Energy Options Alert

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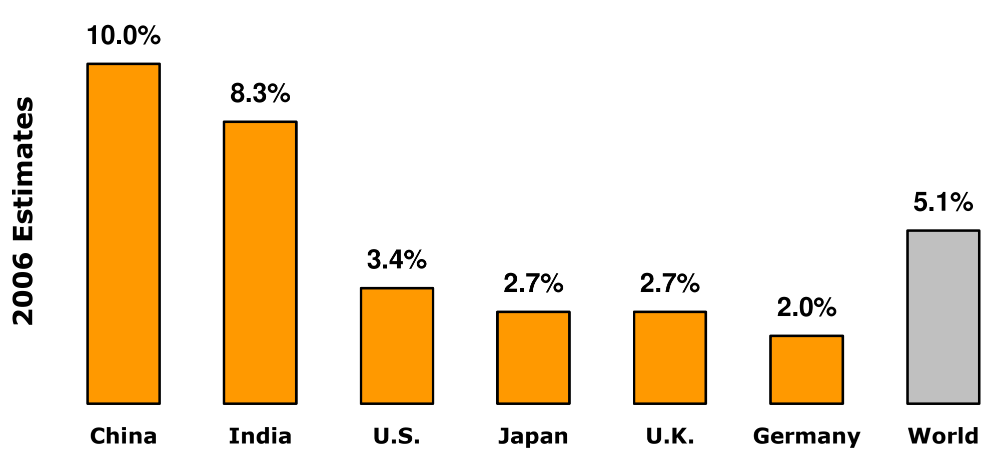
Exploding global growth is good news for energy-related shares!

Plus, my outlook for your positions ...

Let's get right to it: The correction we're seeing right now in the energy markets hasn't changed my long-term outlook on oil and energy-related shares one iota. In fact, after sinking my teeth into the latest reports on exploding global fundamentals, I'm more bullish than ever!

* The International Monetary Fund (IMF) says the global economy will expand at a staggering 5.1% this year. That's up from the 4.9% growth clocked last year and 0.2% higher than the forecast the IMF just made in April! That tells me that the global marketplace is as vibrant and robust as ever. Here's a break-down of the heavy-hitters ...

World-wide Growth is Exploding!



As you can see from this graph, Germany is expected to grow at 2% this year, a huge improvement over this year's 0.9%. Meanwhile, the U.K. should hum along at 2.7%, up nicely from last year's 1.9%. Japan's 2.7% number is also up from last year's results. Meanwhile, the U.S. should grow at a respectable 3.4%.

But here's the best part: The IMF says that India and China should grow at a stunning 10% and 8.3% this year, respectively. That means that these global blockbusters should have practically *no drop-off in growth* from last year's already mind-blowing numbers of 10.2% and 8.5%. And in 2007, the outlook is just as stellar: China is expected to grow at staggering 10% and India at 7.3%.

* Now get this: The bullish outlook for world growth isn't limited to major players either. Since inflation has cooled, Latin America should forge ahead at a strong 4.8% pace this year. Meanwhile, Middle Eastern economies are forecast to expand at 5.8%.

* But that's not all. The IMF expects oil prices to remain high because of the very reasons I've told you about here: Supply constraints and unrest in the Middle East and Nigeria. While I think their forecast is low -- just $75 a barrel next year -- the fact is they're bullish on the black gold, a big plus.

Now think about this a moment ...

* During 2005, while global economies grew at 4.9%, oil skyrocketed to $61 from $43 a barrel, a 42% increase. With global economies expected to growth at an even greater 5.1% rate this year, another 42% pop in oil prices -- which would put it at $87 a barrel -- isn't off-base by any stretch of the imagination. In fact, $87 a barrel oil is on the low-side of my estimates!

* With aspirations of growth comparable to the economic juggernaut that is China, India took another torrid step in that direction. India's industrial production grew at its fastest pace in 10 years as the year-over-year rate jumped 12.4% in July. In that same period, infrastructure spending grew by 24%. In my book that spells more demand for oil and energy, no doubt about it.

The bottom-line is these numbers confirm what I've been telling you all along: Global economies -- especially hot-spots like India and China -- are in tip-top shape and show little sign of slowing. That translates to even more upward pressure on oil and energy prices.

And don't forget: This news is not just good for oil, it's also great news for energy-related shares. And the reason is simple: As world economies continue to expand while oil supplies remain tight, the need for just about every energy-related service -- from drillers to refiners to marketers -- is going to explode. And that's means shares are likely headed up, not down.

But the fact is we're in the midst of a correction that it taking down shares of both good and bad companies. When this emotional selling wears off -- and I expect that practically any day now -- new recos will be on their way to you. In the meantime, your holdings are primed for higher moves. Here are the details ...

Your positions' highlights

* In spite of rock-solid performance, shares of **ConocoPhillips** carry a price-to-earnings (PE) ratio of just 5.4. That's just over half the industry's 9 PE and far below the sector's 12.5 PE. My take: This undervalued giant is poised for a move up. Hold your **January 2007 (COP AP)** and **January 2008 (YRO AA) ConocoPhillips LEAPS call options**.

* Speaking of undervalued gems, **Devon Energy** PE ratio of 9 makes it a steal compared to the industry's 11.7 PE, the sector's 12.5 PE, and the S&P 500's 20 PE. On a price-to-cash flow basis, the shares are undervalued as well. Good news for your calls? No doubt about it. Hold your remaining **January Devon Energy call options (DVN AO)**.

* The outlook is bright for your **Helmerich & Payne** position: Estimates are calling for an average price target of $41 for the shares. Compared to a recent price of $23.51 that means the shares have potentially 75% more upside improvement. The news got even better when I saw the high target of $56.25! That's bullish news indeed. Hold your **December Helmerich & Payne call options (HP LZ)**.

* I tell you, I love when Wall Street jumps on the band-wagon: Just three months ago, 19 firms rated **Transocean** a Strong Buy/Buy. Those numbers have now ballooned to 23 -- a 21% improvement and a positive move for your calls. Hold your **November (RIG KQ), January (RIG AT)** and **February (RIG BR) Transocean call options**.

* Solid growth hasn't deterred **Archer Daniels Midland's** management from keeping a tidy balance sheet: The company boasts a current ratio -- or the amount of cash inflows expected over the next year compared to short-term bills -- of 1.9. That's better than the industry average of 1.3 and tells me the company's cash management system is in tip-top shape. The company's debt-to-equity ratio of .48 is also far below the industry average of 1.03, another positive. Hold your **January 2008 Archer Daniels Midland LEAPS call options (WRA AL)**.

* Estimates are calling for **Valero Energy** to book EPS of $2.63 this quarter. That's a solid 20% improvement over the year-ago numbers and is good news. But here's the best part: For the year, the company is expected to bring in a staggering $8.81 EPS. That's a whopping 30% pop over last year's $6.76 and is a clear sign Valero is moving in the right direction. Hold your **January 2007 (ZPY AQ)** and **January 2008 (YPY AT) Valero Energy LEAPS call options**.

Bottom-line: HOLD all open positions. And keep your eyes peeled for more updates and sizzling hot recos headed your way soon!

Best wishes,

Larry Edelson

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