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The Macroeconomics of Buying Green

I think a dream scenario is unfolding for clean energy stocks in the United States. Here's why:

- 1. The mortgage meltdown is great news for clean energy.**
Thanks to lower interest rates, the young companies that make up the majority of this sector have access to cheap capital for research and development and to expand their operations. These same low interest rates devalue the USD and raise the cost of energy for Americans, creating incentives to seek out alternate sources of fuel.
- 2. Owning clean energy stocks functions as a hedge against an oil shock scenario.** If things turn ugly in the middle east and oil goes Ahamadinejad, speculative money will start flowing into this sector and offset at least some of the market risk.
- 3. Betting website Intrade.com gives the Democrats 65% odds of winning** the next presidential election, and Hillary 70% odds of being the Democratic nominee – Hilary has a husband who has an ex. business partner who has a Nobel Prize...
- 4. The scale of transformation that will take place has not been seen since the industrial revolution.** You thought dot com was big? You think China is big? Well guess what: this will be bigger. Imagine a scenario in which nearly every government, corporation and individual in the world makes significant changes to every aspect of their daily lives.

Jim Rogers talks about how, at the turn of the century, when

everyone was talking about dot com stocks, he was looking at commodities and China. Now it's 2007. Everyone is looking at commodities and China. Where are you looking?

The trick here will be not to select individual companies, because the fortunes of any one of these 5 or 10 years out is entirely unpredictable. Instead, make a play on the theme. PowerShares WilderHill Clean Energy ETF ([PBW](#)), PowerShares Global Clean Energy ETF ([PBD](#))...buy them both and hold on for the ride. It's a bet that will be difficult to lose.

Disclosure: Author holds a long position in the above-mentioned securities



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