

## The Outlook: September 24, 2020

### *Exxon Stands Against the Crowd*

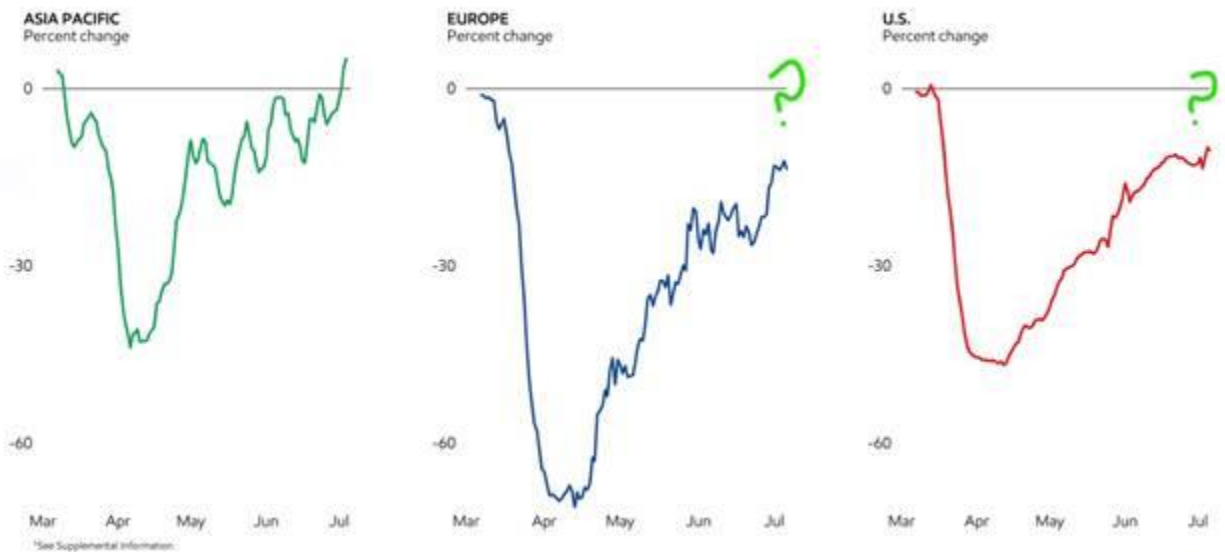
Standing against the crowd very often turns out to be the best possible thing people can do: whether they are investors, political leaders, company CEO's or anyone else. It turns out to be the best thing, all right . . . but usually comes with so many bruises and so much stress that we like to think we needn't do it too often.

ExxonMobil's CEO, Darren Woods, has a history of standing against the crowd, and he's at it again. These past few weeks have seen Europe's two giant oil companies, Shell and BP, make a show of their plans to "redirect" their companies away from oil and gas and toward renewable energies. Mr. Woods was asked how he felt about that, this week:

"ExxonMobil we think oil-and-gas demand will not only recover, but continue growing to meet the higher energy needs of developing countries. We track a lot of economic data and trends at Exxon. So far, we haven't seen anything which changes our opinion about the world's long-term need for oil and gas."

Here a couple of charts from Exxon, which kind of sum up the entire "Big Picture" of the economy and market these days, as well as the more narrow "oil and gas picture" for which they're intended.

### RECOVERING TRANSPORTATION FUELS DEMAND

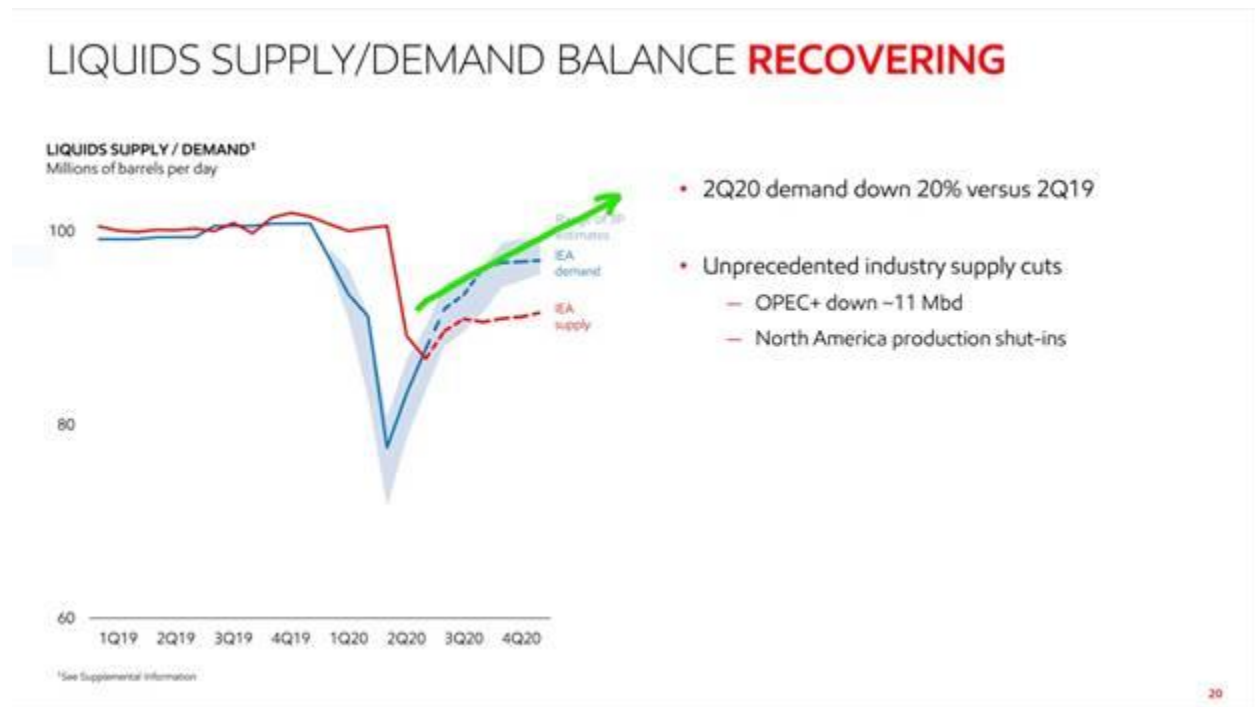


The awful "Virus Plunges" in March and April, in transportation fuel demand, look just like the awful plunges in every other corner of the economy, don't they? So do the remarkable recoveries, so much stronger and faster than seemed possible. But in gasoline and jet fuel in Europe and the U.S., notice that gap with the green question marks. They've recovered ever so much faster than expected, but there is a good way to go, yet . . . and the Big Picture of the market right now is captured by those question marks. Whether it's "Lockdowns, Round Two" or the rest of the fearsome politics which keep grabbing

the headlines, the investing crowd is intensely focused upon, and worried about, whether those “question mark gaps” will be filled, and how soon.

The answer to that rests entirely on Main Street’s persistence, versus the Virus’ behavior and the politicians’ reactions to that behavior. Main Street’s persistence is going to win those battles, but exactly how long it will take is a mystery. We must wait and watch, and we will see. The market’s speculating crowd doesn’t wait, watch and see . . . so we’ll have to ride the usual roller coaster along the way.

Here's one more chart.



That green arrow at the right is just a symbol to express what Mr. Woods and Exxon expect to happen to the price of oil, probably within the next 18 months. The red dotted line is forecasted supply, and the blue line is demand. (Those forecasts are not Exxon’s, but the International Energy Agency’s.) The forecasts are interesting, and we Exxon shareholders certainly hope they’ll come true, but most interesting is the moment in time—right now—where the solid lines end. Actual demand has already recovered so sharply that it has crossed above actual supply—only a little above, but an enormous change from the 9 months of 2020, up until now.

The CEO’s of Shell and BP have a lot of reasons for their about-faces on the fundamental direction of their companies. Exxon’s Mr. Woods has only one reason for continuing to stand against that European crowd: he thinks he’ll make the most money for his shareholders that way. We think so too.

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