

# Schlumberger Just Sent A Buy Signal

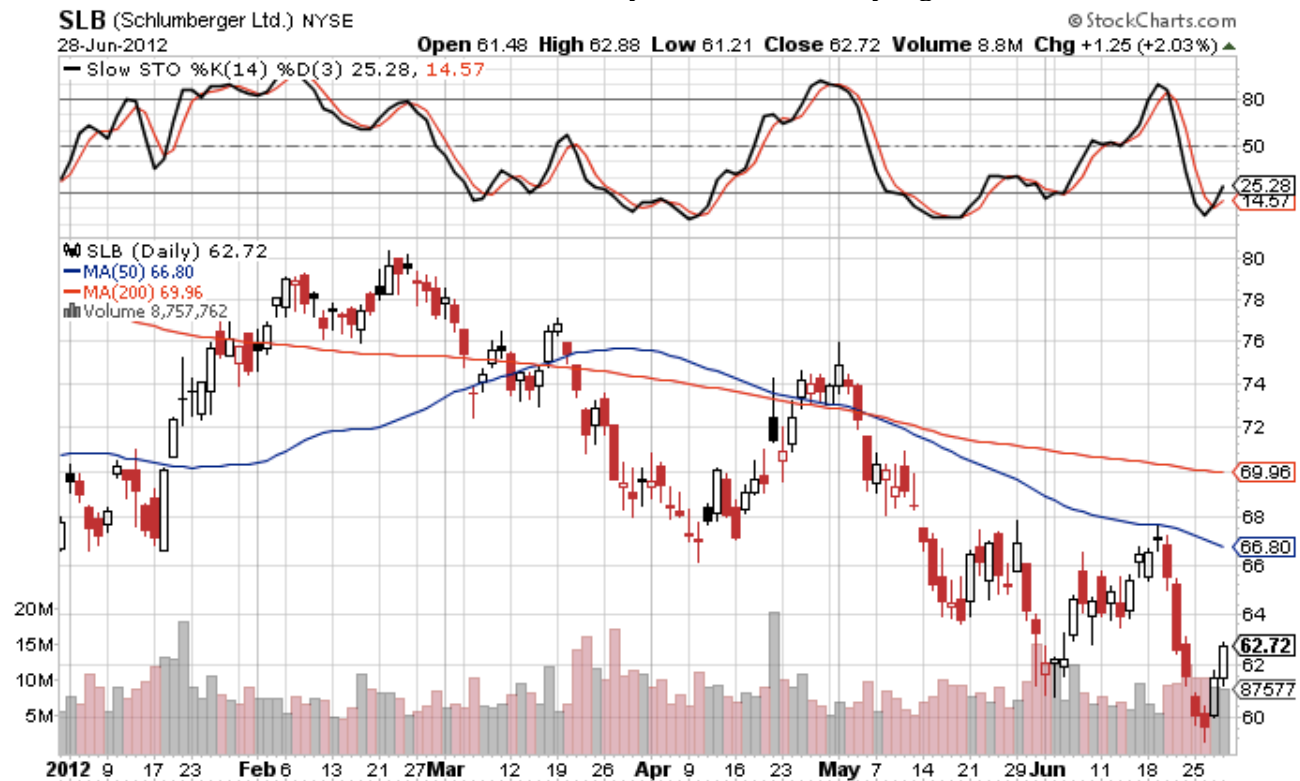
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By Robert Hauver

Schlumberger, (SLB), is the world's largest oilfield services provider, whose \$83 billion market cap dwarfs those of its competitors, such as Halliburton and Baker Hughes. Like most Basic Materials/Energy-related stocks, SLB has been getting hammered this year, due to a number of factors - slowing Chinese and US growth, Eurozone problems, and declining oil prices. However, the oil price decline is a 2-edged sword, because some of that decline is due to the new shale oil discoveries that are being exploited via fracking in the US, which is Schlumberger's biggest and most lucrative market:

(millions \$)	Q1 2012 Revenue By Area	Q1 2012 Income By Area (Pre-Tax)
North America	34.62%	39.81%
Europe/CIS/Africa	26.59%	22.13%
Middle East & Asia	20.94%	24.49%
Latin America	17.85%	16.44%
Other & Eliminations	0.91%	-2.87%

**Buy Signal**- Schlumberger dipped below the oversold 20 line on its Stochastic chart, but just crossed back above the line this week, which is seen by chartists as a buy signal:



Due to its low 1.79% dividend, we don't list SLB in our [High Dividend Stocks By Sector Tables](#). But we do list an actionable Covered Call trade for SLB in our [Covered Calls Table](#). Selling covered call options allows you to greatly improve upon the income you receive from dividend stocks, on a short term basis, allowing you to double your dividend with a second income stream.

In fact, in this SLB trade, **the call option premiums are over 10 times the amount of the two dividends over the 7-month term:**

SLB 6/29/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ PAID PRIOR TO CALL EXPIRATION	ANNUAL'D DIVIDEND YIELD %	CALL OPTION EXPIRATION MONTH & STRIKE PRICE	CALL BID PREMIUM	ANNUAL'D CALL YIELD	TOTAL ANN'D STATIC YIELD	POTENTIAL ASSIGNED YIELD	ANNUAL'D TOTAL POTENTIAL YIELD
\$64.93	\$0.56	1.56%	JAN. 2013 \$65.00	\$5.95	16.72%	18.28%	0.20%	18.48%

We also list a Put Option trade for SLB in our [Cash Secured Puts Table](#).

Professional traders often will sell Cash Secured Put Options on a stock, instead of buying it outright, as a way of generating high yield cash flow, and achieving a lower entry point. Similar to the covered call trade above, *this trade's put options premiums are nearly 10 times the amount of the dividends between now and January expiration:*

SLB 6/29/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ EX-DATES BEFORE PUT EXPIRATION	ANNUAL'D DIVIDEND YIELD %	PUT OPTION EXPIRATION MONTH & STRIKE PRICE	PUT BID PREMIUM	ANNUAL'D PUT YIELD	100% CASH RESERVE AMOUNT	BREAK-EVEN PRICE	52-WEEK LOW
\$64.93	\$0.56	1.56%	JAN. 2013 \$62.50	\$5.55	16.21%	\$6,250.00	\$56.95	\$54.79

**Undervalued Growth:** SLB looks undervalued on a Price/Earnings Growth basis for 2012 and 2013. SLB's current P/E of 16.55 is just above its 5-year median P/E of 15.41:

Ticker	P/E (Trailing 12 months)	5-Year P/E Range	EPS growth Fiscal Yr ending 12/31/2011	EST'D EPS growth Fiscal Yr ending 12/31/2012	PEG: 2012	Estimated EPS Growth 2013	PEG: 2013
SLB	16.55	9.56 to 24.97	28.52%	16.71%	0.99	21.36%	0.77
		2011 Normalized Diluted EPS:	\$3.65	2012 Est'd Normalized Diluted EPS:	\$4.26	2013 Est'd Normalized Diluted EPS:	\$5.17

**Financials:** SLB's Mgt. Efficiency ratios and Debt/Equity load are better than its peers. However, its Operating Margin, which is normally over 20%, slipped to 16.41%, due to activity disruptions from the geopolitical unrest in North Africa and in the Middle East during the first quarter of 2011.

Ticker	Return on Assets	Return on Equity	Return on Investment	Total Debt/Equity	Operating Margin	Interest Coverage
SLB	9.49%	16.11%	11.84%	0.31	16.41%	24.53
Industry Avgs.	4.73%	9.11%	5.42%	0.39	23.52%	305.42

**Technical Data:** SLB is in the red for the year, and way off of its 52-week high, which may have helped spur more insider buying. Basic Materials stocks are also coming back into favor, as this sector was the 4th biggest gainer over the past month, up over 4%:

TICKER	Performance YTD	Beta	Variance From 52-Week High	Variance From 52-Week Low	Relative Strength Index (14)	Insider Transactions
SLB	-7.48%	1.38	-33.39%	15.77%	42.34	5.41%

Disclosure: Author has no current positions in SLB,

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