

Next week we're kicking off a reboot of the entire Energy Word and the dandicker.com website – you may have already seen some changes. And what a week to premiere the new content and services !

Monday's action in the markets was – well, not a first – but a very rare event in the past several years, and one that requires some serious thought.

It isn't often that energy stocks are the leading sector in any day's trading – at least not since around 2014. We saw all the major averages down on Monday, except for energy stocks, which managed to gain ground.

Many folks would say that this was just a reaction to the OPEC+ decision to hold the line on the production increases they all approved a little more than a month ago. Now – you ask me – this was hardly an unexpected meeting result. OPEC rarely changes course quickly and without warning. And while those production numbers might have provided a nice catalyst for investors to pour money into oil and oil stocks, it's hardly the bottom line reason that stocks like EOG Resources completely annihilated Facebook and Amazon – and are having another blockbuster day on Tuesday as oil approaches \$80 a barrel.

I'll tell you what it is, though – it's that long comeback on oil and other fossil fuels that won't quit – the one that I've been telling you all about since December of 2020.

All of those signals of supply destruction that have been building for the previous five years are coming home to roost – all the decimation in US Shale, and all the disruption in OPEC supplies – all of it is now being seen in the rocketing price of oil.

Much of this was hidden from most other observers, fooled by a hopeful rush to renewables, and a new President with his climate change agenda. While many of us, including me, would love to see a world that relies a lot less upon fossil fuels and the environmental damage they cause, there is a reality of how ubiquitous petroleum products are in our modern lives and just how fast we can reasonably remove them.

Particularly in a world where the demand for energy is only growing – and growing FAST, even through a pandemic.

We see this energy supply disaster most clearly in Europe, where energy to major European capitals are being held hostage to the captive supply of Russian natural gas pipelines. But energy is a global phenomenon, and even the United States, despite it's energy riches, is looking at domestic suppliers that have been mortally weakened in the last 6 years, and can't (*and shouldn't*) ramp up supplies to ease these \$80 prices.

What does this mean to us? It means what I've been saying for the last two years: That well-structured, relatively debt-free US independents will represent some generational opportunities in good ol' oil and gas.

Like the aforementioned monster EOG Resources – a core holding pick of the Energy Word for most of the last two years.

Oil? I've heard it all before – It's going the way of the dodo, leaving us as wood and whale oil did before it, doomed to crash on the hot technology of solar panels and windmills and the Teslas of the world.....

When oil stocks outperform some of those hot tech stocks, you have to say to yourself, hmmm.....maybe not so fast.

That's what we've been saying here at the Energy Word for a long time now.

I've got to replay two of my longer term calls today to you paying subscribers, in light of the massive oil rally, then we'll get to some more current ideas. One of them was brilliant – the other – well, not so much.

Let's go upside first: Cheniere. It's been a 2nd tier but core holding for us and in my portfolio for quite a long time now – and we're sitting back at this stage. If it's not in your portfolio, it should be, because it's not done going up – maybe today's drop will allow some buying under \$95, I don't know. Anyway this quote from my letter of – get this – November, 2019, when LNG was trading around \$60 (and right before a certain pandemic started):

“And Cheniere. They reported well, but Mr. Market still hates them. That won't last. One day, you'll wake up to Cheniere trading \$85 on it's way to \$110 and you'll wonder what happened. The answer will be nothing except the market finally got the story and is responding. We'll be sitting back then.”

Now for the loser – Occidental. They're now crawling back over \$32 after being a solid \$75 during the 2010's. I've long since traded out of this turkey (with a nasty loss to show), and happy to be gone – I won't be going back anytime soon. Here's my quote before I committed to a decent shot on OXY back in April of 2019:

“I think the best play is Occidental – hammered by the prospect that they might put in a higher bid for Anadarko, after reportedly getting shut out of the deal after already bidding \$10 a share higher.

Forget about my feelings on the Chevron buy being way overvalue – for OXY, a higher bid would be ridiculous – the dilution, break-up fees, proxy costs – if that happens, they're dumber than dirt. And they're NOT dumber than dirt. I'm buying more OXY here in a covered call strategy like this:

Buy OXY at \$64, Sell August \$67.50 calls at \$2.20 – I'll leave out the math here, but you're basically locking a yearly return of 15% if those calls aren't hit – and another 5% on top if it is. All risk is to the downside, which is not insignificant – BUT REALLY ONLY DEPENDS ON OXY making a very, very stupid competitive bid for Anadarko.”

Proving, I guess that OXY CEO Vicki Hollub was dumber than dirt. But so was I, in that case. It happens.

I hope that you took last week's letter to heart and got some natural gas stocks on their very short drop last week – if you did you were immediately rewarded in RRC and COG and EQT – whatever your choice. Options continue to make these nat gas stocks GREAT 'buy the dip' stocks. On every dip, you see the volatilities blow into the 40% range for them – and they again manufacture money for us.

That is the message I have for you this week. There is a FUNDAMENTAL change going on in this market when you see energy stocks outperform tech two days in a row. It's not just a fluke – it is the market recognizing the lack of value in other sectors and finally realizing the value in energy. That seems to me to be a trend that is bankable for the medium term.

We are now in the mode of buying dips when we see them – with natural gas being the focus and some E&P's in shale. This does not apply to services or pipelines still, despite their laggard recoveries – stick with the higher beta now that they've cleared some barriers and have momentum.

You want something new? Conoco-Philips (COP). It's a total breakout, and the buy of Permian assets from Shell was a masterstroke, just as Shell continues to fantasize that they're not an oil company – I got news for van Beurden – they are. You know XOM remains a core holding, but I'm swapping out other Euro majors and going all US here and beginning a position with Conoco. They're overpriced, but I'll start nibbling under \$70 and buy a chunk where they broke out at \$65 if they get there. And YES, I'll use options with them, too.

That's all for this week – look for the big roll out next week and with the webinar and website offerings. New spreadsheet documenting the portfolio in real time coming too.

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