THE BEST LONG-TERM TRADE FOR 2021

by Chris Johnson

Straight-Up PROFITS

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Clean energy has established itself as one of the biggest winners of 2020 – and beyond.

Names like **SunPower Corp.** (Nasdaq:**SPWR**), **Plug Power Inc.** (Nasdaq:**PLUG**), and **Blink Charging Co.** (Nasdaq:**BLNK**) have been among those firecracker names, rocketing an incredible 475%, 1,649%, and 2,556%, respectively, in the last year.

But those massive gains come with a catch.

These clean energy names are volatile with a capital V. They're a perfect example of a trader's stock. They have something that resembles a long-term trend, sure. But to rake in gains on these stocks, you need to follow the short-term trends and ride out the volatility storm.

It's a recipe that scares away long-term investors. But that doesn't mean they can't join in the energy market's bullishness…

And make a profit off of it.

You see, there's *another* area of the energy market that is now seeing a technical tide change – one that's going to garner a lot of attention from investors, as well as market-beating returns.

This is the best long-term trade opportunity of the new year, and it's not coming from clean energy. Instead, it's coming from "old-school" energy stocks.

These stocks are seeing a dramatic shift in their technical picture.

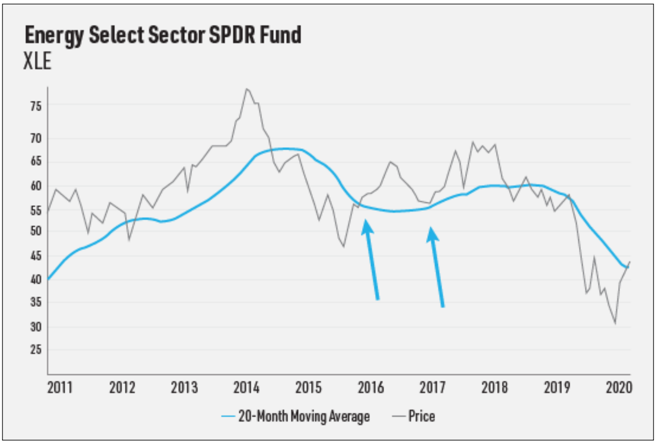
For the last three months, we've seen companies like **Exxon Mobil Corp.** (NYSE:XOM), **Chevron Corp.** (NYSE:CVX), and **Schlumberger NV** (NYSE:SLB) break into short-term bullish trends as inflation and demand have combined to flash some hope for the sector.

It's foolish to invest only in hope, but there's a lot more to the energy trade now. We're seeing the sector make a technical shift with bullish implications in the first half of the year.

I'm talking about breaking into long-term bullish trends. This powerful shift is easily identified by monitoring a stock's 20-month moving average, a simple technical tool that creates an updated average price. This average is taken over a specific time period. In this case, that time period is 20 months.

I use the 20-month moving average as the line of demarcation between a long-term bull and bear market for a stock, sector, or the market in general.

Here's a chart of the **Energy Select Sector SPDR Fund's** (NYSEarca:XLE) 20-month moving average over the last 10 years:



For the better part of the last five years, the sector has been in a bear market trend. This was caused by a few drivers, including dropping demand, lower inflation, and energy prices. On top of that, investors were consumed – as they continue to be – with more aggressive growth areas of the market.

But this combination is changing now. Inflation, higher energy prices, and rising demand are combining with a technology market that has become overcrowded.

As a result, we're seeing a cyclical shift in the market that will favor the energy sector – both clean and "dirty" – that is driving it above the 20-month moving average and into a long-term bull market. And we're still in the early phase of that rally.

Now, what's different about the energy sector as it breaks above the 20-month moving average?

Well, I refer to the 20-*day* moving average as the "Trader's Trendline." With that in mind, you can think of the 20-*month* moving average as the "Analyst's Trendline."

Short-term traders that swing with market volatility take their cues from the 20-day moving average. That's how they find opportunities amidst volatility.

But the analyst community is different. They're keeping their eyes on the longer-term trends. That's important to investors because the analysts control the market's view of long-term outlooks by way of their upgrades and downgrades.

As we see stocks move into these long-term bullish trends, we'll see analysts begin to upgrade their outlooks on them. That's one of the reasons I'm beginning to favor the energy sector as a longer-term trade.

There are few sectors in the market that have been less liked than the energy sector. By that I mean they have more analyst "sell" ratings. This means that there is more potential for the sector's "technical tide shift" to draw analyst upgrades, which will fuel these stocks higher – for both traders and investors.

Let's take a quick look at two names shifting into long-term technical bull markets… and how you can trade them:

1. **Energy Select Sector SPDR Fund (NYSEarca:XLE)**

I've already shown you the monthly chart for **XLE**.

This sector is composed of several companies in the oil and natural gas sector of the market. Both groups are seeing strength for the same reasons: increasing demand and prices.

As indicated, **XLE** shares are breaking above their 20-month moving average. January would make the second monthly close above this trendline.

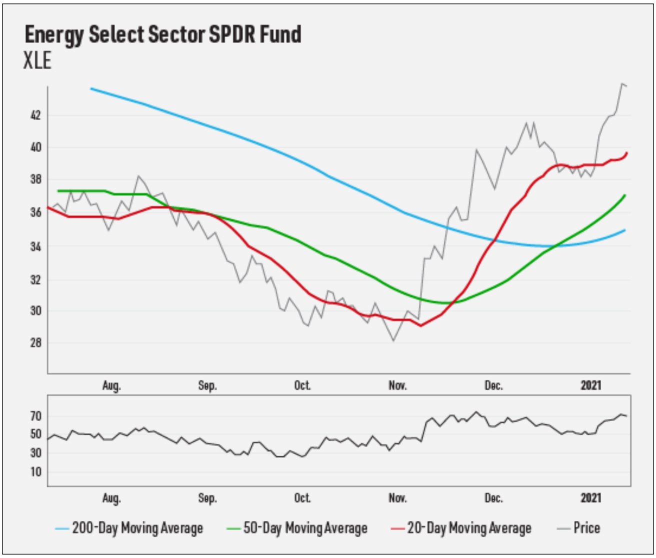
From a short-term (daily) perspective, **XLE** shares are forming a pattern of higher highs and higher lows. You can see this in the chart below.

Additionally, the ETF's 50-day moving average has moved into a bullish trend as it is ascending and offering support for the ETF.

Notice that the 20-day moving average is "in play" as well, as traders are moving the stock higher by "buying the dips." This provided the first wave of buying to act as a catalyst for the ETF to move into its now long-term bullish trend.

How do you trade this?

XLE shares are hitting some resistance as the ETF is now in overbought territory. This means that shares will likely take a short break in their bullish march and pull back to the $41.50 price level.



Long-term bullish investors should consider this a good opportunity to "buy the dip" before **XLE** heads for my target price of $55.

Now, let's dive even deeper than the energy ETF – and look at a specific stock from this sector…

2. Marathon Oil Corp. (NYSE:MRO)

MRO is rising toward the top of my technical trades in the energy sector. The Houston, Texas-based company is a petroleum and natural gas exploration and production giant.

Like many companies in the energy sector, **MRO** shares have spent the last few years in a bear market trend, but the recent rally is quickly changing that status after posting a long-term bottom at $4.00.

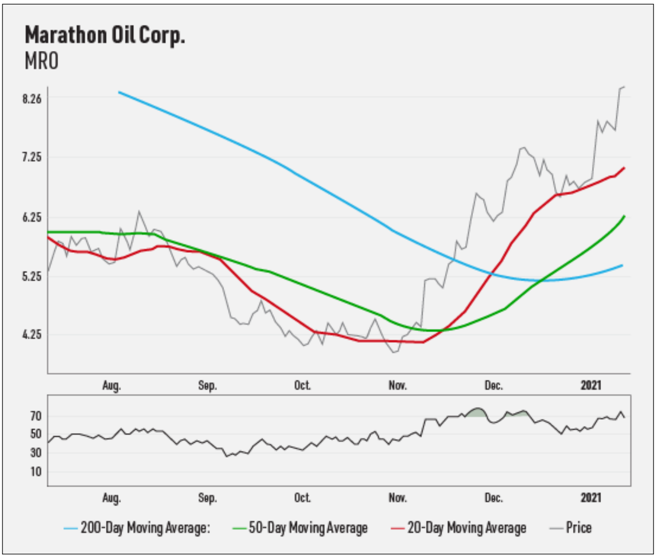
From a fundamental perspective, I like the fact that **MRO** has exposure to the natural gas exploration market, as natural gas exploration and pipeline companies are rallying a little faster out of their recent lows.

From a technical perspective, **MRO** shares have already crossed into a bull market trend, unlike many companies that make up the energy ETF. This indicates that **MRO** is a relative strength leader, a quality that always puts a stock a little higher on my list.

Looking at the chart, **MRO** shares have rallied out of their November lows and almost immediately shifted into an intermediate-term bullish trend as seen in the 50-day moving average. In mid-December, **MRO's** 50-day moving average crossed above its 200-day, indicating a golden cross pattern. This indicates momentum was now pushing **MRO** higher.

Now, a month later, the stock is trading back above its 20-month moving average, signaling a new bull market trend for **MRO**…

And a profit opportunity.



According to my charting, we should see a target price of $10.00 in the first half of 2021.

Given the current overbought readings, I’m targeting a pullback to $7.75, which is a great entry to buy the stock ahead of a continuation of its bull run…

Allowing you to ride “old-school” energy’s new bullish wave – and locking you into the best long-term trade of 2021.

Sincerely,

Chris Johnson

Quantitative Specialist

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