

Oil has been a less than stellar investment through the summer, and now that the Fall is upon us, it's not looking much better – despite all fundamental cues to the contrary.

It's not that the oil market doesn't have some bearish news that is working on it's price – after all, the Fed continues to posture hawkishly and most analysts are [expecting another 75 point bps](#) increase in interest rates this month on the heels of a similar rate raise in July. Powell is committed to getting inflation under control it seems, and after seeing this weeks energy protests in the streets of Chile, Indonesia and European nations like Italy, Germany and the Czech Republic, he is clearly targeting OIL, first and foremost.

I'm not one to 'fight the Fed', and I don't minimize the power that the Federal Reserve can have on commodity prices. But it's also not as if there aren't other, incredibly bullish oil signs to point to that might have the last say on oil prices and our oil stocks.

The most important being what is going on in Europe and with Russia.

The 'kabuki theater' of Europe's proposed ['price caps' on Russian oil](#) reached it's obvious conclusion this week: Faced with the 'threat' of imposing price limits on Russian energy exports, [Putin responded](#) in the only possible way – by [shutting down Nord stream](#) and halting it's natural gas exports.

What did they think was going to happen? Putin singularly controls Russian oil, and his leverage into Europe (and their Ukraine support) is equally [singular with his natural gas exports](#), which Europe has built much of its economy upon – to their current detriment.

But the market's reaction today, dropping another 3 ½ dollars down to \$84 a barrel – THAT isn't so clear to me.

Someone explain to me how removing a major supply source of energy from the global supply chain [causes prices to GO DOWN](#). Explain that, and then rewrite the introductory economics texts while you're at it.

No, it's all about Powell and Europe and their political imperative of getting inflation and therefore oil prices under control, and stopping the riots in their streets that has panicked the oil markets and oil traders -- and they're all running for the hills, no matter what the other fundamental news is.

The Russian supply cut-offs from Europe aren't the only incredibly bullish factors working in the oil markets right now either.

OPEC just announced a 100k a month oil production cut, which in practical terms may not mean much – after all, they had made production increases and didn't come across with those barrels either. Still, it is a very sure signal from MbS and the rest of OPEC that the Arabs are [not about to stand still](#) while the US and other Euro governments try to jawbone prices down.

Biden may have the FED – but the Saudis have something more important – the SPIGOT. And they're signaling that they're ready to use it.

Who's going to ultimately win this war on price? Well, unless Powell and Co. are willing to literally send the global economy into a death-spiral recession through massive unrelenting rate hikes, crashing

the stock markets, well, I'd rather bet on the real life energy shortage that's upon Europe and the guys turning the valves to the oil and gas pipelines – and that means OPEC and Putin.

Despite the crush going on in oil prices, oil stocks aren't (yet) fooled and don't strike me as terrific value here. Sure, EOG is down from \$128 to \$118, but boy – that's still a long cry from the great value we got in mid-July when it was trading in the mid-90's. Similarly, XOM at 94 bucks isn't back to 84 bucks, or Cheniere at \$156 instead of \$120 – or on and on I could go.

So, while I think the current move in oil is - uh – unsupported by the facts? - the opportunity in oil and gas stocks just isn't there for me to get excited about. I cannot help but bless any investor who has been waiting for any dip in energy stocks to increase a holding – but I would caution about investing aggressively here.

Instead, I've been toying with Copper. It's had a perfectly horrific year, mostly because it is normally tethered to construction and growth metrics, both of which have gotten destroyed in 2022 (check out SHW or SWK). But Copper will also be the first to recover when the recession starts to ease, as well as when the move towards renewable energy sources again pick up steam. None of those are on the horizon immediately, but stocks like Southern Copper (SCCO) are so damn cheap, we can afford to hold them for the dividend and with options that still are in the 40% range.

For a SMALL investment:

Buy SCCO @ \$45 Sell Dec 50C @ \$2.20 = $2.2 \times 3 = 6.6 / 45 = 15\%$ annualized + 6.66% div = 21.6%

that's all for this week

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