

The Top 3 Ways to Trade an Oil Rebound

With oil prices set to gush higher, consider these oversold ideas.

Oil “will likely rise, topping \$150 per barrel by the end of September – a price that hasn’t been seen since 2008. Short of imposing an economic recession or mandating major cuts to consumption through a pandemic-style lockdown, there is little the Biden administration can do to avoid the coming price shock,” says ForeignPolicy.com. Oil is also being pushed higher on news China is relaxing its quarantine for international travelers.

Oil Trade: SPDR Energy Select Sector ETF (XLE)

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. The XLE is also oversold at \$76.13, and is starting to pivot higher from over-extensions of RSI, MACD, and Williams’ %R. From a current price of \$76.13, we’d like to see the XLE ETF refill its bearish gap around \$87 initially.

Oil Trade: Exxon Mobil (XOM)

After dropping from \$105 to about \$85, XOM is also wildly oversold on RSI, MACD, and Williams’ %R. From a current price of \$91.96, we’d like to see it refill its bearish gap around \$100 a share initially.

“Unlike many of its competitors, Exxon Mobil (XOM) bet that the world will continue to run on fossil fuels over the medium term and that’s a bet that will pay off, writes Credit Suisse analyst Manav Gupta. Unlike its Big Oil peers, many of whom forecast that the energy transition would lower demand for oil and gas, Exxon has continued to invest in the production of both commodities,” as noted by Barron’s.

Oil Trade: Chevron Corp. (CVX)

CVX is just as oversold. After plummeting from about \$180 to \$140, the oil stock caught strong support, and is also reversing from oversold RSI, MACD, and Williams’ %R. From a current price of \$151.23, we’d like to see CVX run back to \$180 again, near-term. Also, in early June 2022, Credit Suisse raised its price target on CVX to \$202 from \$190. Analysts at Cowen also raised their price target on CVX to \$179 from \$165.