Energy Directions, Inc.

Energy Market Assessment

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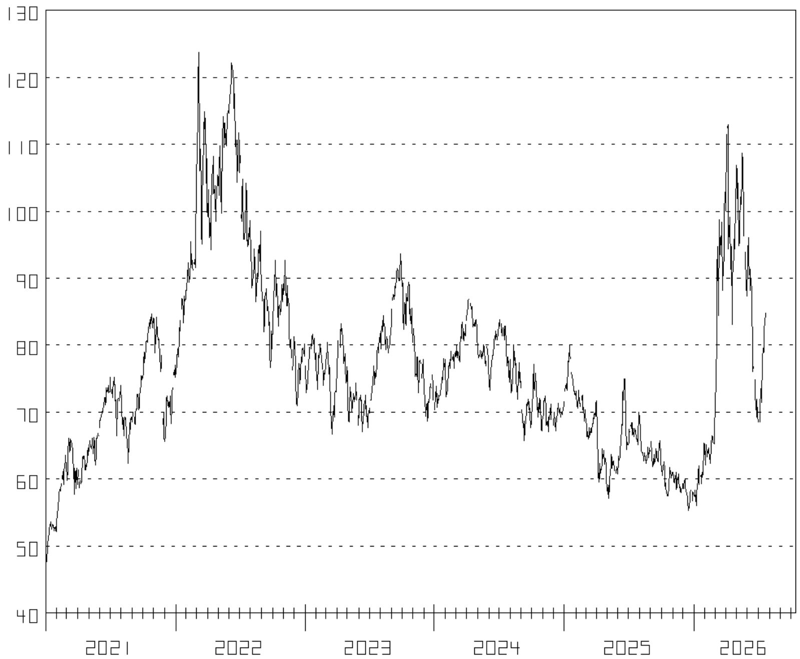
Wednesday, July 22, 2026

Reducing The Power Of Rulers Underway, That Will Have More In The World Produce And Enjoy Prosperity, Has UP The Direction We Head.

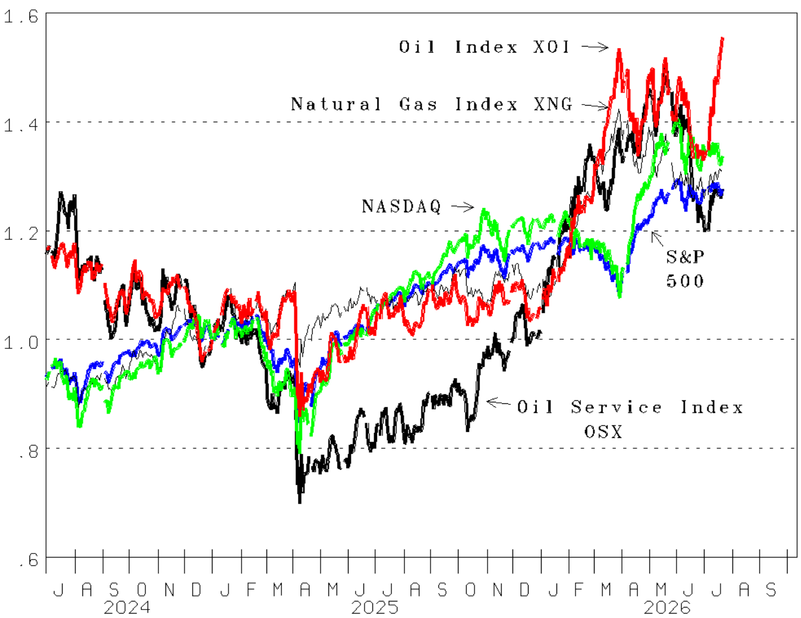
Figure 1
Near Month Closing Futures Contract Price of WTI Crude Oil
(Src: Wall Street Journal)
$'s per barrel



This jump in oil prices is about ending the decades of Warring threat and ability, of Iran's rulers dedicated to ruling. And finally achieving True Peace with more prospering, again.

The price of West Texas Intermediate (WTI) crude oil jumping in 2022 (Figure 1) reflected oil supply disrupted with Russia invading Ukraine. Something that was common human behavior for thousands of years, but notably ended with World War II victory. The current jump reflects the intense effort underway to finally end the decades-long war by those killing, maiming and destroying to be the ruling elite of Iran.

Figure 2
Stock Price Index (*) Comparisons
(Indexed to 1.0 12/31/2024, last trading day of 2024)
Index



Prosperity being produced (not taken by force) is evident in U.S. stock prices steadily trending UP.

Tariffs imposed as a tactic by the current Administration, to improve world trade, dropped stock prices sharply to early-April 2025 lows (Figure 2). Everything nicely trending up since highlights value increasing as Free Markets work identifying what is needed and wanted, providing it by producing prosperity. Not taking prosperity others produce. The Oil Index (XOI, red line) & Natural Gas Index (XNG, line) are top performers since the end of 2024. The Oil Service Index (OSX, bold line) is the top performer from the April 2025 low, +82.9%. That versus the NASDAQ (green line) up 74.8% highlights more recognizing fossil fuels wonderfully high value and a Drilling/Supply-Investing Boom needed to fuel even more UP.

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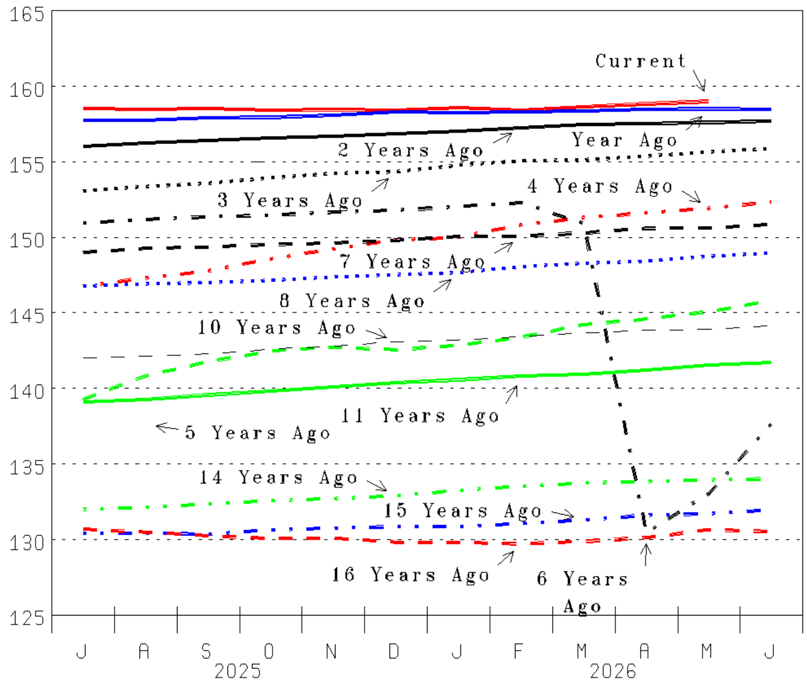
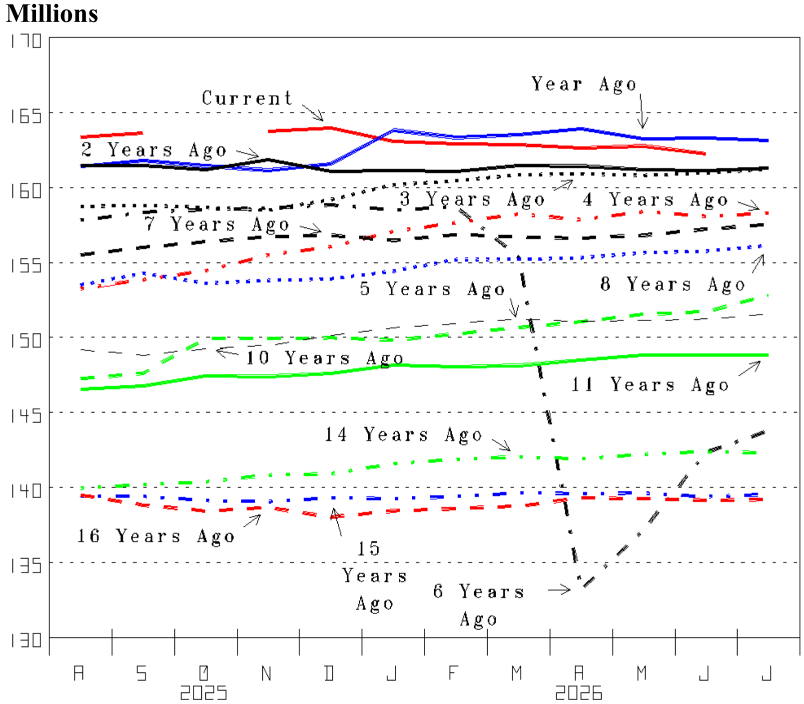
Figure 3
Number of people employed in America, total nonfarm
Seasonally adjusted, from the Establishment (CES) Survey
(Src: U.S. Department of Labor, Labor Stats)
Millions



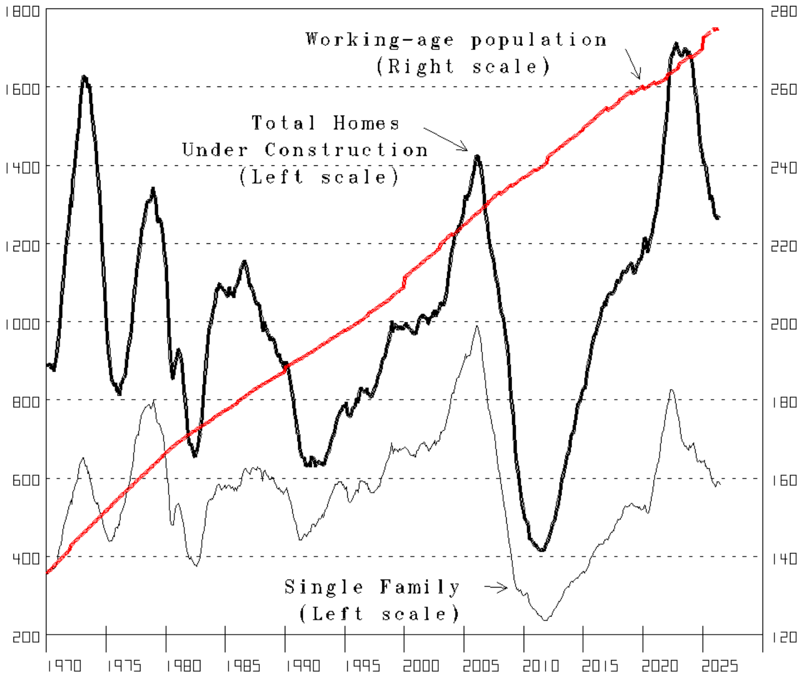
Prosperity being produced and increasing value is evident in U.S. nonfarm employment setting higher record highs. The U.S. monthly Establishment Survey, Employment Report for June shows seasonally-adjusted, U.S. nonfarm employment increased 57,000 in June to a new, 158.984 million record high (Figure 3, red line). While the Federal Government shutdown and other factors have increased uncertainty, 158.984 million is 552,000 more than December, a 92,000 per month average increase. It is also a 506,000 year-over-year (YOY) increase (0.3%) versus 158.478 million for June last year (blue line).

Figure 4
Number of people employed in America, 16 years and over
Seasonally adjusted, from the Current Population (CPS) Survey
(Src: U.S. Department of Labor, Labor Stats)
Millions



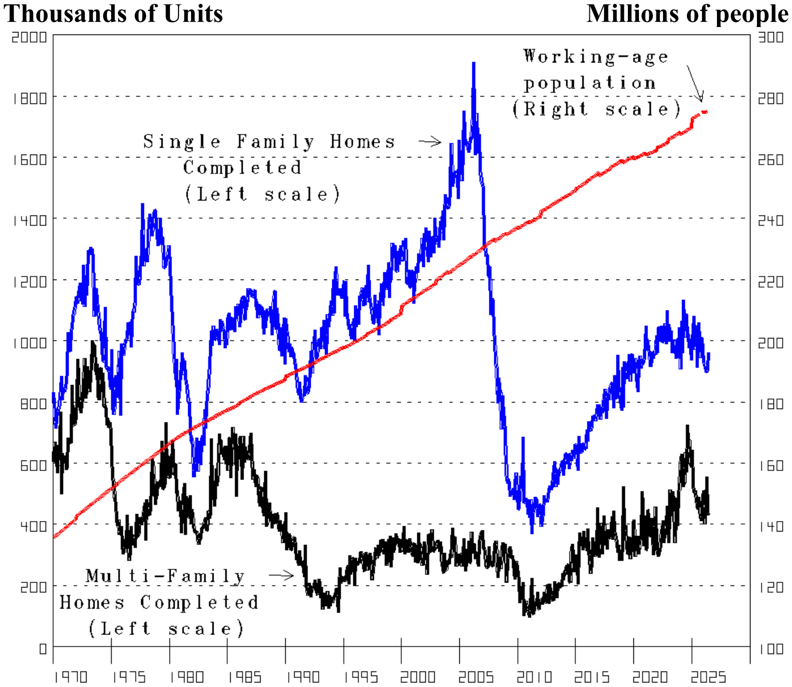
Value increasing with the many employers and employees working producing prosperity, also includes efficiency gains. Only 52,000 more employed by Establishments in June (Figure 3), a reason to worry, is beaten by the Population Employment Survey showing the number 16 years and over employed declining 507,000 in June, to 162.264 million (Figure 4, red line). That is also 1.161 million less than 163.883 million in June last year (blue line). A 0.7% YOY decline. We credit part of the drop to many illegal aliens no longer here. Now better is Federal Government employment at 2.685 million in June, down 328,000 from 3.013 million in October of 2024. We conclude this is good, crediting it to focus on improving government efficiency, along with efforts at eliminating rampant corruption and improving life/producing more Prosperity in the U.S.A.

Figure 5
US, New Privately-Owned Housing Units Under Construction
Monthly, Seasonally Adjusted vs US, Non-Institutional Population
(Src: Dept. of Commerce (DOC) data)
Thousands of Units



Improving affordability, another goal needing to be pursued is very evident in U.S. housing. The cost of housing very high is evident in reports on the average age at which Americans are purchasing a first house. The median age of a first-time home buyer is up to a new record high of age 40. Improving affordability, an important goal needed, is evident in the latest U.S. housing report showing 1.264 million homes under construction in June (Figure 5, bold line). While that is up in high territory, it is down from its 1.714 million, October 2022 peak. And though it is the same as up at 1.265 million in November of 2006, then the working-age population was 230 million (red line, right scale), 45 million fewer than now.

Figure 6
US, New Privately-Owned Housing Units Completed
Seasonally adjusted annual rate vs US, Non-Institutional Population
(Src: Dept. of Commerce (DOC) data)
Thousands of Units **Millions of people**



While the number of homes under construction is up in high territory, the number being completed down low highlights the affordability problem. Yes, the number of homes being completed in the U.S. is now up at a 1.392 million annual rate. However, while 964,000 single family per year (Figure 6 blue line) and 428,000 multi-family per year (bold line) are up much from Crash 2008 recession collapse lows, the single-family rate is up only to where it was in 1993. The multi-family rate is up only to where it was declining to in 1988. Years when the population (red line, right scale) was notably less.

Figure 7
US, New Privately-Owned Housing Completions versus Under Construction; Monthly, Seasonally Adjusted (Src: Department of Commerce (DOC) data)
Thousands of Units

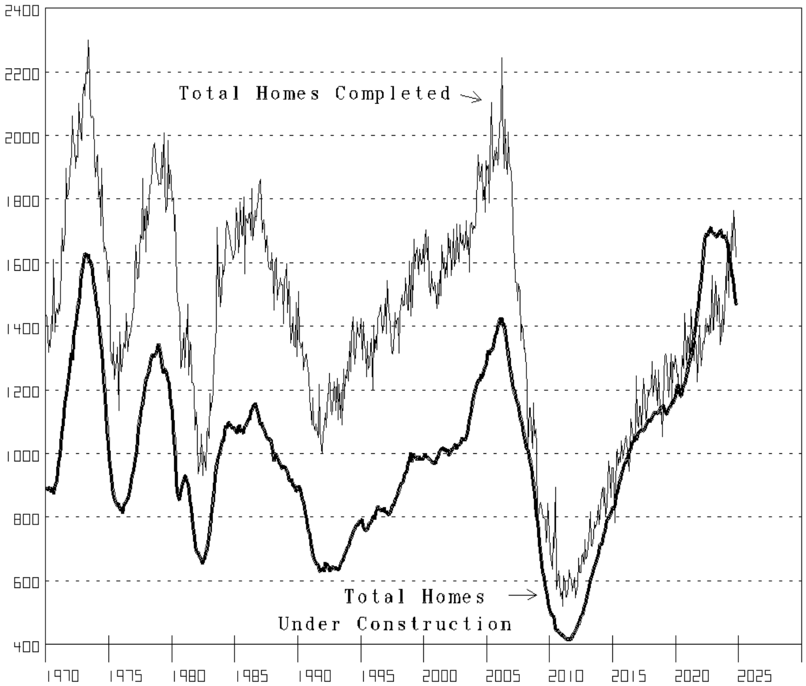
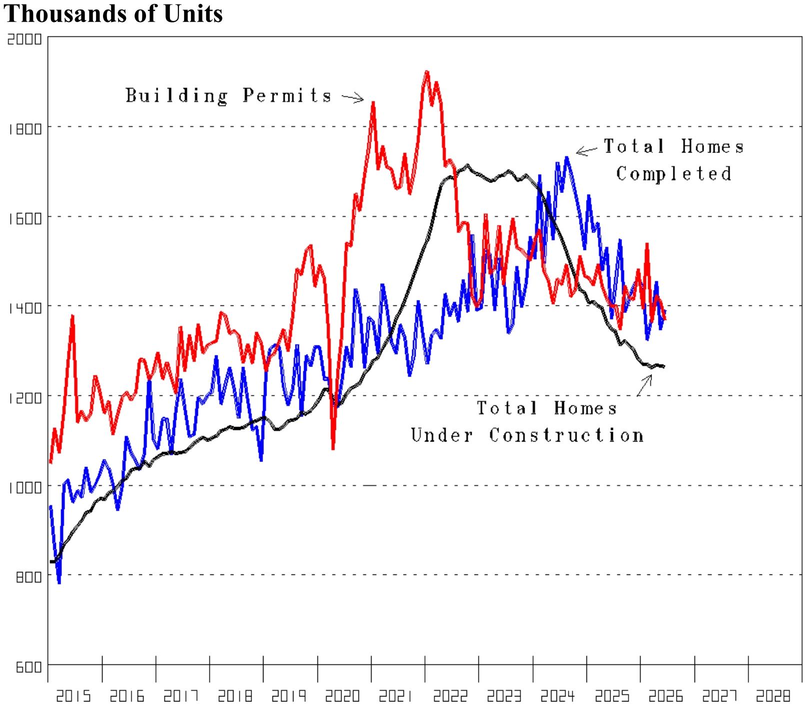


Figure 8
US Monthly, New Privately-Owned Housing Completions versus Under Construction versus Permits; Seasonally Adjusted/annualized (Src: Department of Commerce (DOC) data)
Thousands of Units



We credit much of the housing affordability problem to the big increase in the time it now takes to build a home in the U.S. And that to this century's notable increase in rules/regulations and dictates. From 1970 through 2004 for every home under construction (Figure 7, bold line), 1.57 per year were completed (line). That dropped to 1.15 in 2014 and only 0.86 in 2023. While 1.1 this year to date is an improvement, efforts by some of those governing and wishing to, to gain even more control, won't provide affordability improvement for the country.

While the housing activity trend in decline is probably helping many be fearful: 1) need for more, 2) Housing Permits authorized bottoming in August of last year, 3) employment and stock markets rising are all promising growth signs. The Coronavirus Recession dictated in 2020 dropped housing activity; especially building-permit authorizations (Figure 8, red line). The drop creating pent-up demand had the permit application rate jump above a 1.800 million annual rate. Homes under construction (bold line) then increased from 1.2 million annually to over 1.7 million in 2022. However, the trend has been down since with completions declining from above 1.7 million in 2024 to fewer than 1.4 million now (blue line). Nevertheless, much needing to be done and the 1.367 million annualized permit rate in June trending above the 1.347 low last August encourages our Bullish, we are heading UP, outlook.

Figure 9
Henry Hub Spot Gas Price & Smolinski-Strip versus weekly,
West South-Central Region, Population-Weighted
Cooling-Degree-Day-Deviation from Normal
(Src: Gas Price-DOE; Degree Day-Calc. from NOAA data)
$/mmBtu Weekly Cooling, Degree Days Temperature Deviation °F

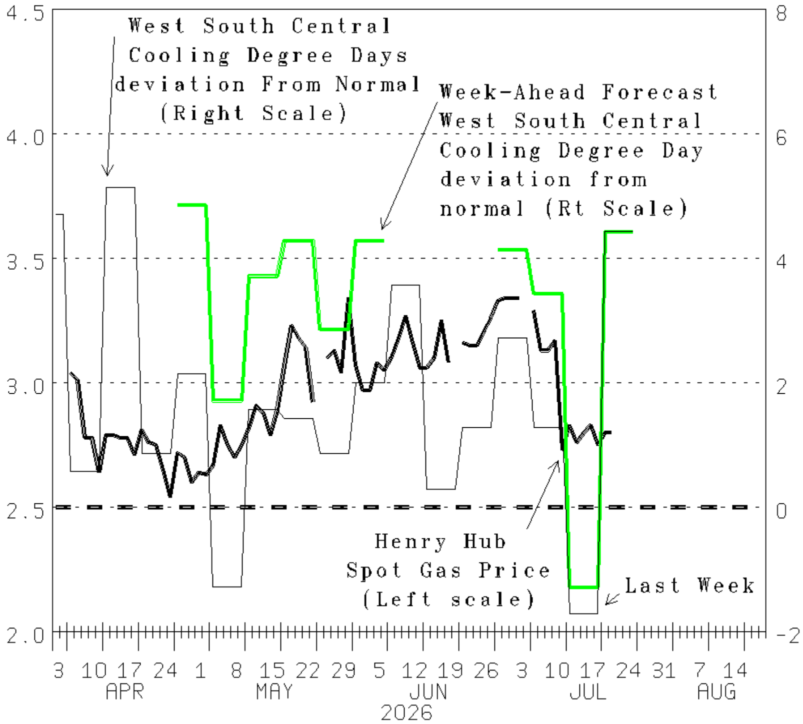
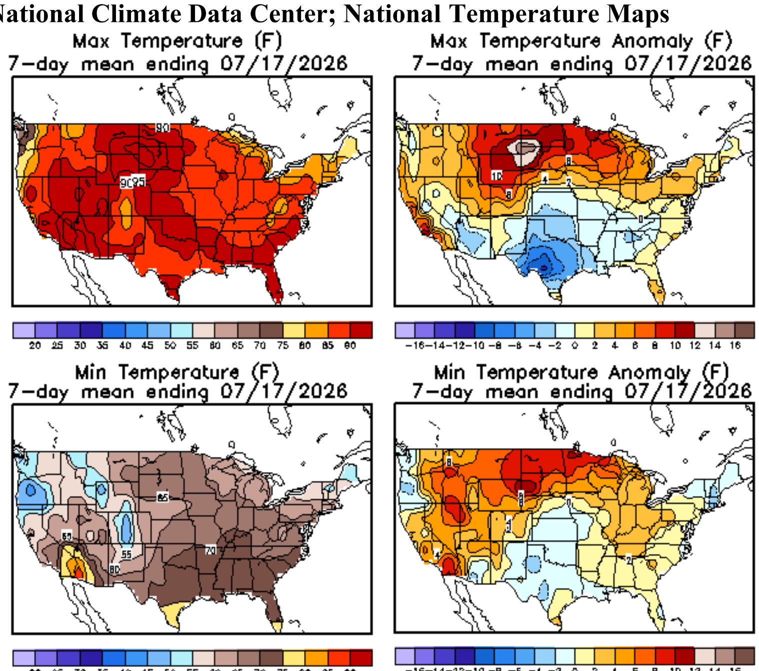


Figure 10
National Oceanic And Atmospheric Administration (NOAA)
National Climate Data Center; National Temperature Maps



With oil prices high and War-with-Iran news dominating, it makes it easy for almost all to remain natural gas bearish/ uninterested. Warm air in April (Figure 9, line, right scale) minimizing heating demand deflated the Henry Hub spot price of natural gas down toward $2.50 per mmBtu (Figure 9, bold line). Hours of sunlight increasing temperatures and natural gas demand then tugged it above $3.30 at the end of May and beginning of July. However, The Climate over the area served from Louisiana's Henry Hub notably cooling (Figure 10) has dropped it back into the $2.70 to $2.80 range of late.

The Climate Changing the way it did last week provides more evidence that mankind's carbon dioxide emissions (or carbon dioxide at all) is not the cause of Climate Change. Last week natural gas demand to generate electricity to power air conditioners was greatly minimized. The part of the country up North, that needs the least amount of air conditioning, was notably warmer than normal (Figure 10, top-right and bottom-right graphs, shades of red). And the part down South, that needs the most air conditioning, was notably cooler than normal (top-right and bottom-right graphs, shades of blue). Warmer than normal and cooler than normal air masses residing where they did have me credit wind patterns for what is experienced. So does all the smoke from Canada's wildfires, blown over much of the country, and also temporarily minimizing natural gas demand and prices.

Figure 11
6-10 Day Temperature Outlook, July 27-31, 2026
National Weather Service: Climate Prediction Center
National Oceanic And Atmospheric Administration (NOAA)

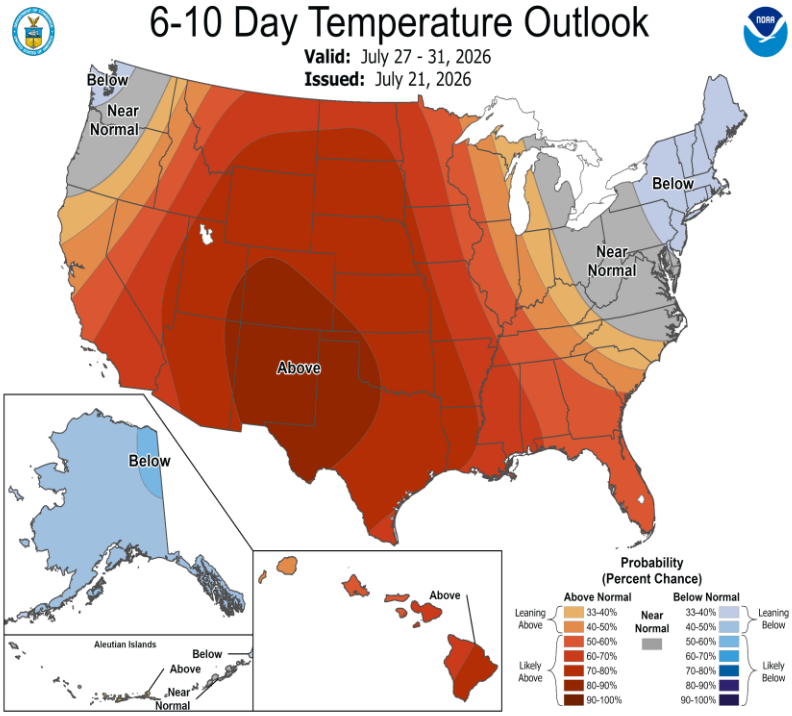
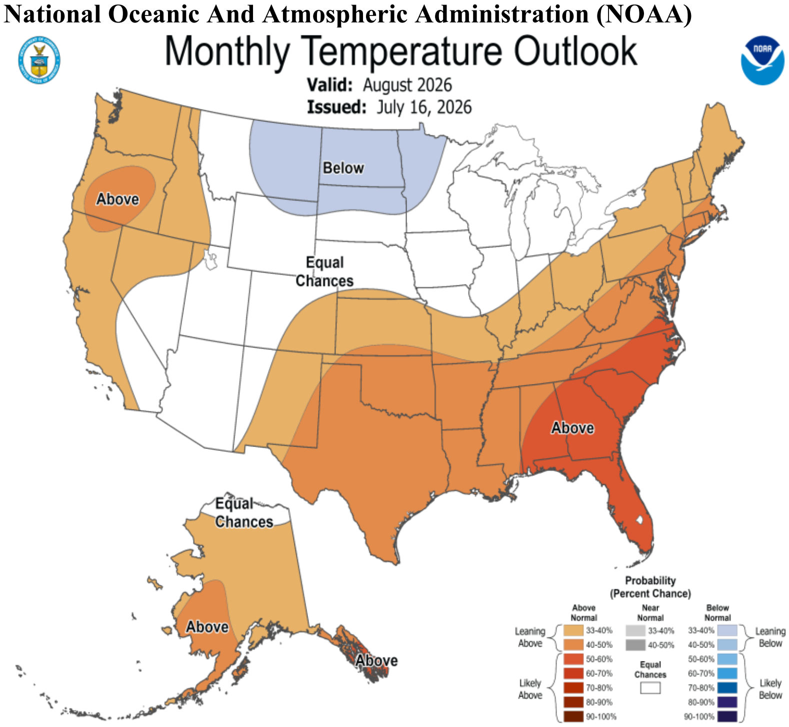


Figure 12
August 2026 Temperature Outlook
National Weather Service: Climate Prediction Center
National Oceanic And Atmospheric Administration (NOAA)



While natural gas demand was notably minimized by Wind patterns last week, we credit wind patterns for the latest forecast, that if correct will soon catch a notable number natural gas short. Hours of sunlight experienced very defined, but weather experienced varying greatly also encourage our conclusion: mankind's CO2 emissions do not cause The Climate to Change. Especially too dangerous. With all the help those natural-gas-bearish are now receiving, we see the temperature forecast for next week (Figure 11), as the natural gas futures contract for August expires, likely to be making now another very nice, exaggerated, buy-nat-gas-low opportunity.

And while weather forecasting remains challenging (except for San Diego), The Climate much Changing the way it consistently does suggests natural gas investing will remain a top performer. A few weeks of colder-than-normal air in January made the Natural Gas Index a 30% Year-to-date (YTD) gainer as March ended. Despite mild of late it up 20% YTD still beats the NASDAQ YTD. So, the temperature forecast for August (Figure 12) suggesting Summer isn't over has us bullish.

Infrastructure trends, much of late minimizing, AI activity increasing, Over There growing too with work to end/restore war destruction, conventional energy expectations low, + much poorly understood has conventional-energy-Bullish happening. We rate nat gas, crude oil, oil-focused E&P and Drilling & Oil Service Overweight Strong Buy; and Oil-Refining BUY.