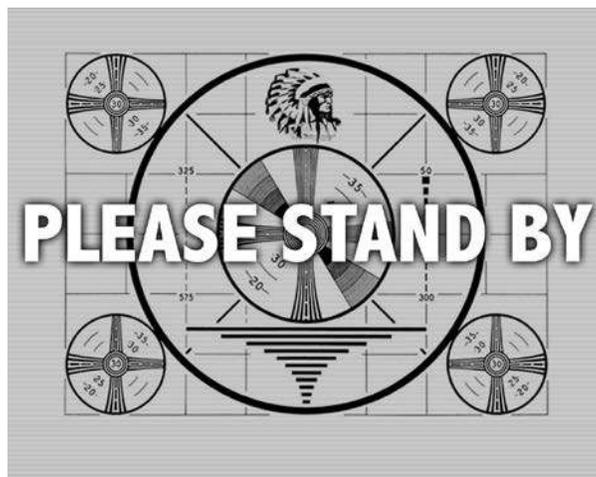


“We Now Return to Our Regularly Scheduled Programming”



[Hilsenrath Analysis: Friday's Jobs Report Assures Global Central Banks Going in Two Directions](#) — *Wall Street Journal*, December 5th, 9:59a ET

Earlier today I tweeted that [“I should write a note on Draghi today, but after 2.5 yrs of reviewing the same song and dance I’d rather put out my eye with a rusty spoon.”](#) I feel the same way about writing a note on Jon Hilsenrath’s Missionary statements on monetary policy, **but the potential ramifications of today’s jobs report and how the Narrative is being shaped around that report are just too important – particularly for the price of oil and the energy complex – to leave it alone.** Over the past two weeks I’ve tried to provide an Epsilon Theory perspective on both the price of oil ([“The Unbearable Over-Determination of Oil”](#)) and the signaling role of the price of oil on energy stocks ([“Signs and Portents”](#)), and here’s the skinny: **so long as the dominant Narrative around oil prices is based on global supply/demand fundamentals – even if those fundamentals are somewhat negative – that is far more constructive for oil prices and energy stocks than if the dominant Narrative around oil prices is based on monetary policy.** When Saudi Arabia said, “we’re happy with oil in the 60’s”, here’s what value investors heard: “we’re not happy with oil in the 50’s”. So long as there is a perception of a floor ... so long as value investors do not fear catching a free-falling knife ... they will buy stuff that looks cheap. That’s what value investors DO.

The dominance of the OPEC meeting-inspired supply/demand Narrative is, I fear, short-lived, as we appear today to be returning to the regularly scheduled programming of all central banks, all the time. The dollar is starkly higher today, as the yen and euro plumb new depths. That's on the back of the much stronger than expected jobs report today, which – as Fed amanuensis Hilsenrath “reports” – means that the Fed will be still more resolute in tightening even as the BOJ and ECB double-down on extraordinary liquidity operations. Oil is down a bit ... less than I'd expect from a currency move of this magnitude ... which I think is indicative that the fundamentals-driven Narrative still narrowly holds sway. How narrow? Can't tell yet. I'll be watching Narrative development closely next week, but there's a non-trivial chance that the monetary policy “explanation” for oil prices will resume its pole position, and that's problematic for the energy sector. Sorry, but I gotta call 'em like I see 'em.

To subscribe to Epsilon Theory:

- Sign up here: www.salientpartners.com/epsilontheory/subscribe
- **OR** send an email bhunt@salientpartners.com with your name, email address, and company affiliation (optional).

There is no charge to subscribe to Epsilon Theory and your email address will not be shared with anyone.

Follow me on Twitter: @EpsilonTheory

DISCLOSURES

This commentary is being provided to you by individual personnel of Salient Partners, L.P. and affiliates (“Salient”) and is provided as general information only and should not be taken as investment advice. The opinions expressed in these materials represent the personal views of the author(s) and do not necessarily represent the opinions of Salient. It is not investment research or a research recommendation, as it does not constitute substantive research or analysis. Any action that you take as a result of information contained in this document is ultimately your responsibility. Salient will not accept liability for any loss or damage, including without limitation to any loss of profit, which may arise directly or indirectly from use of or reliance on such information. Consult your investment advisor before making any investment decisions. It must be noted, that no one can accurately predict the future of the market with certainty or guarantee future investment performance. Past performance is not a guarantee of future results.

Statements in this communication are forward-looking statements.

The forward-looking statements and other views expressed herein are as of the date of this publication. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and there is no guarantee that any predictions will come to pass. The views expressed herein are subject to change at any time, due to numerous market and other factors. Salient disclaims any obligation to update publicly or revise any forward-looking statements or views expressed herein.

This information is neither an offer to sell nor a solicitation of any offer to buy any securities. Any offering or solicitation will be made only to eligible investors and pursuant to any applicable Private Placement Memorandum and other governing documents, all of which must be read in their entirety.

Salient commentary has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Salient recommends that investors independently evaluate particular investments and strategies, and encourage investors to seek the advice of a financial advisor. The appropriateness of a particular investment or strategy will depend on an investor’s individual circumstances and objectives.