



Valero & Schlumberger

← I'm going to tell my kids that's *Valero and Schlumberger*.

I could sit and stare at stock performance until the sun comes up, especially if I own them, so I draw the line at a 2-sigma move. There were four 2-sigma rallies on my selfish stock monitor yesterday – NEM, PTON, SLB, and VLO.

I covered one eye, stacked them up by technical merit, and came out of the exercise wanting to buy energy companies. One of the charts put me to sleep (NEM.) Peloton (PTON) is worth watching. I'm long physical Peloton at these levels, as in the bike and the new treadmill, which easily runs for 5 hours a day in these winter months. The stock has round-tripped to the IPO price, the CEO was just replaced, and the momentum is still down. It may be a buy down here, but we would still be catching a falling knife in our teeth. That's not my style. I'm a momentum guy.

There were two charts in that group that made me instinctively salivate. I almost took \$500 out of my pocket and threw it on the desk in front of me because I wanted to double down on Valero and Schlumberger. The only dealer in this game is Mr. Market, so it might be time to upsize our bets. You heard Jeff Currie at The Goldman Sachs yesterday:

"We are out of everything; I don't care if it's oil, gas, coal, copper, aluminum, you name it, we're out of it."

When you follow up that statement with a quick read of Goldman's aluminum call this morning, "**Pricing Without a Buffer,**" you get the gist of the situation in no time. Given the lack of natural gas and forced supply rationing in coal across China, aluminum smelters will come up short of aluminum supply. Demand is robust, so aluminum is on a "**path to inventory depletion**" by 2023. Just like everything else, right?

There's not enough inventory to get through projected deficits. There's an "**unprecedented level of tightness ahead.**" What does GS do with that information? They raise their price deck. They're now predicting average prices of \$3,450/ton in 2022, \$3,850/ton in 2023, \$4,500/ton in 2024, and \$5,000/ton in 2025. Allow yourself to get bullish after LME aluminum held its 200dma like a charm in 2021 and ran off to the races in 2022. Last sale is \$3,200, the recent high is \$50 away, and then we'll start making our way toward Goldman's 2022 average price of \$3,450/ton.



Alcoa is still on the radar screen. When GS says, "**we believe aluminum markets are facing a melt-up in prices this year,**" it's clear we need to plot a serious entry to AA.



Then Currie got to oil & gas and said: **"Oil has now teed itself up to look very much like European gas and power."** I jumped out of my [expletive] chair and threw my hands in the air.

He's talking about the situation we identified, like ally, where demand keeps rising into exceptionally low inventories, and we wind up with this continuation rally into the \$90/barrel range and beyond. Under these circumstances, I'd be happy to bet piles of money on one oil services behemoth and one major refinery that keep landing at the top of my Leader Board. The individual charts of SLB and VLO made me proud to be long IGE, our prize possession natural resources ETF, which also notched a new closing high for the move.

Schlumberger (SLB) and Valero (VLO) are holdings #7 and #17 out of 115 companies in the Natural Resources ETF, and they're dressed in soft pastel colors. They make up almost 5% of IGE, so let's be a full-throated cheering section. Go to the [ishares.com website](http://ishares.com) for the balance of the holdings. We are long the king's ransom of U.S. and Canadian oil & gas companies (E&P, oil services, and refiners,) major metals & mining names across base and precious metals, large-cap specialty materials companies like Vulcan Materials and Martin Marietta, and a few paper & packaging money factories (IP, PKG, GPK.) These are resources essential industry is gobbling up.

I can tell IGE 2022 will be my homebuilder sector of 2021. We successfully got in and out on the long side three times and crushed the move higher. The rise in yields has put homebuilders temporarily out of favor, but I've made the case natural resources are set to roar. That's the horse I'm betting on as a TOP PICK for 2022.

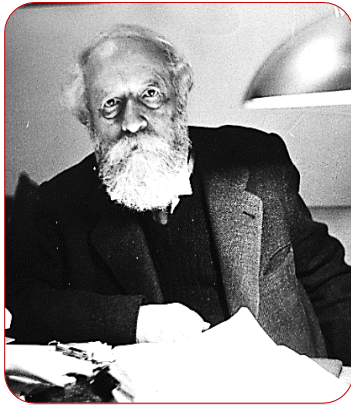
Marathon Petroleum (MPC), another major U.S. refiner, wasn't far behind Valero on my leaderboard with a new closing high for the move. The stock has rallied 9 of the last 11 weeks, once for 11%, and its breaking technical resistance levels on the reg. Refiners are a simple business. They're benefitting from the market's transition from the end of lockdown into record gasoline demand. When gas-at-the-pump margins expand, refineries will beat earnings and likely outperform. That's why I chose an ETF that carefully included refiners.

The technical analysis is straightforward. Valero just broke out of a one-year consolidation range. Schlumberger took out the 2021 high at \$38 and is working toward the 2020 peak at \$41. They're both about to go on a tear. Choose a specific Natural Resources weapon. Or take IGE and bid it.





STUDY BREAK



“Some events are in the area of the soul where words cannot penetrate.”

– Neal Cassady, born February 8, 1926

“The desire to know your own soul will end all other desires.” - Rumi

“When two people relate to each other authentically and humanly, God is the electricity that surges between them.”

- Martin Buber, Jewish Philosopher, born February 8, 1878

“What is a friend? A single soul dwelling in two bodies.” - Aristotle

“All real living is meeting.”

← Martin Buber on lockdowns which, as we speak, are being memory-holed by the media. Never forget.

“But if it be a sin to covet honor, I am the most offending soul alive.”

– William Shakespeare

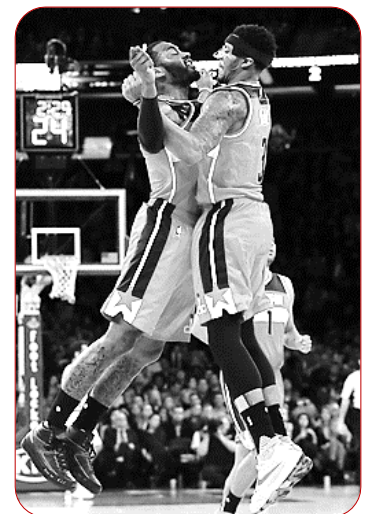
“An animal’s eyes have the power to speak a great language.” – Martin Buber

“The real struggle is not between East and West, or capitalism and communism, but between education and propaganda.” - *Ariel chest bump Marty B.*

DIALOGICAL PHILOSOPHER

***“Sometimes I sits and thinks.
Other times I sits and drinks,
but mostly I just sits.”***

- Neal Cassady was lousy at subject-verb agreement.
Nobody cared.



“Play is the exultation of the possible.” – Martin Buber



View Matrix

AA even traded into my Entry Level and I was afraid to add it.
A trader only makes that mistake once with new information.

VIEW MATRIX					
LONG	TICKER	Added	REASON	ALL BETS ARE OFF	TARGET
Oil and Gas	XOP	2-Dec-21	BTF Omicron D	< \$94	\$125
Natural Resources	IGE	2-Dec-21	Buy dip to tech support (\$30)	< \$30	\$35
Financials	XLF	6-Aug-21	Technicals and RATE RISE	< \$38	\$42
UPSIZED	DBA	27-Apr-21	Agriculture breakout/inflation pending	< \$19	\$35
OIL	USO	11-Nov-20	Restart prospects are bullish	< \$45	\$75
Physical Gold	PHYS	24-Mar-20	CURRENCY HEDGE/INSURANCE POLICY	COLLECTOR	FOR LIFE
SHORT	TICKER	Added	REASON	ALL BETS ARE OFF	TARGET
The Nasdaq	QQQ	21-Jan-22	Technical breakdown into rate change regime	> \$380	\$300
Social Media	TWTR	5-Jan-22	Censorship and a dreadful CEO choice	> \$42	\$1
Retail	XRT	11-Jan-22	Technical curlover into HIGH inflation	> \$90	\$60
RADAR SCREEN					
BULLISH	TICKER	Added	REASON	ENTRY LEVEL	TARGET
Cannabis	MSOS	7-Feb-22	IPO Price retracement + Oversold	\$24.50	\$35
Aluminum	AA	1-Nov-21	capitalize on Aluminum dip.	\$37-\$43	< \$60
BEARISH	TICKER	Added	REASON	LEVEL	TARGET
Alternative Energy	PBW	18-Jan-22	Persistent weakness into technical breakdown	\$70	\$40





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