The Top Oil Trades for a Potential War with Iran

Just last week, we brought your attention to three oversold trades.

All as tensions with Iran began to escalate. Those included Exxon Mobil (XOM), Chevron Corporation (CVX), and Occidental Petroleum (OXY).

With XOM, we recommended the stock, which traded at $72.18 at the time. It's now up to $74.21 and running. We also recommended the XOM January 2020 70 calls, which traded at $4.20. As of this past Monday, they were up to $5.60 and still exploding higher.

With CVX, we recommended the stock, which traded at $122.26. It is now up to $124.40. We also recommended the CVX January 17, 2020 120 calls, which traded at $6.55. As of Monday, the calls were up to $7.65.

With OXY, we recommended the stock at $46.78. It's now up to $48.20. We also recommended the OXY January 17, 2020 45 calls, which traded at $4. As of Monday, the calls were up as high as $5.35.

If you didn't buy into any of those, there's still plenty of time.

Oil prices skyrocketed on Monday.

All after oil fields in Saudi Arabia were attacked, taking 5.7 million barrels offline – or nearly 5% of global production. By midday Monday, oil was up $7 to nearly $62 a barrel.

Unfortunately, that may not be the worst of it.

"We assure the Saudi regime that our long hand can reach wherever we want, and whenever we want," Houthi spokesman Yahya Saree said, as quoted by Bloomberg. "We warn companies and foreigners not to be present in the facilities that were hit in the strikes because they are still within range and may be targeted at any moment."

That news alone raises the fear premium for oil.

And should the Saudis fail to get oil production back up and running quickly, oil moves higher.

Worse, there's now a real potential for war with Iran.

Trump already noted the U.S. was "locked and loaded," waiting on the Saudis to determine who launched the strikes before taking next steps. "There is reason to believe that we know the culprit are locked and loaded depending on verification," Trump also tweeted.

According to Saudi-led coalition Colonel Turki al-Malk, “The preliminary results show that the weapons are Iranian and we are currently working to determine the location. The terrorist attack did not originate from Yemen as the Houthi militia claimed," as quoted by Thomson Reuters.

If that’s the case, tensions could really boil over in the region.

While we are still bullish on XOM, CVX, and OXY, here are three more to consider.

Opportunity No. 1 – EOG Resources Inc. (EOG)

EOG is still aggressively oversold, pushing higher after testing a 52-week low of $70 in late August 2019. If it can maintain its momentum, we’d like to see EOG test $95. There are two ways to trade the opportunity. One is to buy shares of EOG at market. The other is to buy to open the EOG January 27, 2020 87.50 calls at market prices.

Opportunity No. 2 – Murphy Oil Corporation (MUR)

MUR is still aggressively oversold as well, pushing higher after testing a 52-week low of $17 in late August 2019. If it can maintain its momentum, we’d like to see MUR at $30. There are two ways to trade the opportunity. One is to buy shares of MUR at market. The other is to buy to open the MUR January 27, 2020 25 calls at market prices.

Opportunity No. 3 – Continental Resources (CLR)

CLR is also still aggressively oversold, bouncing from $27.50 lows in late August 2019. If it can maintain its momentum, we'd like to see CLR at $52. There are two ways to trade the opportunity. One is to buy shares of CLR at market. The other is to buy to open the CLR January 27, 2020 25 calls at market prices.