

CONNECTING THE DOTS

Supply-side research

Presentation for Atlanta CFA Society

Meeting

April 1, 2015

Atlanta, GA

CONNECTING THE DOTS

Supply-side research

Government policies: Rearranging GDP

- Government: the 800lb Gorilla in the economy
- Defining incentives: positive and negative
- Government influence = price distortions
- Policy changes provide investors opportunity

Laffer's Four Grand Kingdoms

(of macro economics)

- Monetary Policy (Central banks)
- Fiscal Policy: Tax rates, credits, subsidies
- Regulatory Policy (ex: ACA, RFS, energy)
- Trade policy (protectionism vs. free trade)

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Rearranging GDP

Tax policy

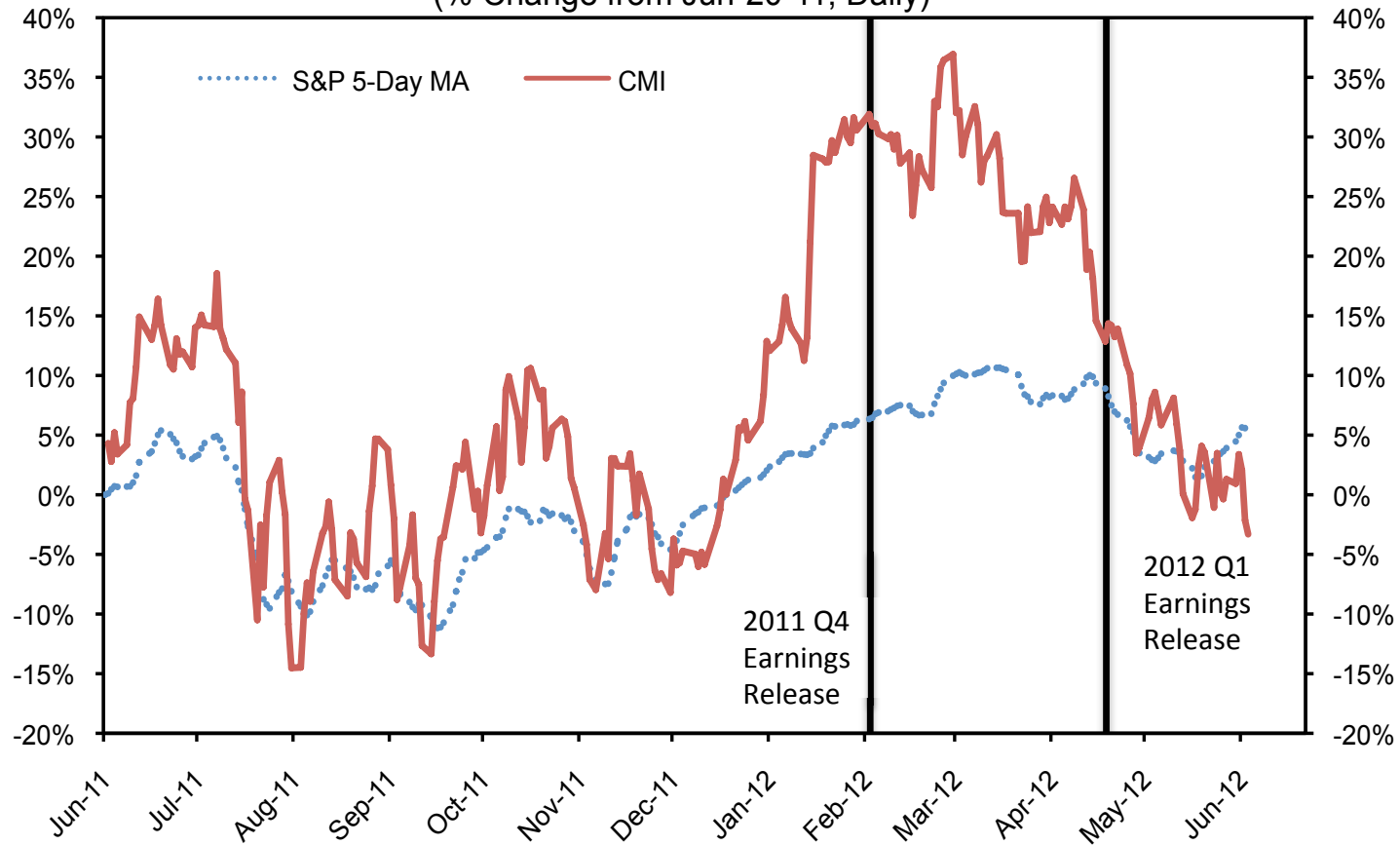
100% Bonus depreciation expired 12/31/11

- Added .50 to GDP growth of 3% in Q4 2011
- Demand soars for
 - nonresidential fixed investment
 - Equipment and software
 - Big ticket durable goods

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CMI vs. 5-Day MA of S&P 500

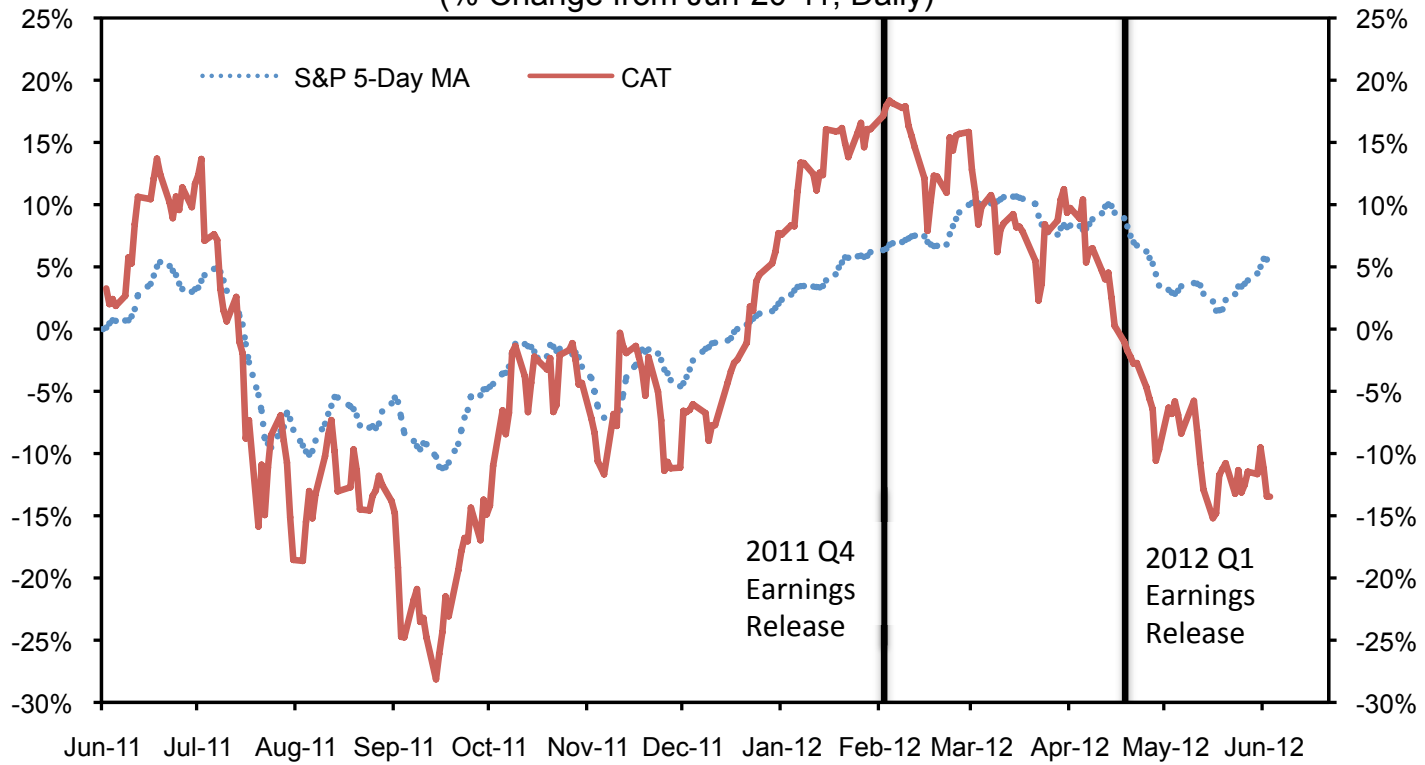
(% Change from Jun-20-11, Daily)



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CAT vs. 5-Day MA of S&P 500

(% Change from Jun-20-11, Daily)



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Political Peak Oil

- Top 10 oil producing countries, all but two own the ENTIRE means of production
- US government controls access to 85% of its productive territories
- Restrictions on drilling, refining and transportation
- Fracking is a way around these restrictions

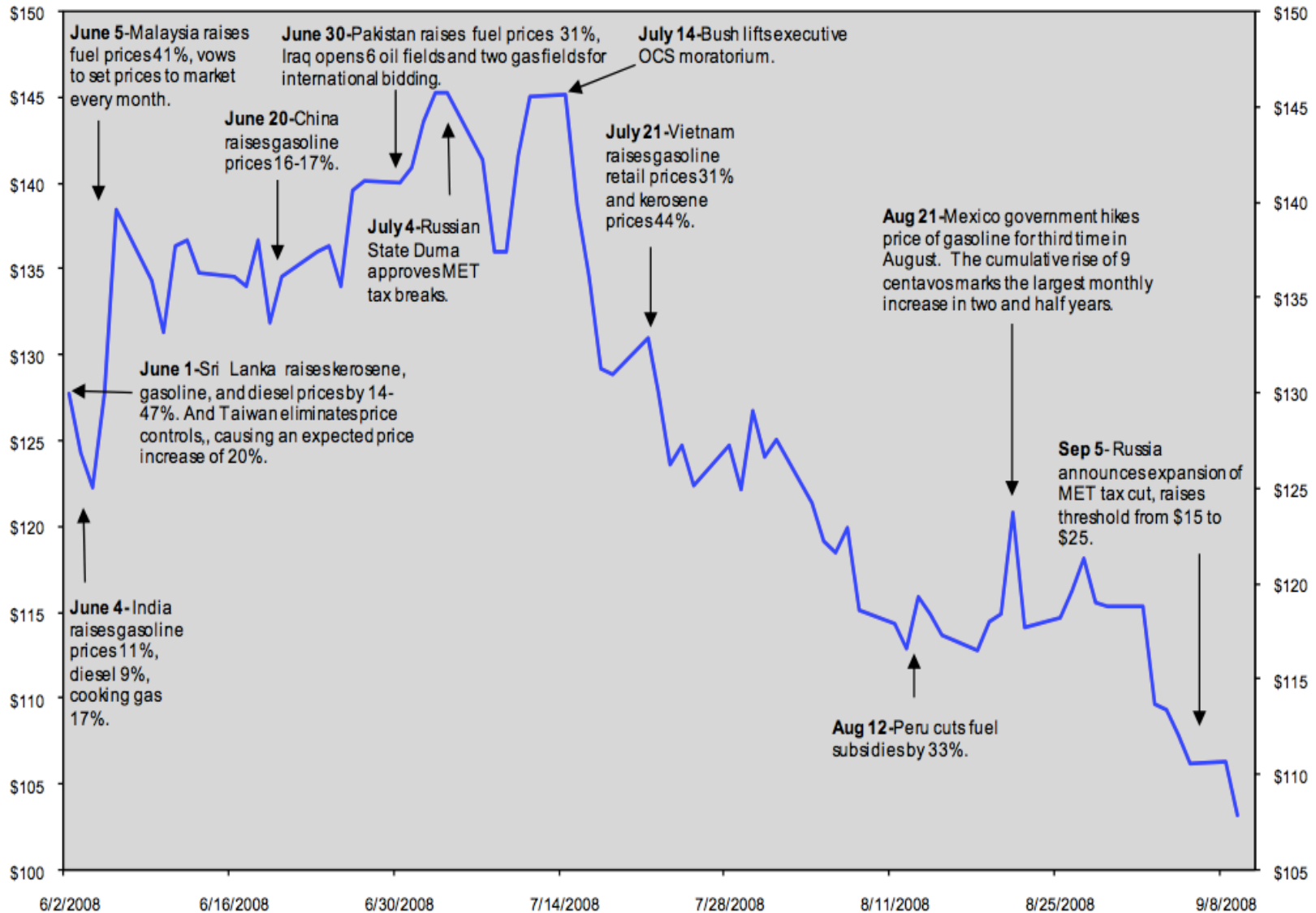
Political Peak Oil

U.S. has huge reserves of cheap oil

- ANWR: 16b confirmed barrels - Closed
- OCS: 150b confirmed barrels – Closed
- Federal Lands – Closed
- Keystone – Nope

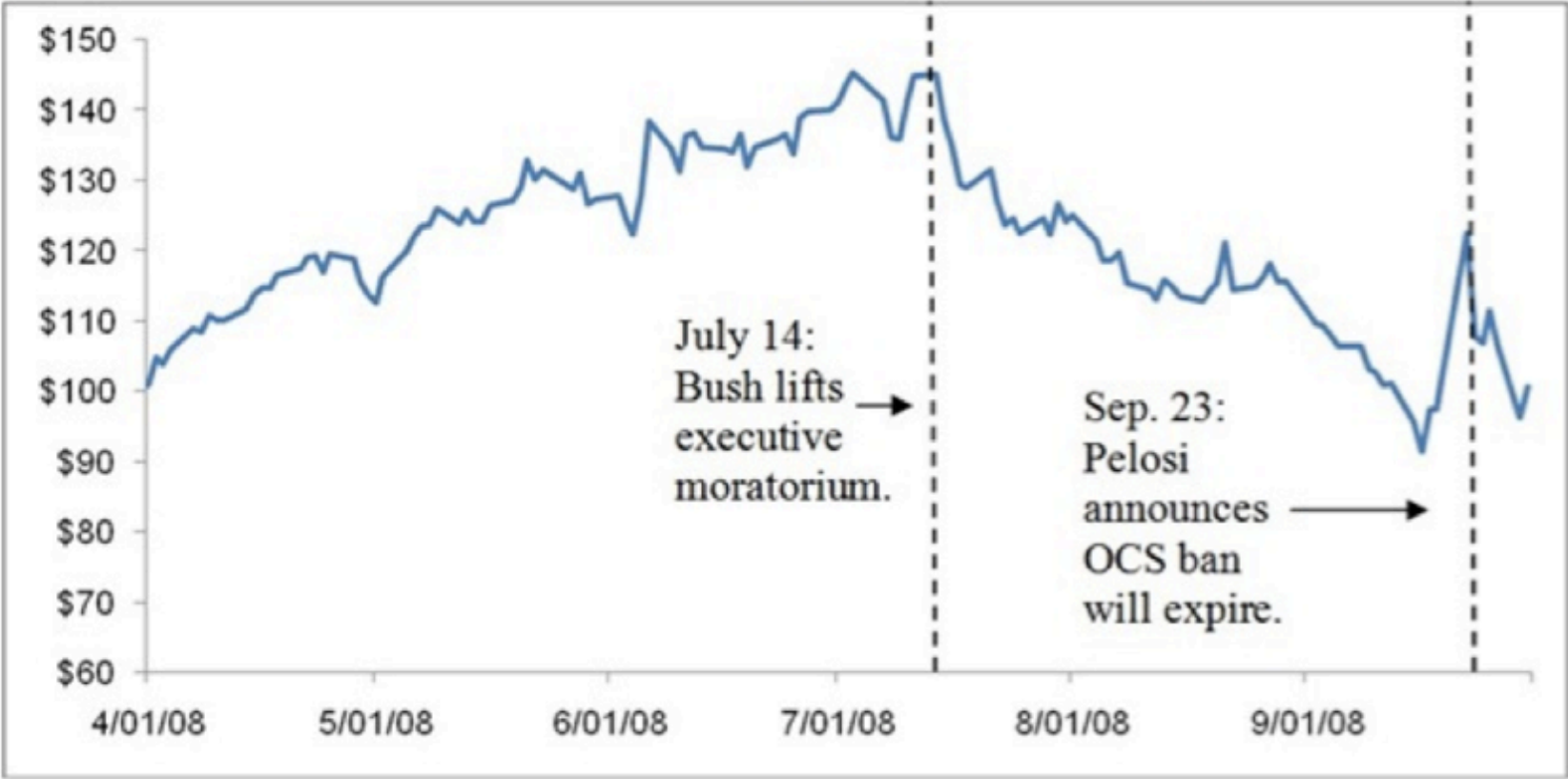
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Figure 2
Spot Price of WTI Crude Oil with Oil and Fuel Policy Actions
 (daily, through 9/9/08)

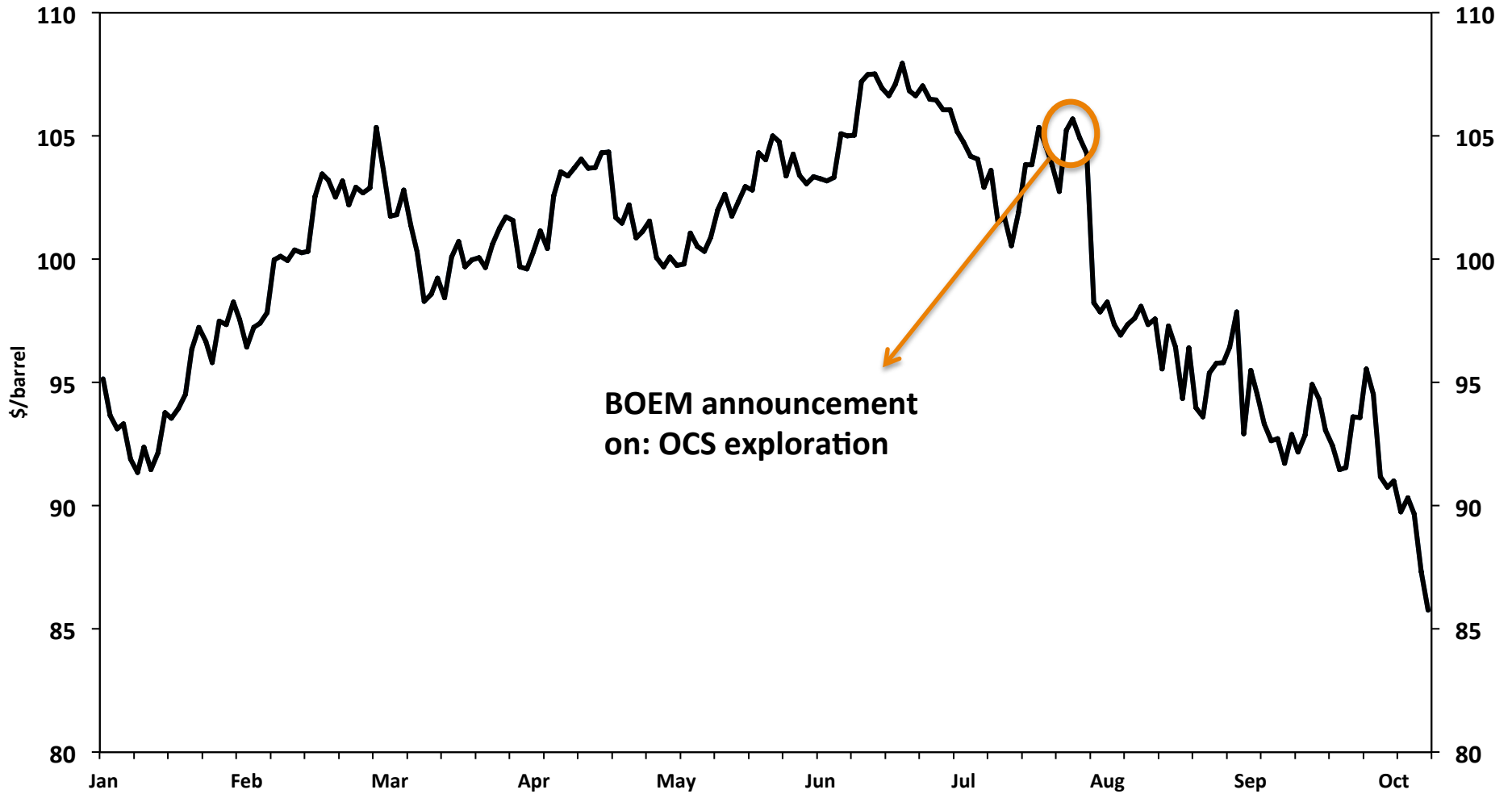


Political Peak Oil

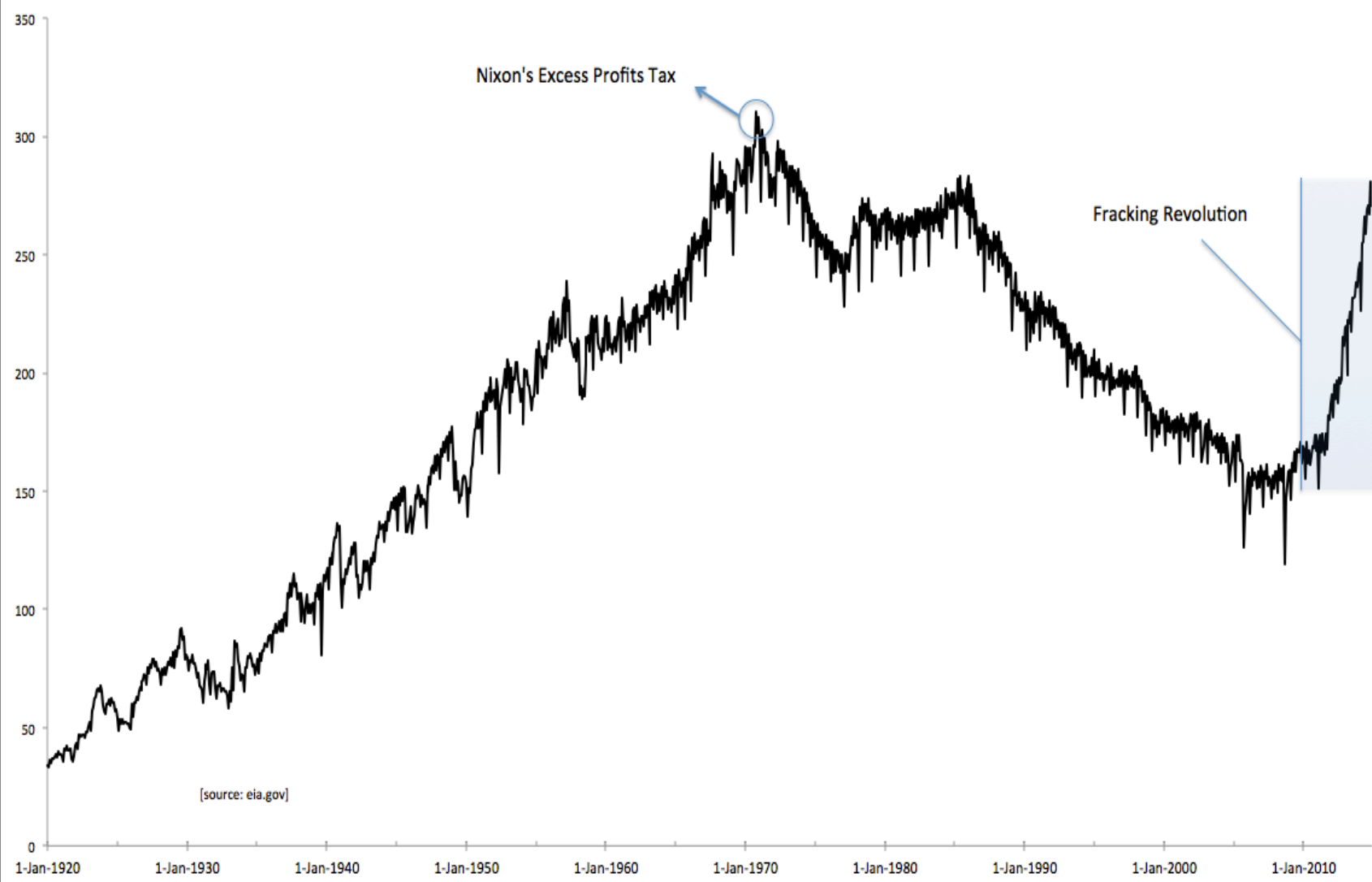
West Texas Intermediate Spot Crude Prices (EIA)



WTI Crude Oil Spot Prices (2014 YTD, Daily)



U.S. Field Production of Crude Oil since 1920 (Mbbl per Month)



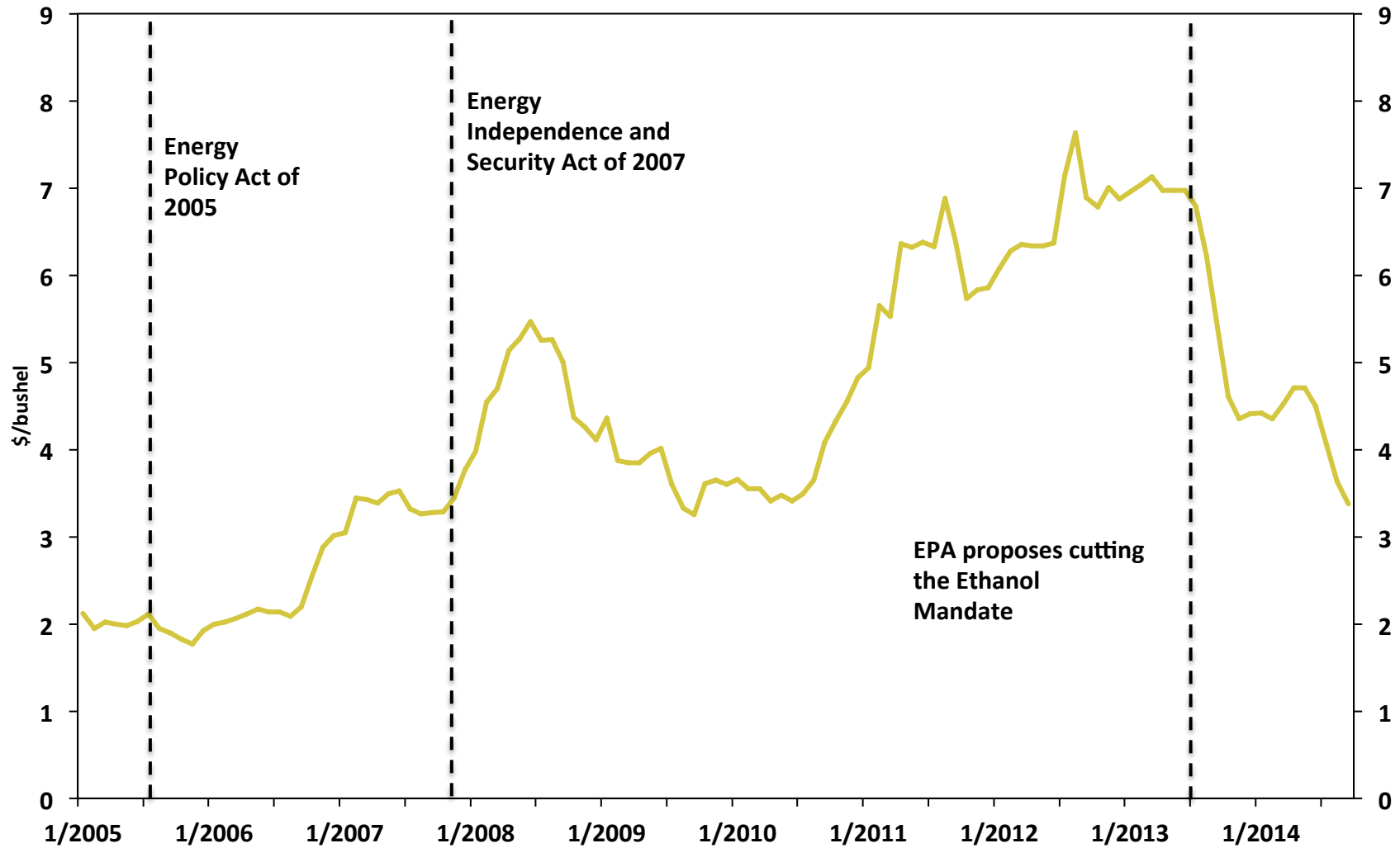
[source: eia.gov]

Renewable Fuel Standard RFS

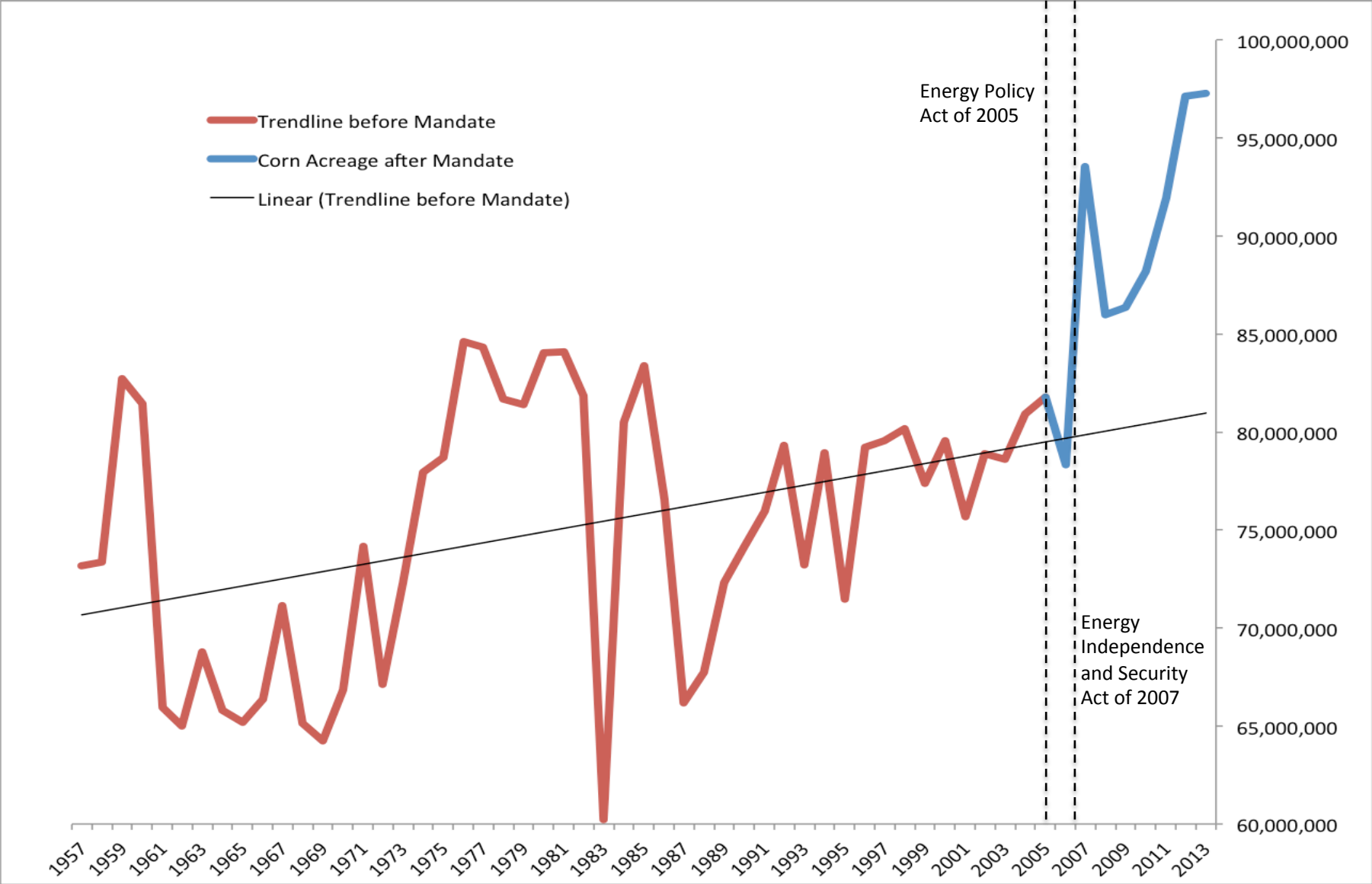
- Nearly half the corn crop diverted to fuel
- Food prices hit all time highs
- Lag affect on protein prices
- Protein prices headed much lower
- Bipartisan effort to eliminate the RFS

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Corn Prices Over Prior Decade (Monthly)

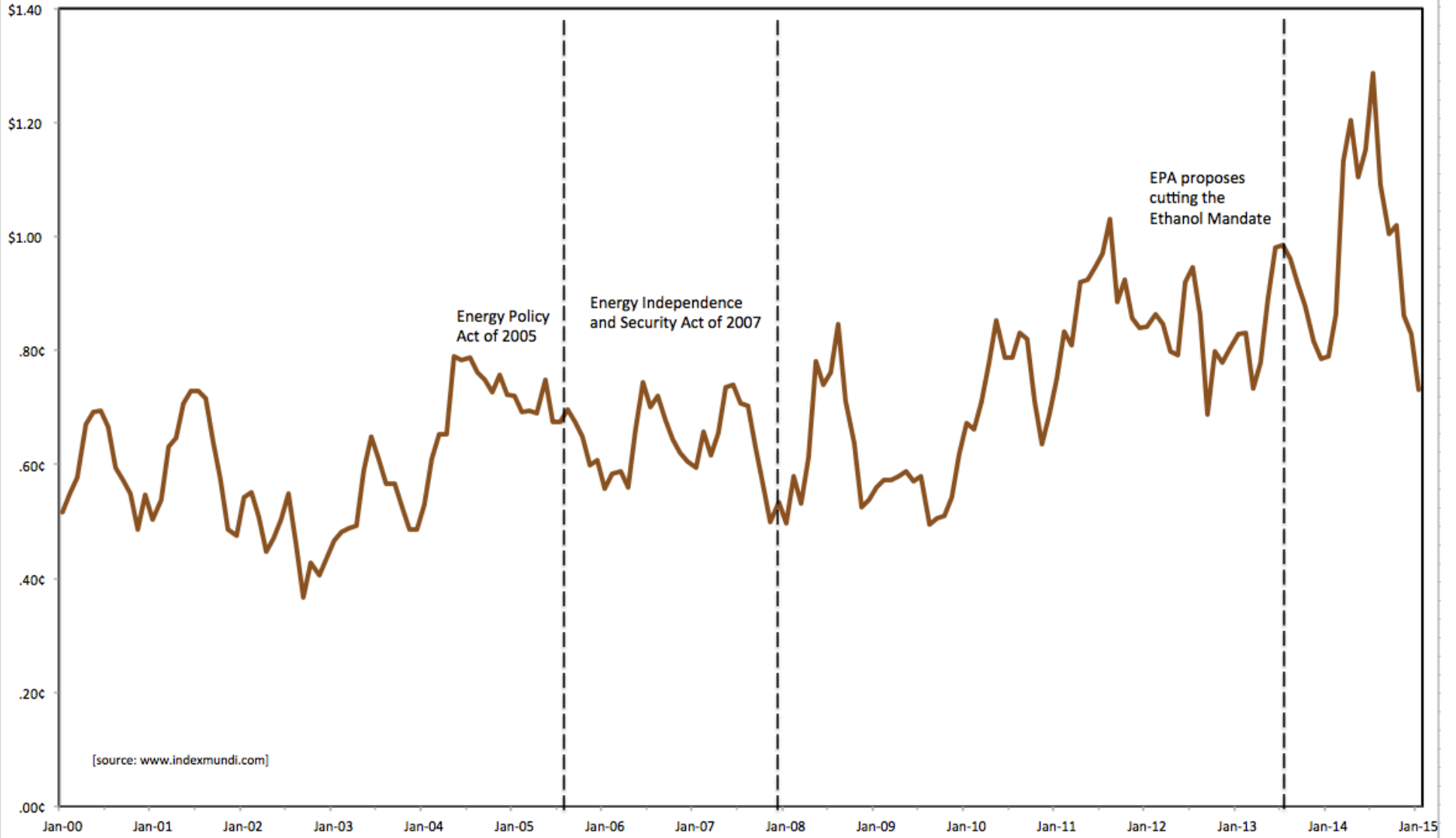


Corn Acres Planted, Actual vs. Trend Before Federal Support for Ethanol (measured in millions)

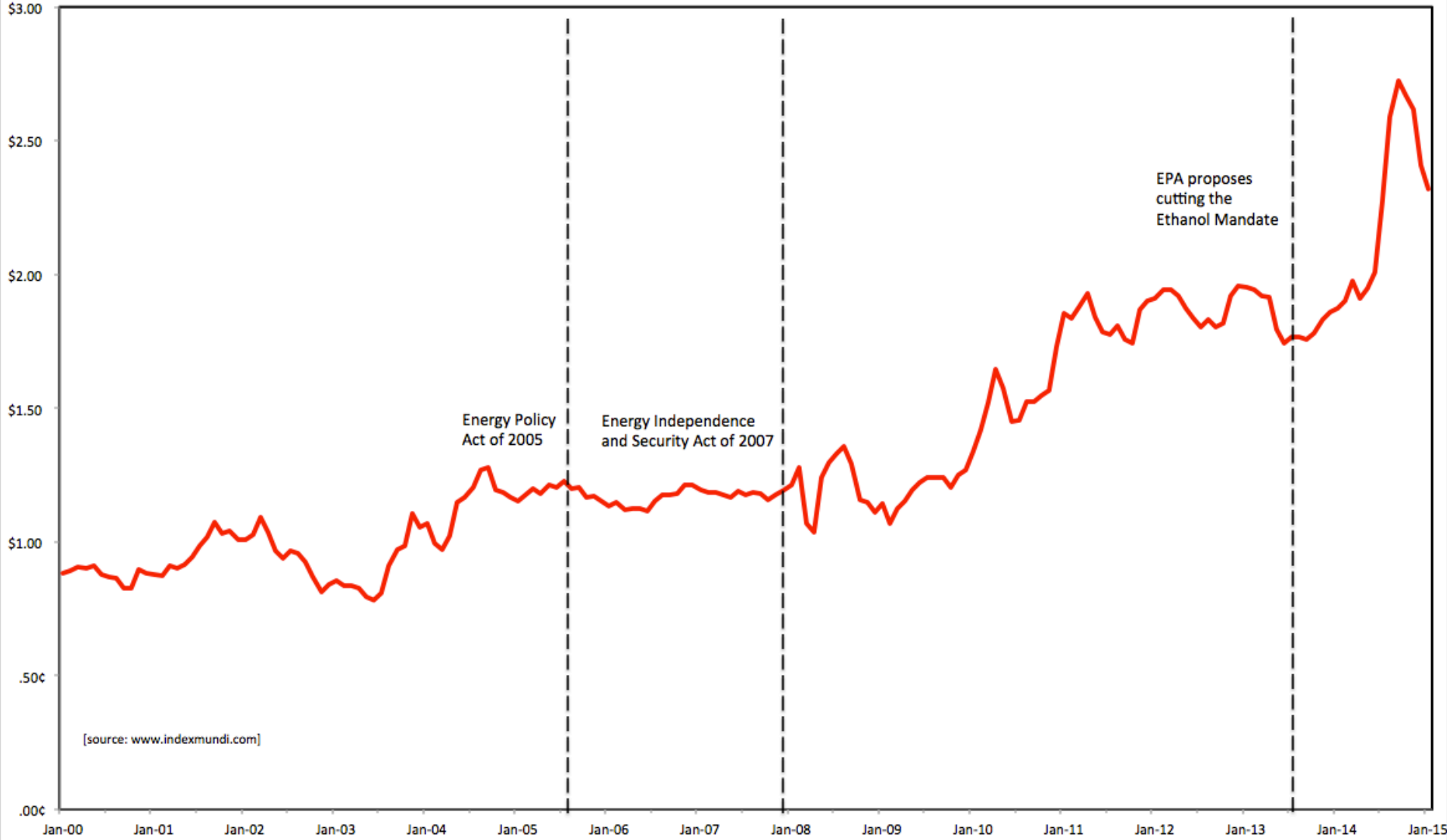


Source: USDA, NASS

Pork per Pound

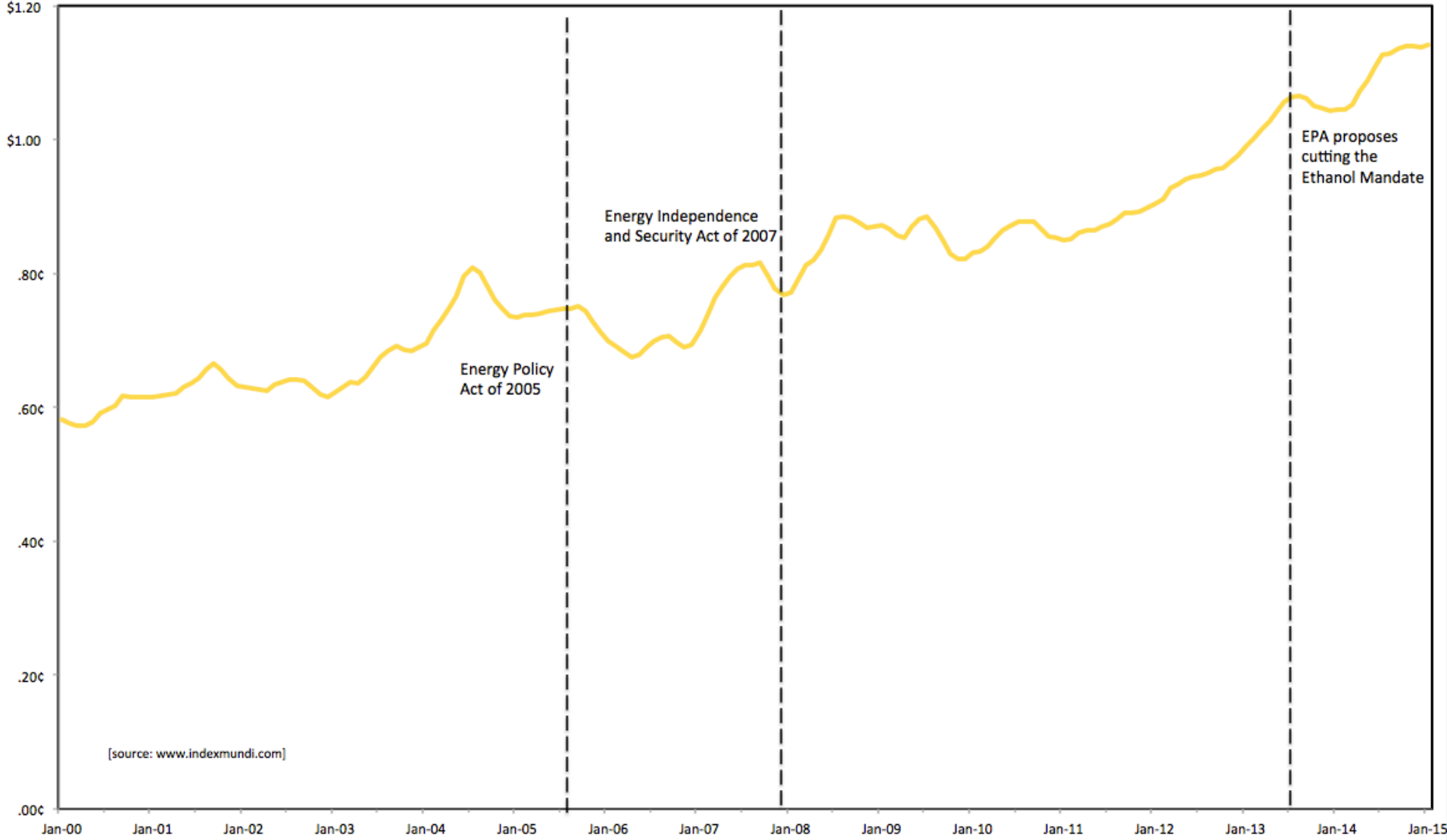


Beef per Pound



[source: www.indexmundi.com]

Poultry per Pound



What's Next?

- Coal may not be dead
- Regulatory Jihad is the greatest threat
- Germany: Economic reality trumps politics
- Political change in the U.S.
- Coal stocks are trading well below replacement value
- Republican victory = opportunity

Connecting the Dots

- Tom Landstreet
 - Forbes contributor
 - Founder of Standard Research Corp. publisher of *Connecting the Dots* institutional investment research
 - Co-Founder of Tell-tale Capital Corp.