

Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.

Delta manages portfolios at TD Ameritrade and Schwab.

Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.

October 13, 2023

Exxon's Oil Outlook

Exxon (XOM) is bullish on U.S. oil reserves. Exxon announced this week it is buying Pioneer Natural Resources (PXD) in an all-stock transaction valued at \$59.5 billion. The acquisition represents about an 18% premium to the October 5 PXD closing price. Pioneer's predominate asset is its oil rights in the Permian Basin which is a west Texas oilfield. Exxon is now the largest producer in the largest U.S. oilfield. This is a long-term investment as Exxon has a Permian Basin resource base of about 16 billion oil equivalent barrels or 15-20 years of remaining inventory.

Exxon is not the only company making a bullish bet on U.S. oil production. Including Exxon's acquisition of Pioneer there have been 17 oil company acquisitions in the Permian Basin year-to-date.

The United States is seeking to transition away from fossil fuels to clean, renewable energy from sources including wind and solar. An investor might believe that oil production in the U.S. should have a negative outlook given the policy support for clean energy.

The clean energy ETF (PBW) comprised of solar, wind, EV, and other clean energy companies is down roughly 20% year-to-date and 78% from the high reached in February 2021. Since February 2021, Exxon is up roughly 130%.

The U.S. energy transition away from fossil fuels is being slowed by 1) real-world infrastructure challenges, 2) a desire to keep energy costs low, and 3) uncertainty regarding foreign oil supply.

Since Russia's invasion of Ukraine, Russia is no longer a viable oil/gas supplier to major western economies for the foreseeable future.

The Hamas attack of Israel appears to be partly driven by an effort to disrupt greater recognition of Israel by Arab states. The 2020 Abraham Accords saw several Arab countries, including the United Arab Emirates, Bahrain, and Sudan, establish diplomatic ties with Israel. Saudi Arabia, which never recognized Israel, was on the cusp of a successful conclusion to their “normalization” talks with Israel. Since the attack, Saudi Arabia has pulled out of the peace talks. Once again, the Middle East has significantly destabilized making OPEC oil supply less certain.

Accurately predicting investment themes in the energy sector is difficult as it is impacted by technology development (hydraulic fracturing, horizontal drilling, shale production, etc.), unforeseen geopolitical events and the pace of regulation. High oil prices are likely to be the most important driver of a shift to clean energy. With bullish prospects for U.S. oil and natural gas production and with clean energy companies (ETF PBW) near 52-week lows, it appears investment opportunities across the entire energy industry are promising.

Delta Investment Management

Who we are:

- An SEC Registered Investment Advisor
- We manage accounts for individuals with the assets held at Charles Schwab in the client’s name.
- We are a fiduciary -- Delta does not receive commissions from any source.
- We are wealth managers.
- We have decades of experience in mitigating portfolio downside risk.
- We are an independent, high service organization.
- We offer top-notch tax loss harvesting investment programs.
- We can help recommend you to a CPA tax planning and preparation service.

Let Us Help You Position Your Portfolio – Give Us a Call Today

We have unique and sophisticated investment methods that seek to capture the stock market’s gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit www.deltaim.com or email us at info@deltaim.com.



“We’re buying the company, the brand, the building ...
but mostly we’re buying the golden eggs.”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

Bearish

THIS WEEK'S NUMBER IS

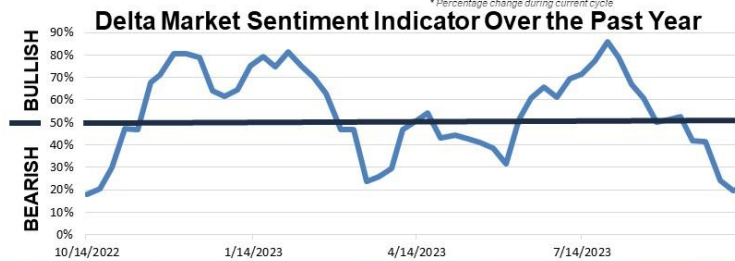
21.7

Our technical indicator increased
from 19.5 to 21.7 this week

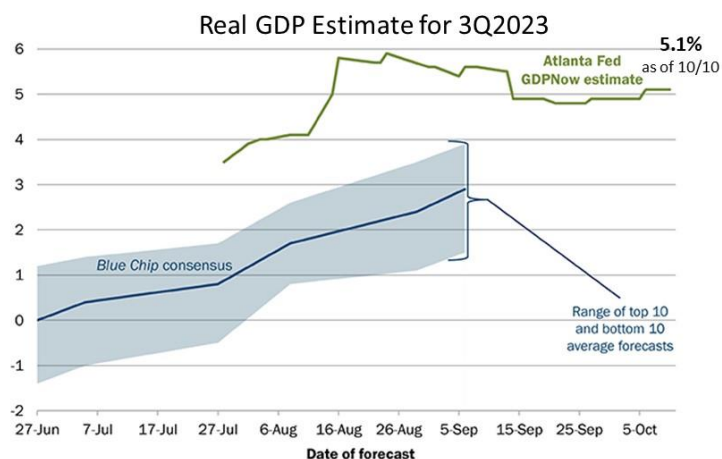
INDICATOR STATISTICS

Consecutive Bearish Weeks:	5
Cycle Inception Date:	9/14/2023
Range:	19.5 – 41.8
Mean:	29.7
Bullish Weeks YTD:	24
Bearish Weeks YTD:	17
*S&P 500	-2.9%
*DJIA	-3.4%
*NASDAQ	-1.5%

* Percentage change during current cycle

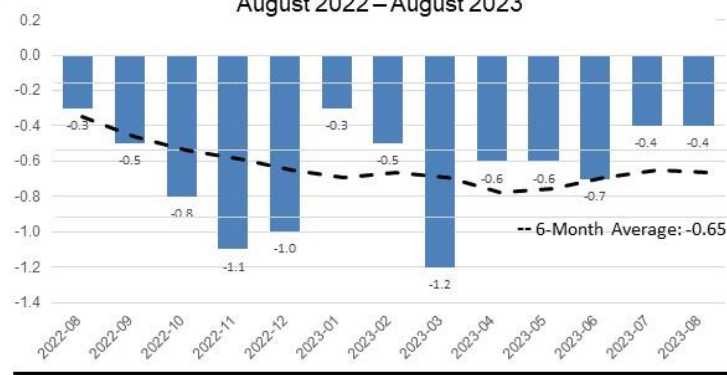


Atlanta Fed GDPNow Forecast



Leading Economic Index % Change Monthly

August 2022 – August 2023



Source: The Conference Board – last update 9/21/2023

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