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Strong Headwinds for Cleantech Pure Plays

With oil prices flirting with $100 and the subprime market still tugging at stock market prices, which way is cleantech headed? As expected, clean energy stocks are trading in a narrow range with oil prices. Wilderhill New Energy has already done the work for us. The correlation between the Wilderhill New Energy Global Innovation Index (NEX) and major oil indices can be viewed **here**.

Despite the stock market tumble, the major cleantech indices— …, **Wilderhill CleanEnergy (ECO)**, and … --are also up smartly over the Nasdaq and S&P 500. The Wilderhill New Energy Global Innovation Index, however, has outpaced the cleantech indices, up 55 percent in 2007. Significantly, Wilderhill New Energy is a cleantech pure play. Its top holdings, 30 percent of its portfolio, include the big wind turbine makers and park operators, including Gamesa, Vestas Wind Systems, Acciona, Iberdola and Theolia. Solar and biomass make up another 23 percent and 12 percent, respectively.

The cleantech indices have a sharper focus on the materials and components that are improving clean technology performance and cost competitiveness. The enabling technology play is riskier. The Wilderhill New Energy fund is more of a value play whereas the cleantech indices are laden with more high-growth stocks. According to conventional market wisdom, value stocks should rise in a down market and high growth stocks should fall the sharpest but bounce the highest when the market turns up.

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