

Folks,

Again welcome back. Lots of work to do – we only scratched the surface yesterday. Here's the recap:

Oil prices have had a big rally – it started in April from the stupid negative \$37, took a break in the summer and has slowly again begun rallying in the Fall, now with Brent prices above \$50.

What's caused it?

Certainly, the hopefulness of a Covid vaccine restoring oil demand. Also, OPEC + held the line on increases, only putting back 500k after agreeing to add 2M earlier this year – leaving their quotas 7.2m barrels a day under 'regular' quotas. Then, there's been a moderate flow of hedge fund money into the futures, although it's not nearly at crazy levels where we'd get nervous that the run is over.

Finally, there's a very big trend that's just forming – a swap from growth assets that have dominated markets since – well, since 2014 (mostly Tech) – and into VALUE, represented by commodities and other low multiple non-discretionaries.

I showed how that is running through the gamut of commodities, including VALE and FCX – but it is a trend that, if it breaks out, can dominate 2021 – and virtually NO ONE is giving it much credence.

Instead there is a continued overhyping of green stocks – Not that I think the transition to renewables isn't inevitable – it is (read my book!). But there is a massive disconnect between the stock valuations of someone like NextEra (NEE) versus Exxon (XOM) for example, at this moment in the transition.

It's further hyped by the incoming Biden Administration, where John Kerry has been given an invented role as "Climate Czar" and a seat in the cabinet -- apparently. Also, the incoming head of the White House Economic Council is Brian Deese, the sustainability director from Blackstone. LOTSA GREEN there. I also remember similar hype when Obama was coming in – and the disappointment that green stocks delivered after his initiatives were thwarted by Republicans (Solyndra). I expect, without massive political/policy changes that Biden will be far less successful than the hype indicates (again– READ MY BOOK!!!)

SO – what does that indicate for investment opportunities? Well, we certainly didn't buy the bottom of some prime oil stocks (in April when buying ANYTHING made you a lot of money), but there is a lot of room for catch-up from a sector that has underperformed the indexes since – well, since 2014.

We're going for a higher beta here – because the possibilities are that great. And keying on two oil stocks this week: Exxon and Occidental.

Yes, Exxon has become a higher beta stock, with it's slavish commitment to the dividend and frankly the slowest transition plans towards sustainable fuels. For a while, if the growth/value swap stays in place, this will make them OUTPERFORM, compared to the 'greener' majors like Shell and BP for example.

Also, bigger beta in Occidental, which has done good work in trying to patch the many debt-ridden holes in its balance sheet – it still has some of the sweetest shale acreage, even if that acreage is leveraged far, far too deeply (courtesy of Vicki Hollub's desire to be special, which she ain't). Morgan

Stanley still has their lower price limit at 50 cents(!) - but, like XOM, they benefit from the swap thesis and have plenty of room to run – look for a spot early this week, under \$19 if you get it and start a position.

Other big ideas – One sustainable idea is HYDROGEN – which is running way back of the pack comparative to solar and wind, but could get a big boost if Biden and Co. push again for a carbon tax/carbon credit market – and that will help natural gas – look at Devon (DVN) and Range Resources (RRC), and the big spec play on this is FuelCell (FCEL) – which makes nat gas based hydrogen energy modules and has run big, as has Plug Power (PLUG), which forgoes the nat gas part and just make refuelable hydrogen electricity engines for transport – trucks, etc. Both are already somewhat frothy – but hydrogen seems to me the most logical next step that’s been relatively underinvested.

Finally – if you’ve not gotten your complimentary copy of my latest book “Turning Oil Green”, just email me at dan@dandicker.com and request either .pdf or e-book (.epub) format.

And, if you have gotten a free copy, I ask you – PLEASE – if you could leave a review at Amazon. It helps me A LOT.

See you in two weeks.

Dan