Folks,

A special Energy Word alert, considering we just saw each other on Monday.

First, some bookkeeping. You all should have gotten an email from ONSTREAM, providing you with new credentials to access and view the replays and other materials. IF YOU DID NOT, please email me immediately.

Second, I want to reinforce the thesis I drew out for you on Monday with this:

https://www.smartermarketspod.com/goldman-sachs-commodities-chief-jeff-currie-on-esg-carbon-pricing-and-new-technologies/

If you have the time, listen to it. It is an hour with one of the smartest men I've followed in my history in energy, Jeff Currie of Goldman Sachs. I won't list the many, many times he's been a lone voice and right when the aggregate wisdom was wrong over the years. It's happened a lot.

If you don't have the time, let me summarize, using far less complicated prose than Jeff:

He doesn't actually laugh at the 'Green Revolution' questions when they're asked, but his message is very, very clear:

There are no current solutions of renewable energy that can approach the scale needed to offset fossil fuels any time soon – not nearly. In other words, like Mark Twain, reports of the death of oil and gas have been greatly exaggerated. Add Currie's thoughts on the dollar, hard asset valuations and the inflation risks that continue to be out there and you've got a very good reason to be buying oil stocks now.

Here's one more report that came out just yesterday, not in time for our webinar:

https://www.rystadenergy.com/newsevents/news/press-releases/bankruptcy-hit-us-operators-set-to-lose-a-quarter-of-oil-production-in-2021-offsetting-nationwide-growth/?utm_campaign=&utm_content=&utm_medium=&utm_source=twitter

It's Rystad, saying that this round of bankruptcies in the shale patch have been nasty enough that US production won't be able to keep up with returning demand THIS YEAR – and it gets worse going into 2022.

Add THAT to the obvious lag that commodity and particularly energy stocks have had for the last, well, 6 YEARS and the potential is darned good for 2021.

Finally, the high implied volatility of options on stocks seems to be a fixture these days – with outrageous premiums being paid – which means that you are getting HUGE payouts for limiting your upside on many of these stocks.

Here's one insane one from Monday's webinar – FuelCell (FCEL). It continues to be on fire, even since Monday – but let's say you didn't want to wait for a moderating of the share price – and wanted to jump in even now at near to $9 a share (pricey, for sure). Ok, but let's hedge the bet a little with options. Let's say that if FCEL gets to $12 (a 35% gain), you'd be willing to lose the stock, especially if that was only in April this year (a yearly 70% gain (!) on your capital, if it happens). You can sell those calls right now for $2 a share – that's insane. So, no matter what happens, you can bank a return of 45% on your money – even if your calls are NOT exercised. The downside risk is, of course, that the stock gets pummeled sometime between now and April, but still, that's a helluva great way to hedge your bets if you were going to buy the stock anyway.

That's the big advantage for individual investors right now – the insane volatility cost of options. It makes selling calls an almost no-brainer for EVERY stock you buy (nearly). Get some help from a book or a broker and get familiar with these instruments. They're normally for professionals and I usually advise only using them if you are one.

But this market is different. And you need to adapt to it.

ONE FINAL NOTE:

Because the next webinar comes RIGHT at Christmas, I'm putting it off a week – NEXT WEBINAR IS SCHEDULED FOR JANUARY 4th at 4PM.

Have a great Holiday season.

Dan