

Oil Trade Opportunities

eResearch Corporation is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards indicates his optimism for the oil sector, and provides trade opportunities.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <http://www.valuetrend.ca/in-on-the-oil-trade/>

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Wednesday, February 15, 2017

In On The Oil Trade

By: Keith Richards (bio at end)

As readers know, I like to post some (not all, of course) of our strategic moves from the equity platform we manage at ValueTrend. I am asked at times if this is not "giving it away for free", but I don't look at it that way. As I have noted in the past, by showing people some (again – not all) of our trading decisions – you can get a taste for our style and whether our decisions are good.

There is no better advertising for an investment business, in my opinion, than to better disclosure. Too many people in our business hide their performance and their strategies from the public. Or they only show you their good trades, after the fact. We, on the other hand, do not mind displaying our wares on a live basis without post-trade filtration. With this in mind, let us talk about our latest strategic move at ValueTrend.

We have been buying into oil and energy stocks lately.

Our focus has been more on the oil services and junior oil stocks based on their chart patterns and their potential leverage (beta) against a positive move for oil.

Seasonality is turning positive for the sector, and should be good out to the spring.



Above is the longer view (weekly chart) for WTI. You will note that oil has cracked its neckline although, since doing so, it remains stuck below \$55. A break through \$55 will be bullish for WTI and likely move it into the low \$60s. While by itself not a bad trade, should that happen, it is my opinion that the juniors and the service companies will lever that move with a greater profit potential.

I have posted a weekly chart for the BMO Jr. Oil ETF below (ZJO-T). We just bought a position in this ETF. I did not post a full study (money-flow etc) given its relatively low volume – but it is a good representative of the smaller energy stocks out there.

We tore the index apart recently and liked the top 10 holdings (with the exception of Parsley Energy, PE-N). Thus, for diversification, we bought the ETF. In the oil services sector, we bought two individual names (sorry, you have to be a client to know which ones...).



We view this as a seasonal trade at this juncture. Oil tends to be a good trade between February and May. Our commitment to holding oil much beyond the spring is low. Our price objective for WTI is to reach around \$62 or so. This price objective is also fairly inflexible. We plan on selling, ideally if/as/when the price objective and/or spring/early summer comes. A break much below \$50 would inspire a sell-out of the sector.

BTW–Brooke Thackray has a good summary of the seasonal oil trade on page 9 of his newest newsletter, [here](#).

So there you have it. Our buy point, our upside objective, and our sell/loss strategy. Hopefully this will inspire some of you to think in terms of your trading strategies as you review this, or other opportunities.

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ABOUT THE AUTHOR



ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over \$100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **“one of [our] most accurate technical analysts.”** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page www.valuetrend.ca/blog/. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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