

How I See It: Part IV (Energy)

Warm weather, over supply, quiet in Iran, Venezuela and Nigeria, China's growth slowing down, and Wall Street turning its back. **What's an energy Bull to do? Yes, that's right, I am an energy Bull.** As much as the President talks about alternative fuel sources and cutting our dependency on foreign sources, I just don't see it. I'll grant you that we need to reduce our foreign dependency and we need to develop alternative fuel sources. We've been saying that for over 30 years, since the Nixon days. It also concerns me that corn goes from food to energy (ethanol). That kind of trade off makes beef, chicken, and anything else fed with corn a lot more expensive. So it would appear we're still stuck with oil and gas as our primary fuel sources for quite a while.

When you're captive to something you're at the mercy of many things. Let's examine a few:

Saudi Arabia originally supported OPEC's cut in production of a million barrels per day. However as the price of crude fell they were uncharacteristically quiet about the lack of impact. In fact, they said another OPEC meeting was unnecessary. Yesterday, they reversed course by announcing a cut of 158,000 barrels per day, commencing Thursday. Always watch what they do, not what they say. **A major positive for the Energy Bulls.**

In the past week, the balmy weather turned to a deep freeze and orange farmers from California to Florida where announcing major distress. However, we all stayed warm by turning up the thermostat and utilizing our home heating fuel, or natural gas. There goes the warm weather and there goes the over supply. **A major positive for the Energy Bulls.**

Chavez in Venezuela is talking nationalization of oil companies, Iran is playing war games, and the Nigerian rebels are once again kidnapping oil workers. There goes the peace and quiet in the major oil producing countries. **A major positive for the Energy Bulls.**

Any thought that China would slow down and their need for energy be reduced was blown out of the water when they announced their 2006 growth rate of over 10%. China's energy needs remind me of the plant in "The Little Shop of Horrors" that kept saying "Feed me, Feed me." Unfortunately, at our expense. **A major positive for the Energy Bulls.**

Yesterday, it seemed that the world and Wall Street came to a collective agreement: It's time to buy oil and natural gas. Oil was up over \$3 per barrel. It was the biggest one day move since the Gulf War. Remember that other Bush? Not to be outdone, natural gas moved up over 12%. Pretty impressive for two energy sources that a lot of people were saying was passé. **A very major positive for the Energy Bulls.**

Sometimes, successful tactics don't coincide with arbitrary dates, specifically December 31st. However, making money is not about time frames, making money is about setting strategy, implementing tactics and letting them work. Right now, it would appear the energy tactic is definitely working.

Till next time,

Bill

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