



>: Energy Stocks Are Being Given Away!

Saturday, February 11, 2006 / Chris Rowe

Before I start I just want to thank all of our readers for all of the positive feedback on the Calendar Spread strategy that we discussed.

Thank goodness that we put those Calendar spreads in, because the energy stocks have been getting whacked recently. At The Trend Rider, the fact that we reduced our cost basis on some of the biggest decliners, really meant the world to our model portfolio.

It's important to stay focused here and not to simply imagine the worst.

Since I'm getting married in a couple of weeks, I've been speaking with many of my family members who will or won't be able to make it to the wedding, and the funny thing is, many of them are asking me about the energy market dipping like this.

I'm hearing a lot of them talk about this energy correction, and they are comparing it to the tech stocks getting crushed in 2000.

They really believe that this is the same thing. I guess that this is a natural reaction for most people. It's understandable to hear that people are shaking in their boots when they see their stock account lose some value in such a short period of time.

But I'll tell you what I told the members of The Trend Rider: Don't sweat it! You didn't buy today's year-2000 technology.

There are two ways to react to this:

1) Looking at the screen, watching the stocks trade lower, and saying to yourself, what the heck am I doing here! I really DON'T have a grip on this market! Let me get out of everything, salvage what I can, and wait until I have a grip again!

This is a natural reaction, and it's the most common reaction amongst individual investors.

It's completely understandable. What tends to happen is you look at the price of the stock, and instead of using logic, or analysis, you just envision the stock at a much lower price, and you envision your account worth a lot less.

***** This is like the difference between looking at *****
***** a 10 day chart as opposed to the weekly chart *****

2) The question is, after you go through simply looking at the screen and IMAGINING the worst case scenario, you take a step back and you look at the weekly chart. You look at Valero, Sunoco and Suncor and you realize that this is just par for the course. You say, well this type of correction MUST happen with any long term uptrend.

You think of the macro-economic trends and you think about China, who has only just begun building up its oil reserves last September.

You turn down the volume on all of the hype that those news channels try to corrupt your mind with, and you think of the very simple fact that demand is still growing at a much faster pace than supply can possibly keep up with. You think of the fact that 2006