2024 ENERGY AND OIL OPPORTUNITIES REPORT

Tom Gentile

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WHY YOU NEED TO READ THIS REPORT

Would it be nice to know what sector of stocks have a successful historical pattern of trading higher?

Would it also be nice to then know over what time frame that pattern of success occurs?

How about not only finding the sector that has this pattern of success but then being able to drill down into the actual stocks in that ETF that may also perform in a similar fashion?

If you answered yes to any or all of the above questions THAT is why you need to read this report.

I love trading options! Along with trading options, I love to teach how to go about trading options. The wonderful thing about this report is that I get to both talk about trading options and educate.

I have many trading styles I like to employ when trading options. I have 5 styles I use to research and base my options trades on.

- Momentum
- Contrarian
- Volatility
- Statistical and
- Seasonal

It is this last one that will be a focus throughout this report.

Seasonality or seasonal patterns aren't necessarily holiday or tax seasons. To me, a season is a period of time where I can recognize how a stock or ETF behaves in a consistent manner. That time period can be a specific number of days, weeks, months, or even years.

I have been producing this report since 2015 and I'm providing it to you - my subscribers, students, or prospective subscribers - to help educate you about opportunities in the Oil / Energy Sector.

The purpose of this report is to introduce you to a reliable pattern of price behavior that occurs in the Energy and Oil market, particularly in Oil, between mid-February and mid-July every year.

I call it the Seasonally Bullish Pattern in Energy and Oil.

I provide education on Oil markets and what is going on with it at the time, bullish or bearish. I will then give some insight into the sector and how it works. Once you have some introduction to the oil sector, I'll then introduce the seasonal approach I take with trading options in this sector or stocks within it.

Next, I will show you a means to research seasonal patterns within that 5-month period of time using seasonal analysis. This type of research is looking back over the past 10 years searching for stocks and ETFs that have proven successful in moving higher over specific trading day ranges (date ranges) 90 or 100% of the time.

What that means is there are stocks and or ETFs that have traded higher 9 or 10 of the past 10 years. I can show you how I find those along with knowing what that range of days is and the average price move of those securities as well.

Before I go into education on the oil and energy industry, let me educate you on my Three-Step Process for trading options.

MY THREE-STEP PROCESS

1) Spot an Opportunity
2) Build an Acceptable Risk Trade
3) Manage that Trade as Effectively as Possible

When I use the word 'security' in this report know that I am referring to either a stock or an ETF. A stock or an ETF can be bought and sold. Along with that, some have options that are available to trade on them.

If I refer to a specific stock or ETF, I will let you know, but if I am talking in a general education context, I will likely use the term security.

For Step 1

Find an opportunity. This is me saying I look for a security that I believe will trade either higher in price or lower in price. I do have investments that I own for the long term, but since I am primarily an options trader, I am looking for a security that has a tendency to move higher or lower.

I look for opportunities where they may go higher or lower, because with options one can buy Call options (if they believe the security will go higher) or Put options (if they believe the security will go lower).

That leads me to *Step 2*

Find an acceptable risk trade. I am referring to finding an 'option' trade that I believe will gain in value with the proper move in the security.

I tend to have a pre-defined risk amount. It could be a dollar amount per trade or a trade with a cost set at a percentage risk to portfolio amount. So that part of 'acceptable risk' is usually pre-determined.

What I also do when researching an option trade is see if there is an option that could potentially double if the security moves in the direction I assess and to a price I believe it can reach.

Step 3 – Manage the Trade

This is where I set a Return on Investment (ROI) goal for profit, and I have a limit on the amount of money for that trade I want to risk.

USO IS WHAT I ANALYZE FOR THIS OIL PATTERN

There are many energy and oil stocks to choose from such as Exxon Mobil (NYSE: XOM), Chevron Corporation, (NYSE: CVX), or Marathon Oil Corporation, (NYSE: MRO) to name a few.

I could choose an oil stock in any of the different classifications of the oil patch, like a Super Major, Producer, Driller, or a Refiner to use for this education. There are also a variety of energy and oil ETFs such as the Energy Select Sector SPDR Fund (XLE) or VanEck Oil Services ETF (OIH).

Instead of trying to find the needle in the haystack, meaning that one stock that may be best to focus on, I am going to focus on the haystack.

As an alternative to trying to find one or two stocks to represent why and what I focus my research on regarding energy and oil, I will highlight and use the United States Oil Fund LP, ticker symbol USO.

The US is the highest consumer and producer of oil, so it makes sense to me to use the United States Oil Fund for my research.

The security USO is an exchange-traded security whose investment objective is to reflect the daily changes, in percentage terms, of the spot price of light sweet crude oil delivered to Cushing, Oklahoma, as measured by the daily changes in the Benchmark Oil Futures Contract.

USO®
United States Oil Fund, LP

To be more succinct, USO seeks for the average daily percentage change in its net asset value, for any period of 30 successive valuation days, to be within plus/minus 10% of the average daily percentage change in the price of the Benchmark Oil Futures Contract over the same period.

OIL SECTOR BULLISHNESS

When I teach and speak live online to subscribers, students, and viewers of my YouTube channel (https://www.youtube.com/@TomGentileTrader) I usually start prepping everyone to know that come mid-February my team and I will start searching out opportunities in the oil and energy sector.

This is why.

USO started trading in April 2006.

The range of months this sector's bullishness occurs more so than any other consecutive 5-month period of time is mid-February to mid-July. The first year of USO's existence had it available in April so we can't use that year when compiling stats for how USO performed since its inception. That gives us 16 years where we can provide statistics.

Remember, I am using USO as my representation for this seasonal bullish pattern.

In 12 of the past 17 years that we can use that 5-month period of time, USO has traded higher. Meaning the closing price on the 16th of July (give or take a day or two) was higher than the opening price on the 14th of February (give or take a day or two) for all but 4 years since 2007.

That is a 70.5% success rate of trading higher over this period of time. This is an acceptable rate of success for me. This pattern's percentage success rate over this range of days is why I focus on this sector to find opportunities to profit from it.

The first year USO started trading it did not start on the middle day of February, but instead opened on April 17, 2006. Even so, tracking the open price on that day to mid-July of that year USO traded higher.

Recognize that I said I focus on and look for bullish option opportunities. One can invest in the USO or other energy and oil ETFs and even individual stocks if they like, but realize, I am an options trader and that is what I intend to trade.

Last year the percentage success rate for this pattern over the past 16 years was 75%, but 2023 USO traded slightly lower over this range of days.

Feb 14, 2023, USO opened at $68.22. Its closing price on July 17, 2023, was $66.58 (numbers taken from my website).

USO closed lower by just $1.64. No matter how small of a loss it was, it was still a loss for this pattern over the 5-month range for 2023.

Not only am I reporting the results over the past 17 years at 70%, but later in this report I will show you two patterns that are for a shorter duration, but within the 5-month overall range that also backtest at a 70% success rate.

USO CHART FOR 2023

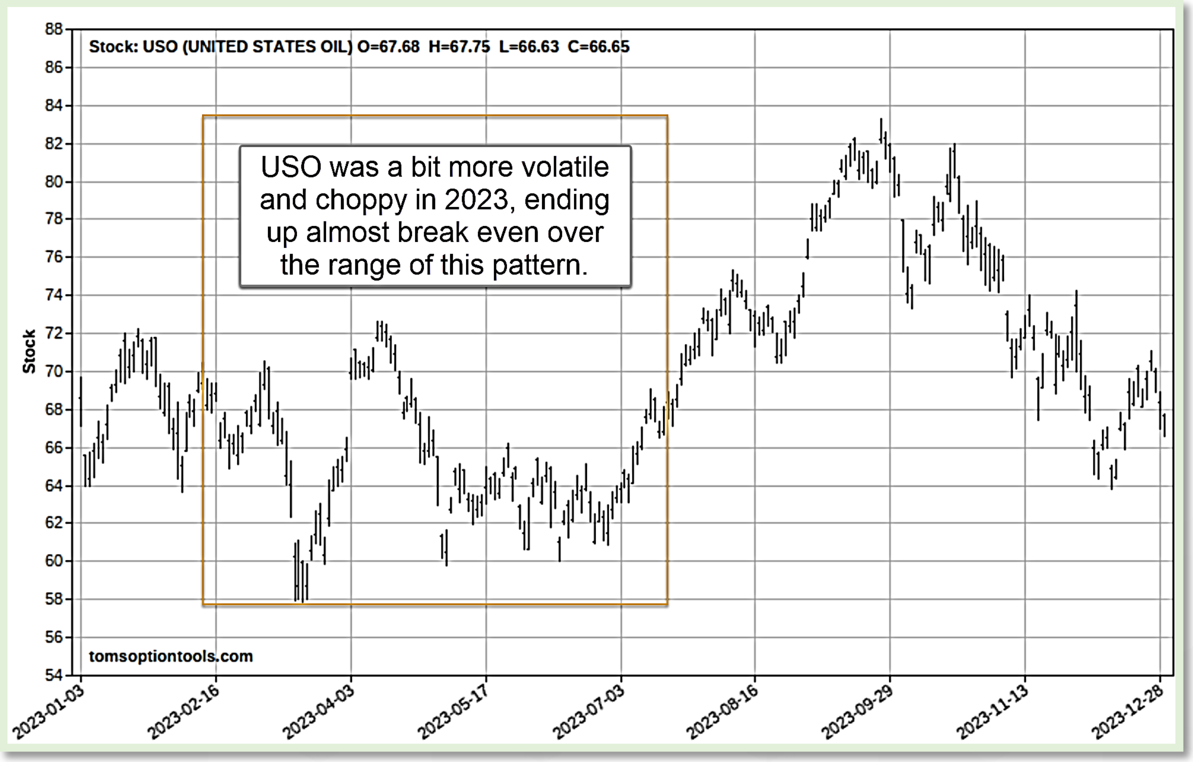

Figure 1: USO OHLC for 2023 – Highlighting Performance During 5-Month Bullish Seasonal Range of Days

OIL AT THE END OF 2023

USO traded in a 14-point range from the start of the year to August. It broke out with a run to almost 84 at the end of August only to see it trail off the rest of the year.

An article produced by Reuters in November headlined 'OPEC+ agrees to deepen voluntary oil output cuts.' (http://bit.ly/3STqR2D)

It had info about the cuts Russia, the UAE, Iraq, Kuwait, and others were doing or contemplating doing, citing concerns over weaker economic growth in 2024 along with expectations of a supply surplus.

The IEA reported in December how the oil market sentiment turned decidedly bearish in November and early December.

It was written that non-OPEC+ supply strength, such as record-breaking supply from the US, Brazil, and Guyana, and sharply higher Iranian oil production coincided with slowing global oil demand growth is a reason for non-OPEC+ supply cuts.

They noted those output cuts did little to bump up oil prices. That and the biggest bump in interest rates since the 1970s. Though evidence of a slowdown in oil demand is mounting, these countries will not sit still and NOT try to do what they can to increase demand and drive up oil prices. Let's see if it will take place over the seasonal bullish period of time this pattern tends to take place.

MONEY CALENDAR ON USO

I am a pattern trader.

When I am trading options, I am looking for stocks or ETFs that have consistent, repeatable, and reliable price pattern behavior over specific date ranges. The date ranges are trading days, but to make it easier to determine times for entry and exit we put those trading days to calendar dates.

I want to know how far higher or lower in price I can expect this security to trade.

I want to know how long I can expect that price move to take place. How long does it usually take?

I had a scanning tool created to help me accomplish just that.

Money Calendar is the scanning tool that was created for me to be able to research stocks and ETFs price pattern behavior throughout the year.

It scans millions of data points, searching up securities where their opening price on one date, (Start Date) to their closing price on another date, (End Date) happens 9 or 10 of the past 10 years or 90 to 100% of the time; and over what specific range of days.

THE MONEY CALENDAR™

I remind you of my 3-step trading process.

Step 1 is to Spot an Opportunity.

Money Calendar helps me accomplish Step 1.

I then take the data from the Money Calendar scanning tool to retrieve additional info like the average price move, whether its avg. price move is increasing in the more recent years vs. the overall 10 and whether the pattern is bullish or bearish.

I then take that data and research the option chains for those securities to accomplish Step 2, which is to Build an Acceptable Risk Option Trade.

There are two styles of viewing the statistics in my software. The one I will show you next is in a manner where I can type in a symbol, click a start date, (and then determine how many days from that start date – start date included, I want the pattern to begin), click how many years back I want to research and the length of days in the pattern, (I look for 30 days or less).

Let's take a look at the data for USO.

MONEY CALENDAR PATTERN DATA FOR USO

Below are the criteria fields and what I ask for on USO.

I am asking for a start date of 2024-02-07 or out 6 more days from that for a start date.

I am using this start date which is a bit before mid-February because I am asking for results 10 years back.

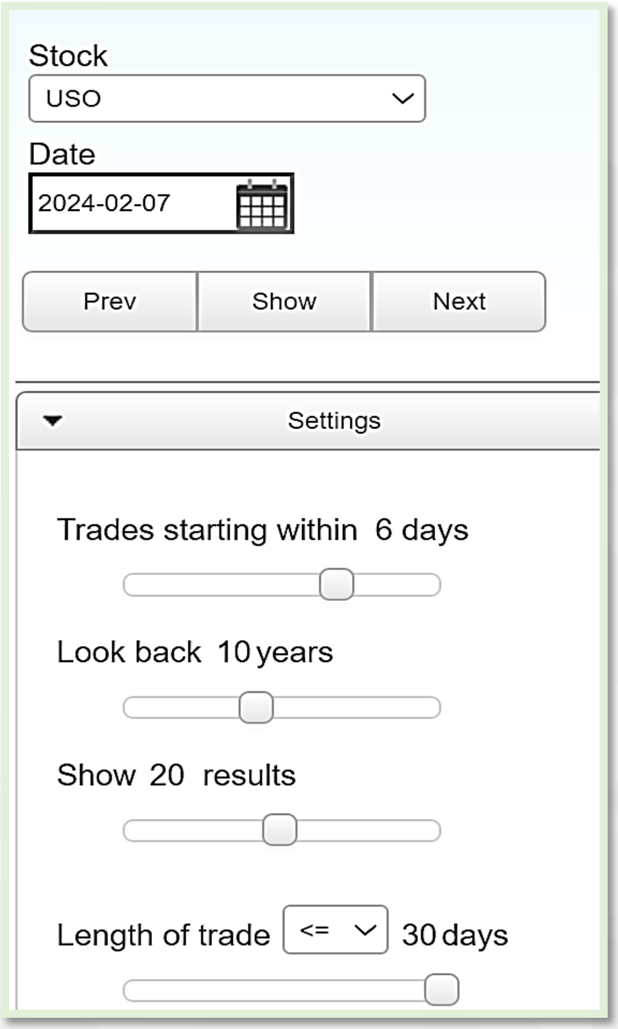

Figure 2: Money Calendar App Search Criteria USO

I am asking for the first 20 results.

I am asking for a pattern less than or equal to 30 days.

When I click 'Show' these are the results.

This is the Timeline View:

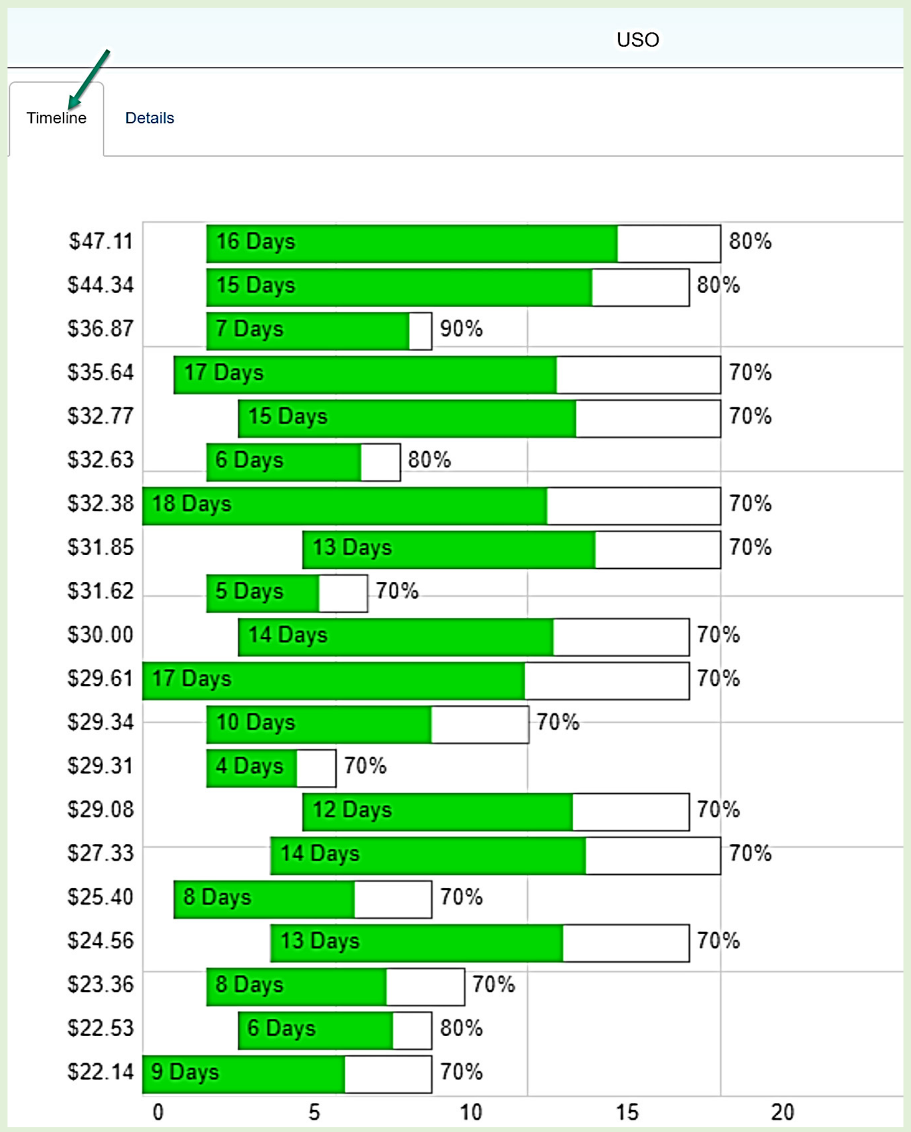

Figure 3: Results of USO Money Calendar Search

I mentioned earlier I would show you pattern results of 70% accuracy for USO and there are actually some with an 80% success rate and one at 90%.

When I click on the column for Details the view I get is below:

USO

Timeline
Details

Start Date	Duration	Total	Percent	Average
Feb 9, 2024	16	47.11	80	4.71
Feb 9, 2024	15	44.34	80	4.43
Feb 9, 2024	7	36.87	90	3.69
Feb 8, 2024	17	35.64	70	3.56
Feb 12, 2024	15	32.77	70	3.28
Feb 9, 2024	6	32.63	80	3.26
Feb 7, 2024	18	32.38	70	3.24
Feb 14, 2024	13	31.85	70	3.19
Feb 9, 2024	5	31.62	70	3.16
Feb 12, 2024	14	30	70	3
Feb 7, 2024	17	29.61	70	2.96
Feb 9, 2024	10	29.34	70	2.93
Feb 9, 2024	4	29.31	70	2.93
Feb 14, 2024	12	29.08	70	2.91
Feb 13, 2024	14	27.33	70	2.73
Feb 8, 2024	8	25.4	70	2.54
Feb 13, 2024	13	24.56	70	2.46
Feb 9, 2024	8	23.36	70	2.34
Feb 12, 2024	6	22.53	80	2.25
Feb 7, 2024	9	22.14	70	2.21

This data view shows you a bit more clearly the start date, the duration of days out (so you can calculate the end date), and the avg. price move it has performed.

There is no guarantee it WILL move $4.71, but I use this avg. price move to say IF, in this case, USO just moves its avg. price amount like it historically has moved 8 of the past 10 years, I will expect a $4.71 move higher.

I then add the current price of the security and that will act as my price target. I can then go research a few bullish option strategies like long calls, call debit spreads, or butterfly trades.

The pattern I trade based on this report is the 5-month pattern.

I show you this Money Calendar view for trades of a shorter time frame so you won't be surprised as you continue to study and learn from me when I may highlight an option trade on a security in the oil and energy field in the future.

I AM AN OPTIONS TRADER

This Pattern is an observation of the price performance of stocks and ETFs in the oil and energy sector. One could certainly consider putting their money to work investing in oil and energy securities or ETFs over this seasonally bullish period of time for the sector if they or their brokers want.

Me? I like to use the power and leverage of options to try and capitalize on this pattern. The power of options IS their leverage. A trader can trade an option on a security at a much lower cost than that of the security or ETF itself. Then, should the security one is trading an option on moves in the manner anticipated, the percentage rate of return potential is much greater.

I have long-term investments, but my day-to-day preference is to trade options.

I earn a substantial part of my livelihood doing so.

I may be able to earn more money investing in the security or ETF, but ROI – Return on Investment is more important to me. I have a chance at a better percentage return on my money trading options.

There is a risk with trading options because they come with an expiration date.

They will expire at a specific future date. One has the capability and choice to close the trade for a profit or a loss prior to that future date if they choose. They could expire worthless. My personal options trade management discipline helps me avoid that from happening.

Example: If I use $10,000 to buy stock and I make $2,000, that is 2k in the pocket and the ROI is 20%. However, if I spend $2,000 to take an options position on that same stock and make $2,000 on that, my ROI is double or 100%.

Even if I only made $1,000 on the $2,000 used to take the option trade, the ROI comes in at 50%. Yes, the security may make more money, but my money has a better chance of outperforming and providing higher ROI with the options.

When I am searching for an opportunity, I am searching out stocks and ETFs that perform repeatable patterns, as I talked about earlier. Instead of trading the security itself, I place option trades based on my anticipation of what that security may do and on how long I anticipate it taking to make that pending price move.

*** Keep in mind that I cannot and do not make any recommendations. I am an educator, primarily an options trader. The trade ideas are what I call case studies and they may or may not be actual trades I am doing. I show you these purely for educational purposes. If you see an idea or like any of the trades talked about in this report, I encourage you to consult with your broker / financial professionals for the suitability of those trade ideas with them. ***

2 OPTIONS STRATEGIES TO CONSIDER

When the time is right, meaning mid-February, there are a number of ways you can trade USO or any oil or energy stock. You can buy USO or trade a number of bullish options strategies. Two options strategies are the Long Call or the Call Debit Spread.

Long Call

A long call is where one 'Buys-to-Open' a call option. One should buy to open the long call for an amount of time out to expiration they feel is necessary for the underlying security to make a price move that will bring them profits.

The call option is the right, but not the obligation, to buy a stock or ETF at a specific price on or before an expiration date.

The ideal situation is for the underlying security to go higher so the option goes higher and one can 'Sell-to-Close' that option at a higher price than it was purchased for, resulting in a profit.

Call Debit Spread

Call Debit Spread aka Bull Call Spread. A debit spread is created when one opens two option trades, a Buy-to-Open and a Sell-to-Open position on this ETF.

This is explained as where the strike prices are different, but the expiration and number of contracts are the same.

The option trader Buys-to-Open a call option for one expiration at one strike price: the lower-priced option of the two.

The option trader then, on the same order ticket, Sells-to-Open the same number of calls at a different price, a higher strike price.

The sold call option is used to offset or hedge the cost of the long call or the one that was bought to open.

The resulting cost of the trade is what's known as the net debit, hence this spread trade is also known as a Call Debit Spread. The ideal situation for this type of trade is for the underlying security to be above the sold strike of the spread at expiration. This way the markets assign the sold to open strike option (meaning it wants to buy the stock at that strike price sold).

Your account should then exercise its right for the bought-to-open strike option.

The account should realize the profit as the difference in the two strikes less the initial cost to open the call spread.

This is called Exercise and Assignment, and we would like it to automatically happen, but you should confirm with your brokerage how that process works to be safe.

*** In either case, remember the pattern's length is until mid-July so what I do is look for an option with an expiration the third Friday of July or the next month out, usually the next month out in the options cycle is September.

SUMMARY

In the past, I have written up a case study or two or three. This year I have chosen not to as I want to show case studies when the timing of when to consider entering into trades is more in line with the time of the pattern start date.

You see the pricing of options I could write up now will likely be different when we get closer to the mid-February start date. Any trade done now won't reflect the truer pricing that will take place later. And I want those of you considering at least paper trading and tracking this sector: USO, or any other oil and energy EYG or oil stock, to focus on your results and not be concerned with what the prices show now.

Note I said paper trade and track as I am not a Registered Investment Advisor, (RIA) nor am I a broker and I cannot and will not offer recommendations.

I am an options trader and options trading educator, and this report is solely written to educate you.

You can take this to your financial team and start discussions on what options you want to offer as a possible trade or if there is an investment idea you came up with from this education.

I encourage you to do continued options analysis and research.

My online educational and analytical software site www.TomsOptionTools.com is a great way to analyze different option strategies, strike prices, and/or strike price combinations and search capabilities.

It also has a large library of video training for navigation of the software.

You can inquire about the subscription rates, services, and other products with my live support during all U.S. market hours at support@tomgentile.com.

I also have an App for access to a good amount of my tools data there.

MY YOUTUBE CHANNEL

I do have a podcast where I give my outlook on the markets, option education, and insights on options trading on my YouTube channel found here:

https://www.youtube.com/@TomGentileTrader

TOM'S OPTIONS TOOLS APP

There are also a variety of options data lists that can be found on my app, Toms Option Tools. Use your device to search for it, download the app, and get free access to the Morning Reports section of the app.

The Morning Reports section of the app shows Daily Options lists. These lists show ten options per list based on categories such as Highest Open Interest, Unusually High Call Option and Put Option, Expensive IV, etc. Other parts of the app are available at a premium subscription rate, but the Morning Reports Lists are yours for free on the App.

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Tom Gentile

America's #1 Pattern Trader

TOM'S TRADING ROOM