those getting most of those millions of new jobs? You got it. Gas-guzzling youth.

What's the first thing they want after they get a job? A date! Better yet, an aphrodisiac. And that takes lots of energy. Who are you to say they're wrong? The US's gas prices are less than half UK prices. The only

difference is tax. At US prices, UK youth might think gas-guzzling was sexy too. But Americans won't tolerate raising that tax. Not when it will threaten their sex lives. Not the younger generation.

Add low and zero interest rate car loans to the sociology and the US's gas efficiency will keep deteriorating markedly. Better than auto stocks, integrate vertically in energy stocks – they profit directly and continuously from the trend.

As the demand for petroleum products rises with this expansion, Marathon Oil stock should start leading the stockmarket. It has certainly lagged over recent years. It is the US's fourth largest integrated energy firm but has hit recent discoveries in Angola, Norway and the Gulf of Mexico.

Its refining and marketing operations should boost pricing and profit margins as the group is dominant in its Midwest US geography and running near full capacity. Marathon Oil also has 5,700 retail outlets. At 30% of annual revenue, 11 times trailing earnings and with a 2.9% dividend, it is hard to lose here.

Rising energy demand also points to growing demand for offshore drilling. Tidewater is the biggest worldwide operator of offshore supply vessels. Its nearly 600 vessels do everything from transporting roustabouts and roughnecks between oil platforms to towing mobile drilling rigs themselves.

Tidewater recently shifted from smaller, older vessels to larger, modern ones that should boost revenue from complex jobs and increase profit margins. At 20 times this year's earnings and 1.2 times book value, the company's stock should rise faster than the overall drilling tide.

Similarly, oil driller Pride International has 331 land and marine drilling rigs that can



move wherever it is necessary to find new oil at high prices, including operations throughout Africa, Latin America and the Gulf of Mexico. Recent results have been hurt by costs associated with constructing several new deepwater rigs, so it sells at a significant discount to its peers. But better times are ahead for it.

Integrating vertically, Maverick Tube produces tubular steel products used in a variety of energy and industrial applications. It is the largest North American producer of oil country tubular goods for use in wells and transportation pipelines. Sales will keep booming.

The firm's strong financial position allows for added opportunistic acquisitions and its low-cost structure creates powerful operating leverage. Be a maverick and buy Maverick, which is trading at just 1.0 times annual sales and 10 times this year's earnings.

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A NEAR PERFECT APHRODISIAC DATE IS HAD BY INVITING A YOUNG LADY TO TEST-DRIVE A "SPORTS UTILITY VEHICLE".