

How to Trade the Potential Return of \$100+ Oil

Gas prices are on the run.

From a current price of about \$84, we could see \$100 again.

All thanks to dwindling supplies, and growing demand, which could return to pre-COVID days.

President Biden doesn't have an answer either, noting, "My guess is you'll start to see gas prices start to come down as we get by and going into the winter, I mean, excuse me, next year, going into 2022. I don't see anything that's going to happen in the meantime that's going to significantly reduce gas prices," as quoted by CBS Baltimore.

Investors are blaming OPEC's failure to boost production. Others are blaming the President for shutting down the XL Pipeline. Until either change, or we see demand cool off, oil prices will only push higher, leading to more pain at the pump.

For one, markets are going to remain under-supplied for quite some time.

Meanwhile, analysts believe oil demand will go back to – and even exceed pre-COVID levels. "Bullish sentiment continues to support oil prices as global supply remains tight at a time when demand is recovering from the pandemic," said Toshitaka Tazawa, an analyst at Fujitomi Securities, as quoted by CNBC.

Even stockpiles at storage tanks in Cushing, OK are critically low. Over the last two weeks, stockpiles fell by more than four million barrels to 31 million, and may drop even more on growing demand. The last time supply was this low, oil prices were above \$100 a barrel.

Unless millions of us start walking or biking to work, demand will rise.

As we noted a couple weeks ago, one of the best ways to protect your portfolio is with oil-related ETFs, including:

SPDR Energy Select Sector ETF (XLE)

We first highlighted the XLE at \$55. It's now up to \$59 and running. The XLE ETF provides exposure to companies in the oil, gas and consumable fuel, energy equipment and services industries, as noted by State Street SPDR.

Not only does an ETF allow for diversification, you can buy it for less.

For example, we can buy the SPDR Energy Select Sector ETF (XLE) for \$55 a share. If we were to buy 100 shares, it would cost us \$5,500. If we were to buy some of the fund's top holdings individually, it would cost far more than that.

SPDR S&P Oil & Gas Exploration & Production ETF (XOP)

It was at \$102.50 on our first mention. It's now up to \$110. With an expense ratio of 0.35%, the ETF provides exposure to the oil and gas exploration and production segment of the S&P TMI, which comprises the following sub-industries: Integrated Oil & Gas, Oil & Gas Exploration & Production, and Oil & Gas Refining & Marketing, as noted by State Street SPDR.

Some of its top holdings include Callon Petroleum, SM Energy Company, Devon Energy Corporation, EOG Resources, and ConocoPhillips, for example.

iShares Global Energy ETF (IXC)

The iShares Global Energy ETF seeks to track the investment results of an index composed of global equities in the energy sector. Trading at \$27, some of its top holdings include Exxon Mobil, Chevron Corporation, BP PLC, Total SA, and EOG Resources. Since we first highlighted IXC, we've watched it run from about \$27 to \$29.68.