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Better-Management Newsletter 10 January 2017

The forecasts keep on coming, even a forecast that stars will collide...

http://www.telegraph.co.uk/science/2017/01/06/spectacular-collision-suns-will-create-new-star-night-sky-2022/

Jim Rickards has opinions on how the US Fed will try to stimulate the economy (for the benefit of client banks of course)...

http://thecrux.com/rickards-the-feds-playbook-for-2017/

Gold is likely to have more hiccups as the Fed interferes and while I would buy some gold, I don't like it as an investment...rather as a hedge against disasters...

http://seekingalpha.com/article/4034606-gold-bears-warned?source=email_macro_view_top_articles_0_0&ifp=0

By about mid 2017 we will see what sort of problems the UK will have with Brexit. By the end of November we will see whether I am right or wrong about a global financial crisis. By year end China may have blown up as may Italy, Greece and even the EU. However, there are other opinions such as in John Mauldin's email…

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB_Jan_06_2017.pdf

Geopolitics

Presidente Duterte seems very naive for someone who drops people out of helicopters....

http://www.reuters.com/article/us-philippines-russia-duterte-idUSKBN14Q0Z0

Russia needs to get a peace agreement in Syria so it can exit while saving face...

http://www.reuters.com/article/us-mideast-crisis-syria-russia-military-idUSKBN14Q0US

It isn't yet 20th January but the Trump war of words on trade has already gotten well under way...

https://www.bloomberg.com/politics/articles/2017-01-06/china-said-to-mull-scrutiny-of-u-s-firms-if-trump-starts-feud-ixl2je3s

The Economy

Sending our production to China so we can consume cheap “stuff” was never a good idea because it was wasteful of energy (while energy was ultra-cheap who cared) but it suited the globalists. Now Trump wants to change that...Bill Bonner reckons he is in for a shock...

http://thecrux.com/bill-bonner-trump-cant-beat-this-trade-deal/

The problem with globalisation was that it exported high paying jobs to low wage economies leaving people with access to low paying jobs in the OECD country of your choice that globalised...as for the USA...

http://thesovereigninvestor.com/us-economy/third-world-jobs-employment/

As Millennials growth up and grow older, conventional retailers look more and more like dogs...

http://seekingalpha.com/article/4034505-mall-retailers-clobbered-bezeks-daily-briefing?source=email_macro_view_mar_out_0_8&ifp=0

While the OECD’s too big to fail banks play with gold futures and manipulate the gold price (as admitted as well as proven), the Chinese play their own game and quietly build reserves in readiness for their play to have the Yuan as a major international currency backed by gold....

http://seekingalpha.com/article/4034858-west-selling-gold-black-hole?source=email_macro_view_gol_pre_met_1_13&ifp=0

I wonder if the Donald really needs an unstable country “South of the Border” – even with a new wall in place...

http://seekingalpha.com/article/4034747-mexican-peso-verge-panic?source=email_macro_view_for_0_25&ifp=0

Mr Trump is certainly having some impact there.

Energy

Where oil goes, there goes our civilisation - at present. The benefit of reduced oil prices over the last two years equals USD2 trillion extra spending power for western consumers. But will this be progressively taken away? And what will the impact of that be?

The week closed with oil holding at Brent USD56.78/bb then opened this week at USD54.95/bbll. All eyes are on the major players to see whether discipline is established for the 1.8 million bbls per day cut. Discipline and the oil price will soar. Ill discipline and it will stagnate. Plenty of folks think the price will go to USD65/bbl and the IEA reckons that the excess of inventories will be gone in a few months time...and anyway demand already exceeds supply and has for the last few months....so inventories have been falling...

http://www.rigzone.com/news/oil_gas/a/147973/Oil_at_65_Per_Barrel_Energy_Pros_Hopeful_In_2017/?all=HG2

But will the major players do their cuts and when?

http://www.rigzone.com/news/oil_gas/a/148014/saudis_russia_to_diverge_on_speed_of_oil_output_cuts

In Auckland, the petrol price rose by 10 cents per litre over the weekend. This reflects the current volatility...I suspect that volatility will increase...

http://energypost.eu/new-outlook-oil-prepare-bumpy-ride-2017/

From a sovereign wealth point of view, the oil producers expect a return to profitability...as this Saudi item demonstrates...

https://www.rt.com/business/372607-saudi-arabia-oil-revenues-2017/

Folks who are either invested in or following Penn West (TSX:PWT - an oil company operating in the Western Canadian Sedimentary Basin – principally Alberta) will be interested to see them transitioning from the huge asset divestment and deleveraging programme of 2016 into an organic production growth phase for 2017. With only a few divestments yet to close, they no longer need a couple of their senior management....

http://web.tmxmoney.com/article.php?newsid=7486628991302357&qm_symbol=PWT

Full slide show of PWT investor presentation of 6 January 2017 here...

http://www.pennwest.com/investors/presentations-webcasts

They get a tick from me at this point. With an elevated US dollar and most of their costs in CAD, it is interesting to see them getting a good return on their efforts with a favourable currency tailwind. Ever hopeful, if PWT produces at 35,000bbls per day average during 2017, then with a WTI price averaging say USD60/bbl, they would get an extra tail wind of USD 5/bbl net of hedging...or roughly USD50 million un-budgeted extra revenue during the calendar year. However I am sure there will be some adversity emerge to dampen spirits.

The point to make though is that the oil business is either boom or bust....and PWT has survived the last bust. What comes next? Who knows? Perhaps one day we will get back something of what we have lost since GFC.

Here below is another perspective...

http://seekingalpha.com/article/4034714-penn-west-petroleum-bust?source=email_alternative_energy_investing_oil_gas_dri_exp_1_9&ifp=0

Changing over to comments on nuclear power/fuel....

I watch uranium (aka yellowcake, also aka U3O8) prices on a daily basis. But there are signs that shortages will emerge this year and drive prices up. There is certainly still plenty of building of nuclear power plants going on – just not many in the OECD.

http://www.world-nuclear-news.org/NN-Construction-milestones-at-new-Chinese-units-0501175.html and

http://www.economiccalendar.com/2016/12/21/uranium-prices-steady-in-december-market-participants-look-to-better-2017/

As a result a number of pundits are now picking uranium to do well. I am sure they are right unless we have either another Chernobyl or even major action from protesters...

http://www.infowars.com/overwhelmed-massachusetts-nuclear-power-plant-spikes-with-radiation/

Nuclear power is a high risk industry even though major actual disasters are very rare (one to date), so if both spot and contract prices for yellowcake go up to the point where we get near to recovering some of our money, we will take that opportunity and get out.

In the last five years, the only two uranium mining companies with interesting new resources seem to be Fission in Canada (at Paterson Lake South) and Plateau Uranium in Peru (with 1,000 square kms of lease on Macusani Plateau). Both listed on the TSX and both very high risk. Neither is producing anything at present and it will take a couple of years for them to come on stream. Plateau will be very speculative until their latest drill results get announced.