Excerpt from CNBC, April 26, 2017
http://www.cnbc.com/2017/04/26/7-things-we-learned-about-energy-winners-during-trumps-first-100-days.html?__source=yahoo%7Cfinance%7Cheadline%7Cheadline%7Cstory&par=yahoo&doc=104422192&yptr=yahoo

# Elon Musk's energy agenda is doing just fine under Trump

- A majority of renewable-energy ETFs are beating the S&P 500 in 2017.
- Solar and wind ETFs tumbled after Trump's election but have bounced back this year.
- A coal ETF has shined, but its top holdings are all located outside the United States.

When Donald Trump was elected president, markets expected that his policies promoting domestic oil production and slowing the shift toward renewable energy would soon show up in prices of stocks.

Not so fast.

....

All but one of the clean-energy exchange-traded funds followed by ETF Database are up this year; seven of the 10 are beating the S&P 500. Meanwhile, the Standard & Poor's 500 Energy Index (XLE), which tracks mostly large-cap fossil fuel companies is down near-10 percent this year, through April 24, with integrated oil majors like Exxon Mobiland Chevron down slightly more.

The issues aren't especially complicated, analysts say: Policy changes are running up against fundamental market forces that are more important for stocks than marginal changes designed to boost energy supplies, which might also tend to push energy prices lower.

"The commodity price environment is substantially more important to energy companies than policy is," said ..., a director in the energy information ....

....

## *1. Oil prices don't have much reason to move up, or stay up.*

The post-election rally in oil shares accompanied a $11-a-barrel climb in crude-oil prices from October levels. But this year the S&P 500 Energy sub-index's drop has come as the entire S&P index has tacked on another 6 percent. The reason: the WTI crude-oil price decline from $56 a barrel to $47, ....

## 2. Prospects for oil-company profits are falling.

The sell-off in crude is likely to work its way into oil-company profits later this year, according to ....

## 3. But what about the performance of the coal ETF? Yes it's up a lot, but ...

Coal has had a nice bounceback. The ... Coal ETF (KOL) that tracks the president's second-favorite industry behind real estate is up 12 percent this year. But don't credit Trump: Nine of its top 10 holdings are based outside the United States, and Consol, the one U.S. name, announced in January it's looking to sell off its U.S. coal business and concentrate on natural gas. ....

KOL declined annually by anywhere from 20 percent to 55 percent in the five years between 2011 and 2015, losing in total more than half its value. In the past one-year period through April 24, the ETF is up 61 percent. But its five-year annualized gain is –13 percent, according to Morningstar data, through April 24.

## 4. Natural gas is still too cheap to make coal a US success story.

Here's why coal gains are not necessarily built to last: An industry rule of thumb holds that coal becomes a competitive source of fuel to make electricity when natural gas costs at least $6 per million British Thermal Units of heat it generates. Right now the benchmark Henry Hub spot price for gas is bouncing around $3 per million BTUs. ....

"Economics, not regulation, is the prime driver of near-term coal sector distress," ... analysts, led by ... , wrote in a report.

.... "For the next 3–5 years, the primary driver of coal plant shutdowns is expected to be the poor economics of coal vis-a-vis natural gas and renewables. The trend of low gas prices and declining renewable costs are independent of expectations created by the [Clean Power Plan] CPP and will continue to affect coal-fired generation even in its absence."

**Recent performance of energy ETFs**

| Ticker | ETF | YTD % | 1-year (%) | Assets ($) |
|---|---|---|---|---|
| PBW | PowerShares WilderHill Clean Energy | 11 | (-1) | 100 million |
| GEX | VanEck Global Alternative Energy | 9.8 | 8 | 68 million |
| PZD | PowerShares Cleantech | 8 | 18.4 | 88 million |
| QCLN | First Trust NASDAQ Clean Edge Green Energy | 7 | 8.5 | 55 million |
| PBD | PowerShares Global Clean Energy | 6 | 2 | 51 million |
| FAN | First Trust ISE Global Wind | 7 | 13 | 77 million |
| ICLN | iShares Global Clean Energy | 6 | (-7) | 80 million |
| KWT | VanEck Vectors Solar Energy | 4.4 | (-25) | 11 million |
| TAN | Guggenheim Solar | 3 | (-26) | 199 million |
| PUW | PowerShares WilderHill Progressive Energy | (-1) | 16 | 24 million |

Morningstar, data as of 4/24/2017

## *5. Renewable-energy stocks reflect global trends, not US politics.*

This year the pure-play approach has won: The PowerShares WilderHill Clean Energy Portfolio (PBW) has done the best among ETFs classified as alternative energy, up 11 percent.

Its top holdings are makers of equipment for wind, solar and geothermal energy, plus Tesla Motors, the highest-profile green stock of them all, which has risen more than 40 percent this year.

"Most of these companies are global in scope," ... said. "It's not necessarily the case that if the U.S. changes policy, it's awful for these companies.''

## *6. Not all 'progressive' energy ETFs are 'clean energy' ETFs.*

The PowerShares WilderHill Progressive Energy Portfolio (PUW) is a good example of how a name can mean different things to different people. This ETF's top holdings include companies ... and .... That's also one of the reasons it has not done as well as the pure-play renewables PBW this year.

... , global market strategist at PowerShares, said via email that PUW "is really more designed for investors looking at returns in a sector that should benefit from the transition to natural gas and away from coal. In this sense, progressive represents newer technology and processes that are helping bring the energy sector into a more efficient future."

## *7. Renewable-energy stocks benefit in the short term from ups and downs, just like coal does.*

The volatility in energy trades is a factor that also plays out in the renewable-energy sector: Solar, wind and nuclear stocks don't tend to go straight up for long, even if they've been going up this year. Four of the clean energy ETFs, including two solar ETFs, had huge losses last year before regaining ground in 2017. Even this year's big winner, PBW, has a three-year annualized return of –13 percent (5-year annualized is –1 percent). And that was under climate-friendly President Obama.

... Uranium ETF ..., up near-15 percent this year, has a five-year track record even worse than coal's, with an annualized loss of 20 percent, according to Morningstar. ... Solar ... has a three-year annualized return of –23 percent.

... strategist ... said, "Renewable-energy trends are moving in the right direction, especially if you look at the opportunities in China where many of their larger cities have hit toxicity thresholds. Economic growth continues to accelerate clean-energy adoption around the world, ....

Bottom line: Elections may ultimately sort out domestic priorities, but economics — and recent stock-sector performance — matter a lot more to investing than political promises.