Saudi Arabian King STILL Controls the World's Oil Market!

What's really going on in the world's oil market, and why the misery isn't over.

In this issue:

- **One area in the oil patch that is a tailor made Warren Buffet play that could pile on profits of as much as 50%in the next 12 months**
- **Why $30 WTI wouldn't last long if its hit.**
- **How we will use the 17 digit code method to get into companies like Apache, Anadarko and Chevron for some giant gains, and some short term cash generation. as oil dips a little further.**
- **Why Donald Trump's Pending GOP nomination is extremely bullish for solar energy stocks.**

OPEC's latest meeting kicked the legs out from under crude oil's $40 support level and at the same time push the world's stock markets into a rather abrupt and steep decline .

Investors, professional money managers and market analysts are growing increasingly concerned over the lack of liquidity in the high yield debt market. Make no mistake oil and gas exploration and development companies both private and public rely on the high yield bond market heavily.

In the decade long run up in the price of oil, very few $120+ oil but fewer believed that oil might crash because of oversupply. Companies and countries could easily finance oil and gas projects as long as they were pay a premium, a higher yield.

The long list of highly leveraged oil and gas companies attests to the ease with which higher yield debt could be found. The recent plummet from the mid forty dollar level now to the mid thirties has the high yield debt holders wondering if they are going to be .. *left holding the bag.*

The illiquidity and growing difficulty of tapping into high yield bond market to roll existing financing could be so harmful to Canada's oil sand producers we could see that sector of the oil market come to a standstill. It's surely killing scores of new loans for new exploration and development deals in entire American Hemisphere.

If WTI dips to $30 I expect a large number of dramatically discounted asset sales, bankruptcies, and shot gun mergers in the oil patch.

The panic and pain in the oil market is an intentional strategy by Saudi Arabia's King to literally manipulate the world's oil and financial markets.

In 2003 I wrote a book titled "Global War for Oil: Why Oil was heading to $100 barrel". Much o f the book was spot on, oil surged to over $100 a barrel but what I didn't see coming was the acceleration of technologies that was taking place that would unlock potentially trillions of barrels of oil from shale and from the most hostile environments in the world.

While this is the second year of a massive decline in the price of oil. This year alone we've seen a 33% collapse in the price of oil. The impact of the sharp decline in the price of oil has been predictable.

The number of operating oil rigs in the United States has fallen to just 524. That's from a high of 1600 producing oil rigs at the beginning of 2015.

The misery in U.S. oil production continues to fall. In just the first two weeks of December, another 21 oil rigs have been shut down. We the 8th straight week the number of operating rigs decline. The shut downs are likely to accelerate if WTI falls to $30 a barrel. If the International Energy Agency (IEA) is right, there's going to be more demand side pressure pushing down the price of oil in 2016.The IEA lowered its oil demand predictions for 2016, citing the continued economic malaise in Europe, continued necessary pressures in South America and harder landing in China. All of which would justify lower oil consumption around the world,

The downside pressure on the price of oil has also been exacerbated by the steadily strengthening U.S. dollar the past few years.

Despite $18+Trillion in debt, the U.S. dollar has defied gravity and continues to flirt with higher and higher exchange values versus the virtually all the world's currencies. The pressure up on the dollar and down in the price of oil is likely to be aggravated further by the Federal Reserve's.

Fed Chairman Janet Yellen's signal she intends to go ahead with a December 21, 2015 hike in the Federal Discount rate will only serve to strengthen the dollar. The balancing act between lower oil prices and higher U.S. interest rates is likely to guarantee we may see a one and done rate hike now and through 2016.

Especially of monetary and interest rate policies in Japan, Europe and China, At the ECB Mario Draghi, the Chairman of the ECB continues to indicate he's willing ..."to do whatever is necessary" to prevent deflation in Europe and stimulate growth.

It's a good bet we're going to see both a sub zero interest rate environment Europe for a few years. We're also likely to see the European version Quantitative Easing (QE). Japan's efforts to prevent deflation and negative growth have employed both a negative net interest rate and its own version of Quantative Easing.

Throw in the trillions that China says it will spending in the public sector and it looks like the strength in the dollar will continue for at least another year.

As a subscriber of *Gold and Energy*, you know that we have been on the sidelines waiting patiently to launch our 4th Oil and Energy Stock portfolio. It is coming soon!!!

There are an incredible number of "expert" energy analysts that are predicting $30, even $20 WTI.

They argue that the supply side in the world oil market isn't going to be impacted all that much by the dramatic shutdowns of oil rigs. Insist that the Saudi "glut the oil market strategy" will be compounded and strengthened by Iranian oil supplies hitting the world market 2016.

The bears also argue that even if it costs more to take oil out of the ground, many large oil producers like Russia, and Iraq will still sell their oil because they need cash flow.

I'm sorry but there's a limit to the pain here in North America. The evidence is the plummet in operational oil rigs. The illiquidity in the high yield interest rate market. U.S. oil production will likely dip a million barrels or more in 2016. A drop in WTI to $30 wouldn't last long because it would halt and slowdown oil production in the US, to well under 9 million barrels. We'd inventories decline and the price of oil back up over $40.

The Saudi oil strategy is designed to cause as much intense pain as possible so as to discourage oil exploration and development projects for the next 5-10 years by financially stinging potential competitors in the market.

Even with technological advanced breakthroughs in the production of oil, Iran, Russia won't be able to make money selling their oil until its back over $55 a barrel. In the case of Iran its closer to $65 a barrel because its oil industry is in horrible shape. Financing new oil drilling is going to very hard for years much less in the middle of a war zone.

Keep in mind, the ability of Saudi Arabia strategy of flooding the oil market will not be forgotten by both private and country oil producers long after it pulls back on its production. The Saudi's are capable with the help of their Middle-East oil Kingdom allies to flood the world market at will. Turning on and off the flow.

Until the past twop years U.S. and Russian oil production had been growing rapidly. In large part this was driven by new efficiencies delivered by an acceleration of technologies that revolutionized oil recovery from shale.

The Saudi's because of the new U.S., Canadian and Russian production could no longer simply cut back on supplies to move the price if oil up, as it had since the 1970's. So, have skinned the cat, regained control of the oil market by flooding the market - to first drive the price of oil down. Do as much damage to the world's competitive oil producers and restore its ability to set the rules in the world's oil market, including the world's price.

The Saudi oil glut strategy has already been very successful. Look at the impact.

The dramatic decline in the price oil has not only be been devastating to U.S. and Canadian producers. The price decline has literally crippled Mexico's and Columbia's oil industries by idling 42% and 57% of their oil rigs.

The only country in the world at present that is still increasing its rig count is the cash starved Venezuela. The Venezuelan state oil giant known as PDVSA has been adding rigs at a furious pace to search for new sources of crude in a desperate attempt to struggling to shore up slumping output. But this ramp up in production is destined to come to an end soon.

The country's collapsing economy is being aggravated by a lack of U.S. dollars needed to buy and lease equipment.

LATIN AMERICA

Things that will happen if Venezuela implodes

Silvana Ordoñez | @SilvanaCNBC
Wednesday, 25 Mar 2015 | 2:57 PM ET
CNBC

Meridith Kohut | Bloomberg | Getty Images
Women shop at a private-sector grocery store in Caracas, Venezuela in February.

The economic situation in Venezuela is so bad it's no longer if but how quickly the wheels fall off the bus.

While we are hearing all about Donald Trump and Daash terror attacks Venezuela's south and central American neighbors are focused on and bracing themselves for the inevitable chaos a Venezuelan economic and social collapse will bring.

A military takeover of the country in wake of the huge electoral victory of Maduro's opposition looks increasingly likely. This of course will not help the richest oil nation on planet earth increase its oil production/sales,. A military takeover in this Central American nation will only further aggravate the slumping oil production from Venezuela for years.

Even if WTI oil doesn't dip to $30 I expect a slew of oil Canadian and U.S. Oil companies to default on their bonds in 2016.

Some of the best known juniors, oil trusts in the industry are literally going to struggle month to month to keep their doors open and existing production viable if only for cash flow.

Many North American Oil Companies are Upside Down Financial and in Peril


U.S. Shale Drillers Are Drowning in Debt

by Bradley Olson
bradnews

September 17, 2015 – 5:52 PM EDT Updated on September 18, 2015 – 12:57 PM EDT

According to Bloomberg recent reports the debt of the companies included in the Bloomberg Oil Producers Index could put as much as ...

> *"400,000 barrels a day of oil production is at risk as U.S. shale companies like Samson Resources Co. run out of money and are forced to slow drilling.*

"Total debt for half of the companies in a Bloomberg index of more than 60 producers has risen to a level that represents 40 percent of their enterprise value."

Russia may be forced to the negotiating table with Saudi Arabia and OPEC representatives now that it's become intensely targeted by same Muslim extremists groups targeting Western Assets worldwide!

Let's take a look at the Saudi oil glut strategy with regard to Russia.

Simply put the Saudi's want to financially cripple Russia. Russia has become a serious nemesis. The Russian's are backing the Iranian Shia Theocracy that is now in virtual control of Iraq. They Russian have physically stationed military troops, high tech weapons and jet fighters. They're now pounding even pounding Assad's enemies with cruise missiles.

The Saudi's understand however that Russia has an Achilles heel. Despite Putin's propaganda, the west's economic sanctions are increasingly painful for Russia. The Russian economy could contract, be in recession for a few years. It's been forced to pump and sell oil without regard of cost.

There's evidence despite the use of cruise missiles that Russia military costs may be catching up with the country's ability to finance them. Russian military jet fighters have run out of high tech laser guided precision bombs. and missiles in Syria. No re-supplies have yet arrived.

The clash with Turkey over Russia's bombing of indigenous Turk populations and anti -Assad forces has finally driven Putin to the at least start to consider agreeing to a post Bashar al-Assad Alawite regime.

The ISIS/ISIL (Daash) downing of the Russian passenger jet in Egypt has confronted Putin with the danger of becoming a constant target of the Muslim extremist terrorists at home and abroad.

<u>Russia's military focus on free-Syrian forces did little to buffer the Russian Bear from being a terrorist target.</u> The terrorist nightmare unleashed on Paris November 13th that thrust France into declaring War, and even rallied the British to finally commit its country to military action further forces Russia to make some serious compromises.

Despite Putin's bravado he isn't a fool. He understands he cannot battle the west over the Ukraine, suffer under the weight of sanctions and at the same time wage an expensive war just to keep one dictator in power.

The refugee crisis produced as a result of Bashar al-Assad war against Syrian civilian population making for increasingly hostile diplomatic exchanges with Germany which has this week also joined the U.S coalition with 1,500 military troop and air power.

Sooner or later Putin will have to pull his military forces out of Syria and agree to help remove Assad from office. D

Don't expect the bombing of Syrian and Iraqi oil fields to spike an oil rally. If Daash starts targeting Saudi and OPEC Oil production and transportation oil would then likely spike higher.

France, England and the United States are dropping bombs on oil transports and oil production targets in Syria and Iraq - something that would have sent oil prices soaring a few years ago. So far no such move up.

Last updated: December 3, 2015 7:22 pm

UK's first air strikes on Syria target Isis oilfields

Josh Noble and John Murray Brown in London

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The UK has launched its first air strikes in Syria, hours after MPs overwhelmingly endorsed Prime Minister David Cameron's plan to bomb what he called the "medieval murderers" of Isis.

Four Tornado jets took off from the RAF's Akrotiri air base in Cyprus and struck targets in Syria early on Thursday morning.

To be clear, these bombings of oil assets in Daash controlled territories will have little effect of the surplus oil supply situation world-wide but they will have a psychological effect on investors and speculators viewing the massive oil explosions if they go on longer term.

Targeting Daash oil targets in Iraq and Syria may result in return fire at Saudi and OPEC oil assets in the middle-east and Africa. A few terrorist attacks on those oil assets and the price of oil could leap.

The 17-digit code strategy is a surrogate for Put Writing as opposed to actually buying shares of oil companies

Long time subscribers know that much of our success in navigating the oil market since the start of publishing ***Gold and Energy*** has come from both writing calls against shares we have recommended to reduce the average cost of each share acquired while the market trend has been calm, and writing PUT options instead of buying shares.

PUT writing allows you to take in cash in exchange for the commitment to buy shares of an oil company until a specific date at a specific strike price. If you have to buy the shares, your net cost is the cost of commission plus the cost of the shares minus the options premium deposited in your account when you sold the PUT option.

When the market is positioned rise and rises after you have sold PUT options the result is usually your keeping the cash on expiration date and not buying the shares. Conversely if the oil market declines the stock is usually is delivered in your account for the cash you've held for the purchase of the shares equaling the amount committed to by selling the put.

For Example...

One of my favorite oil plays over the next 10+ years has been **Anadarko Petroleum (APC).** Right now, APC is trading for about $49+ a share. The picture is still bearish based on the weekly Erlanger Crossover Spread (EC Spread) I used to pinpoint the ending of sell offs and beginning of bullish moves higher. So the following is an example NOT a recommendation.

If you sell a January $50 PUT option you can bring in approximately $3.25.

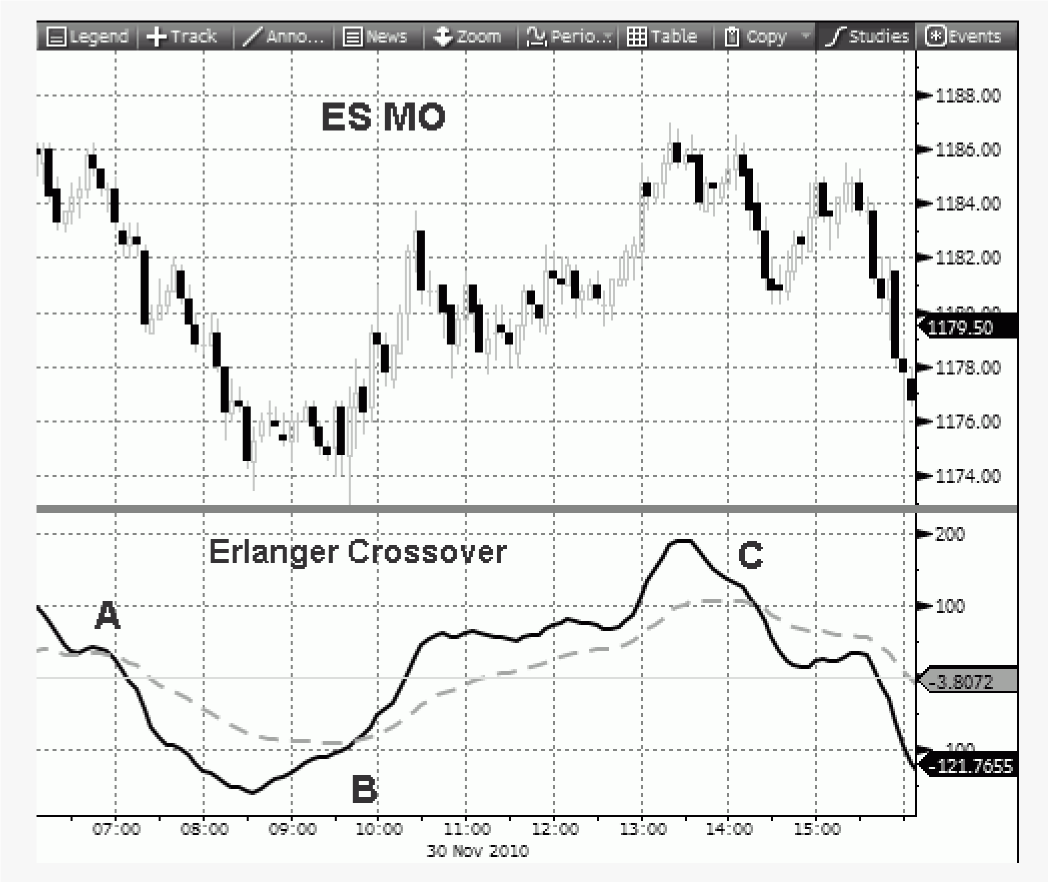
Selling one January Put **APC16115P00050000** would commit you to buying one hundred shares at $5,000, selling 5 PUTS commits you to buying 500 shares at $25,000. If by the close on the 3rd Friday in January, APC is over $50 a share you get to keep $325 for every Jan $50 Put option you sold (less commission and brokerage fees).

Analysis of the oil market and price movement in APC which amounts to1.3% of return on investment for tying your cash up for 45 days. Not bad in a 1.3% a year interest rate market available at the bank. Execute this strategy on APC four times a year and it may well net return on investment (ROI) you over 5.2% annually. Not bad but long time subscribers know we have done better, much better.

This strategy works best when it is executed in short 30-45 day periods when a trend up is starting. We rely on the ErlangerChartRoom.com and its EC Spread indicator on a daily basis the most on determining if we are in up or down movement and whether the trend underway is new or ending.

Erlanger Crossover

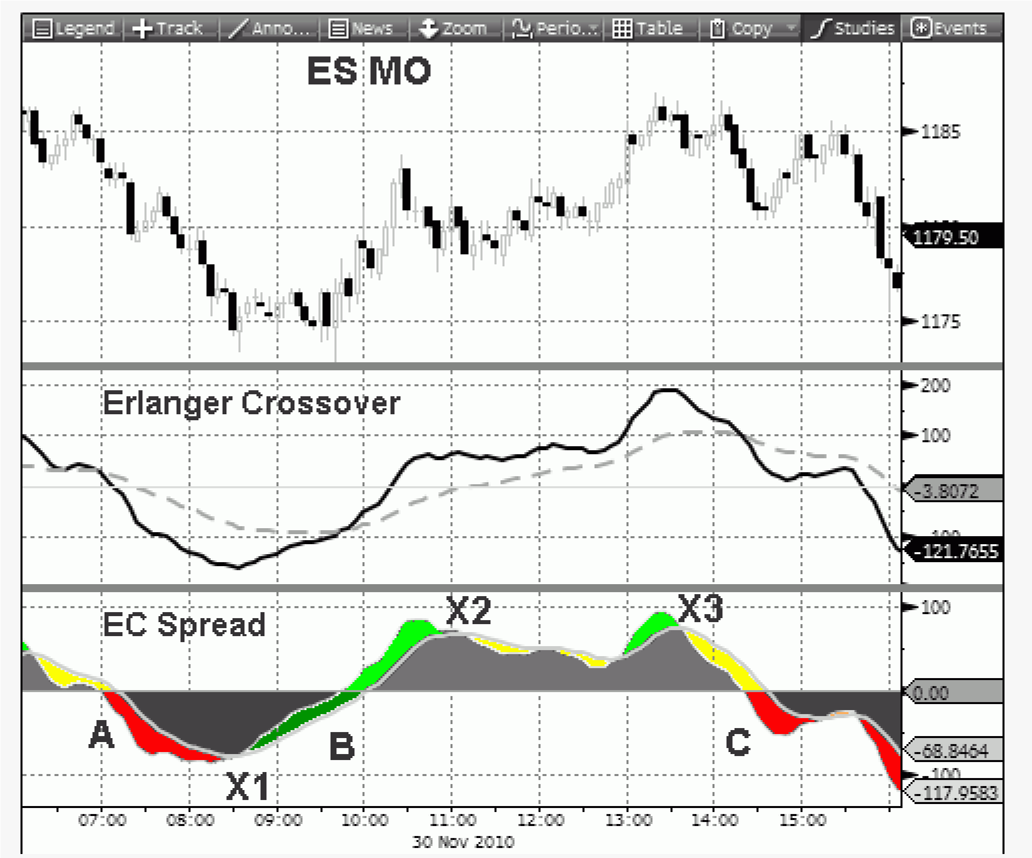
To understand **EC Spread** we first need to look at **Erlanger Crossover** which is primarily a trigger indicator. Trigger strategies are patterns in an indicator that typically point to a time to execute a trade. The Erlanger Crossover uses true range technology to eliminate whipsaws while maintaining timely trigger signals.



The trigger mechanism in the Erlanger Crossover is a simple process of buying when the fast line (plotted as a solid line) rises above the slow line (plotted as a dashed line), and selling (or short selling) when the fast line moves below the slow line. As is the case with all triggers, it is helpful to have appropriate setup indications in place before acting upon such trigger indicators. In the above chart, the S&P 500 e-mini contract (ES MO) is plotted on a 5-minute basis, The Erlanger Crossover turns negative at points A and C, and positive at point B.

The EC Spread Measures the Momentum of the Erlanger Crossover

Notice that the Erlanger Crossover fast line turns direction substantially ahead of the actual crossover. This momentum of the Erlanger Crossover is at the heart of the EC Spread which is simply the difference between the Erlanger Crossover fast and slow lines of the Erlanger Crossover.



The EC Spread is a multi-use tool. It has the trigger information contained in the Erlanger Crossover, setup patterns that often precede price direction changes, and as a traders tool for money management.

The EC Spread also has its own signal line which acts to identify clear changes in the direction of the EC Spread (i.e. the momentum of the Erlanger Crossover.) The key indications of the EC Spread occur when the EC Spread moves through its signal line, and also when the EC Spread moves above or below its zero level. The latter is, of course, another way of depicting crossovers of the Erlanger Crossover, and as such is a trigger mechanism.

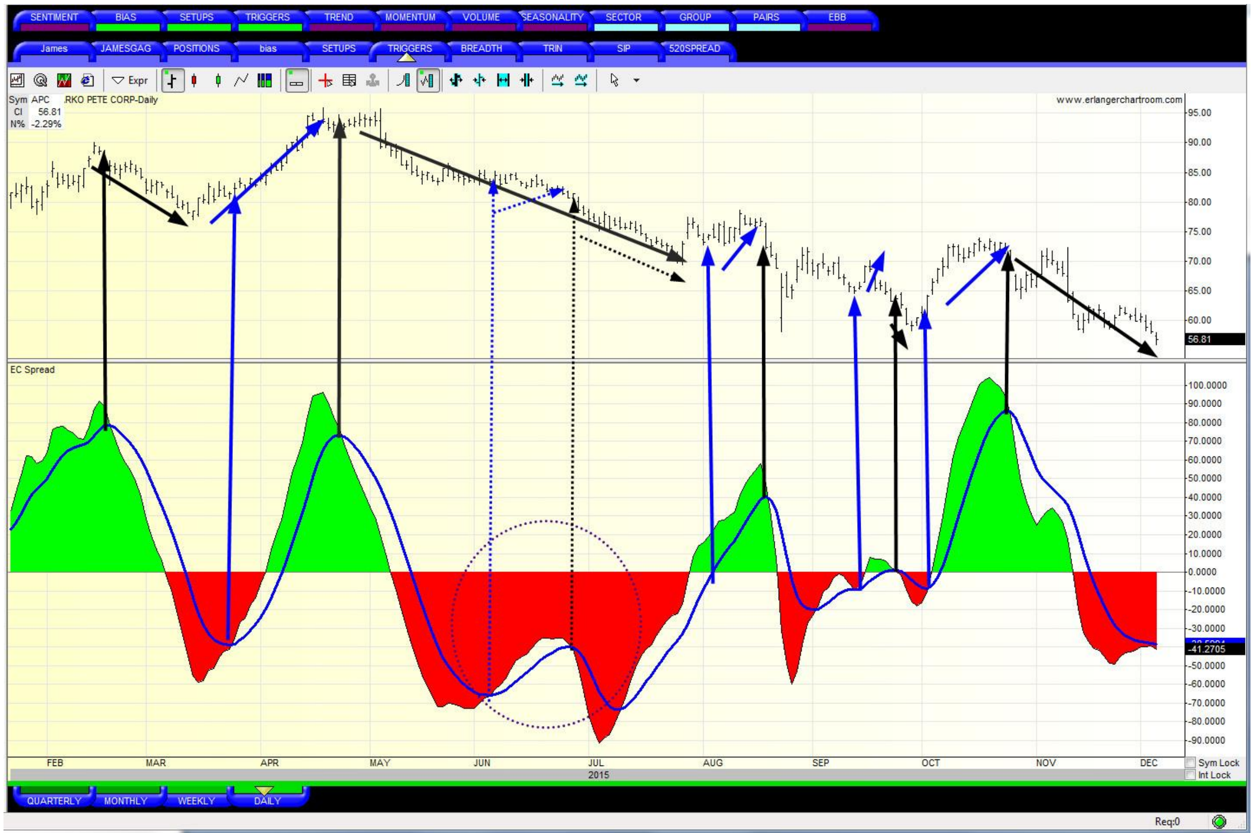
The movement of the EC Spread through its signal line is an early warning that suggests a trend change in price. This use of the signal line is both a setup situation, but it also serves as a useful money management tool. In the above chart, point X1 shows an upturn of the EC Spread through its signal line a good time to exit, or pare down a short position. As a typical money management process, traders look for an early signal to take 50% of a position off of the table, and another signal to close out the entire position.

In this case, point B could be the latter and it also serves as an entry trigger for a long trade. Point X2 serves as a money management signal to sell 50%

of a long position place at point B, and either point X3 or C could close out the entire long position.

You'll see when the EC Spread is crossed on the way down in (Black Arrows) it signals a sell off is going to start. When the moving average in crossed up, it tips off a rally.

Right now APC's trend is down and so has the price movement of the share price. The January $50 PUT is not recommended at this point.



If WTI pulls back to $30 barrel APC tested the $42.50 support level, and the EC Spread crossed up (see blue arrows in the past) we'll get a signal that will allow us to recommend selling the January or soon to be opened February $45 PUT Option.

Let's assume for example ...

WTI Oil pulls back to $31+ a barrel and APC dips to $42 in sympathy. I may send an alert recommending the selling 2 January PUT Options i.e APC16115P00045000 for $4.50 to launch our $50,000 GEA#4 Portfolio.

Let's assume the trade takes place and you have tied up $9,000 till the close of trading on third Friday of January. You've taken in $900 less brokerage commission and fees, so $882 net.

If this is followed by WTI popping back up to $40 again and APC climbs above $45 by expiration of the option (January 15, 2015) you would then get to keep the cash taken by selling the 2 January $45 PUTS. A net return on investment of about 9% ROI in 45 days or less. It's entirely possible.

If the pop didn't take place by January Options expiration your brokerage firm would automatically assign the shares to your account for the $9K. You're net cost would then be $40.50 a share.

You may well be in the shares under the market price or in at above the market price and have an unrealized loss. If I'm doing my job right and timing my recommendations with my ErlangerChartRoom.com signals, you'll be in the black!

This is one of several trade recommendations you may receive at anytime as a subscriber to **Gold and Energy.**

So, please keep a look out for my first recommendation by a Market Alert Email I send out! Keep a sharp eye out for what will be my first 4th portfolio trade!

A Sector Of the Oil Market We Will be focusing on!

Oil pipeline companies have been crushed in this past years oil rout. Yet, volumes passing through oil pipelines throughout the United States has barely dropped. This can be blamed on pipeline companies taking on oil properties many through high debt acquisitions. It's a tailor made situation for Buffet style investors because not all pipeline companies have endangered themselves and yet they have still dropped in price in sympathy with the sector.

Among the names I am looking to enter in the next few months as ***Gold and Energy*** Portfolio #4 plays include ...

- ***Holly Energy Partners L.P (HEP)***
- ***Valero Energy Partners LP (VLP)***
- ***NuStar Energy L.P. (NS)***
- ***Enterprise Products Partners L.P. (EPD)***

None of these are buys right now but they will be in the next 90 days. ErlangerChartRoom.com will give the signal and I will either rocket you by email alert a buy our PUT writing recommendation. Sit tight for now.

Love him or not - Trump likely to be GOP's Nominee!

As I told one friend the other day, Trump could get caught leaving an Orangutan brothel and his poll numbers would rise. He's drawing huge crowds on the campaign trail and he's climbing in the polls now leading the GOP presidential race by 20 points in National polls.

Dana Milbank a Conservative Opt-ed columnist at The Washington Post is not alone in calling the prospective GOP Nominee a "Liar and a Bigot".

While envision a Trump nomination despite the objections of the Republican establishment it's impossible for me to consider it possible his actual election to the Presidency with anything less than 100% of the backing without their backing.

If the current trend of Trump's numbers hold and he continues to malign one ethnic group after another, he will wind up with 40%-43% on election day and by doing so lose the Senate and quite possibly control of the House. We could be looking at the worst drubbing of GOP in a general election since 1964. We'll know months before the election which way this is going to go

As the picture for the election of former Secretary of State Hillary Clinton brightens, so will the prospects for continuing and new tax incentives for Solar power. Solar stocks have been climbing recently.

We have a sharp eye on the Solar sector via ErlangerChartRoom.com and will likely be including these in our ***Gold and Energy*** portfolio #4 as well.

Stay Tuned!

P.S. The one area we did not discuss in this issue in depth is natural gas. It is getting as what my partner Geoff calls “stupid cheap”. Now dipping below $2 a BTU. Despite this dip in price we focus on the EC Spread as well. It's still negative and not letting us even nibble. Geoff and I believe that the picture for "naty" will improve in Januaryso be on the lookout for analysis updates via our market alerts.