

Oil, despite its Tuesday morning rally, continues to look terrible. [Traders are piling on to the short side](#) of oil markets after the announcement by Saudi Arabia over the weekend of dropping crude oil prices to Asian markets by two dollars a barrel. Is this a sign of – something bad?

Well it's not good.

In the time since the Russian invasion of Ukraine and the 'bifurcation' of the OPEC export markets, Chinese oil imports have been mostly left to Russia and Iran, while the Saudis and other 'Western friendly' OPEC members have mostly had to satisfy themselves with markets in Europe and the US.

The US has proven to the Saudis to not be the post-pandemic buyers of their dreams. US production has now reached more than 13.2 million barrels a day, a record. And demand for refined products of all types has still not reached the levels we saw before the pandemic hit, and are looking fairly weak and dropping in recent months as well. (SEE ABOVE)

Meanwhile, [Iran has stalled their oil exports into China](#) looking for more than the very advantageous deal that the Chinese have negotiated since the application of deep sanctions by the West against Russia and Iran made Chinese export oil markets the only game in town.

Into this mess, it seems the Saudis are now wading in. Chinese growth and oil demand post-pandemic has hardly been stellar, certainly even more disappointing than here in the US. Europe is continuing to focus on natural gas, where weather and good forward planning make both coal and oil less of a priority.

Are we seeing a new price war beginning among OPEC members?

Even if we're not, there seems little else to like about oil markets, despite the fact that traders are pretty much all in on the short trade, probably the only reason that oil is up nearly \$2 a barrel today. I'm not calling a lower target for crude, but as I said in my 2023 recap, I am more and more viewing mega-cap oil companies as little more than utilities, and needing value in share price versus their dividends to make them compelling in this environment. For example, I'd like to see Exxon-Mobil (XOM) get closer to \$95 a share before committing more capital to it. Jeff Currie, the recently departed head of commodities for Goldman Sachs, is a lone voice in seeing 2024 as setting up for a great oil year, even in January. I think his outlook on commodities other than oil is correct, and we have been quick to recognize, build and retain positions in strong raw material stocks like Freeport-McMoran (FCX) and Southern Copper (SCCO). But in oil, it seems that more pain is more likely ahead before the 'universally expected' Federal Reserve rate cuts hit and lessen their grip on inflationary targets like oil.

For now, there is only one sub-sector of energy that I can possibly recommend, and that is only if you haven't already added it as part of your portfolio – and that is renewables. If growth is the 'mother's milk' of stock gains, then solar, wind, nuclear and associated infrastructure are the most likely to benefit from a relaxing of interest rates in 2024 and potentially see double digit growth in 2024.

I have recommended First Solar (FSLR) as a pure panel manufacturer before and will do so again here. In addition, NextEra Energy (NEE) is a full service transport, installation, infrastructure and consulting renewables specialist. Finally, I have searched long and hard for another renewable stock that I find interesting – I do not see how consolidated utilities with renewables exposure like Duke Energy or Dominion fit our targeting, nor do I find nuclear or hydrogen stocks compelling at the moment either. Despite the fact that I normally hate jumping on to fast-flying, infant corporations, I cannot help but

continue to notice Constellation Energy (CEG), only now turning two years old and already four times its initial price. Still, it is targeting solely renewable sources, is clearly executing spectacularly well, is solidly capitalized and turned the corner in 2023 with real revenues (if only tiny ones) that are set to grow massively in the next two years. It is a “utility” with growth and worthy of a part of our portfolio.

Buy NextEra (NEE) @ \$62.60 –  
Buy First Solar (FSLR) @\$165 -  
Buy Constellation (CEG) @\$116 -

all of these are supplemental to our energy portfolios and not core investments (so take it easy). Call selling of options is – uh – optional on all three, but I would set strike prices relatively high, around 10% for 5-6 months. So, for example:

NEE – sell JUN 67.50C @ \$2.60  
FSLR – sell JUN 180C @ \$16.25  
CEG – sell MAY 130C @ \$3.30

That’s all for this week

[dan@dandicker.com](mailto:dan@dandicker.com)