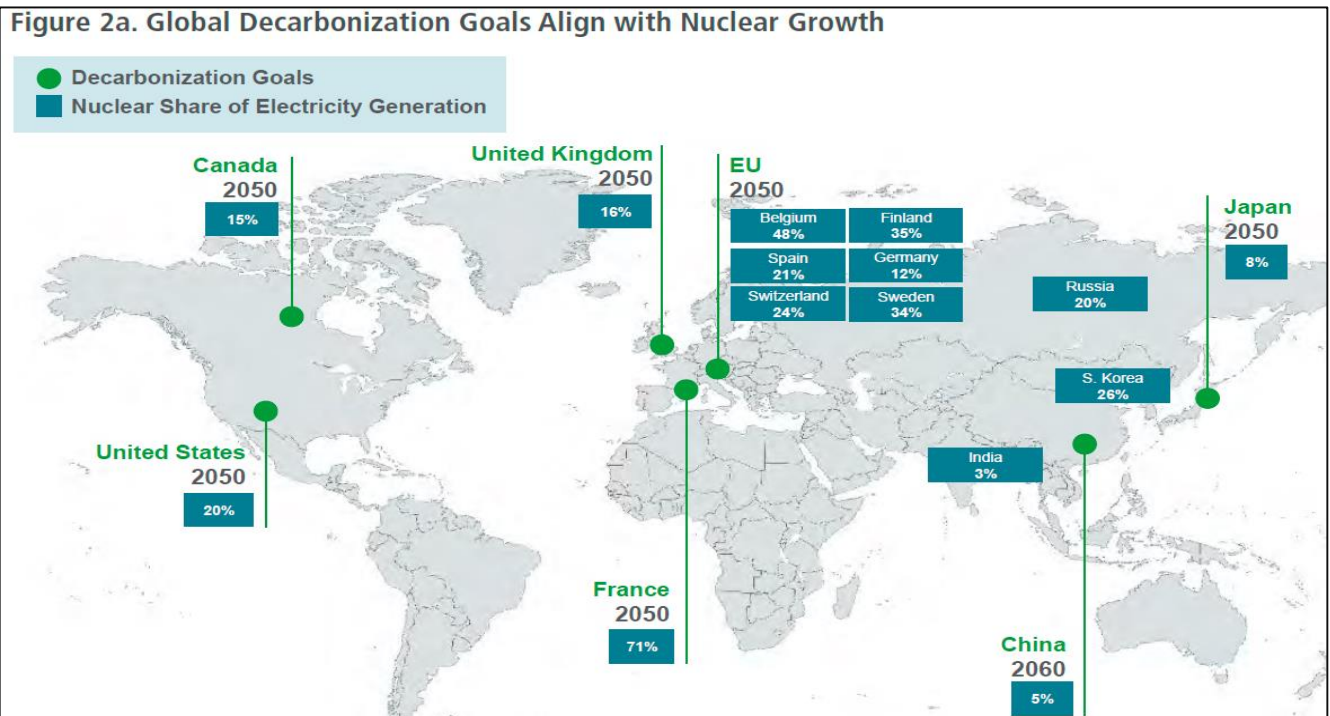
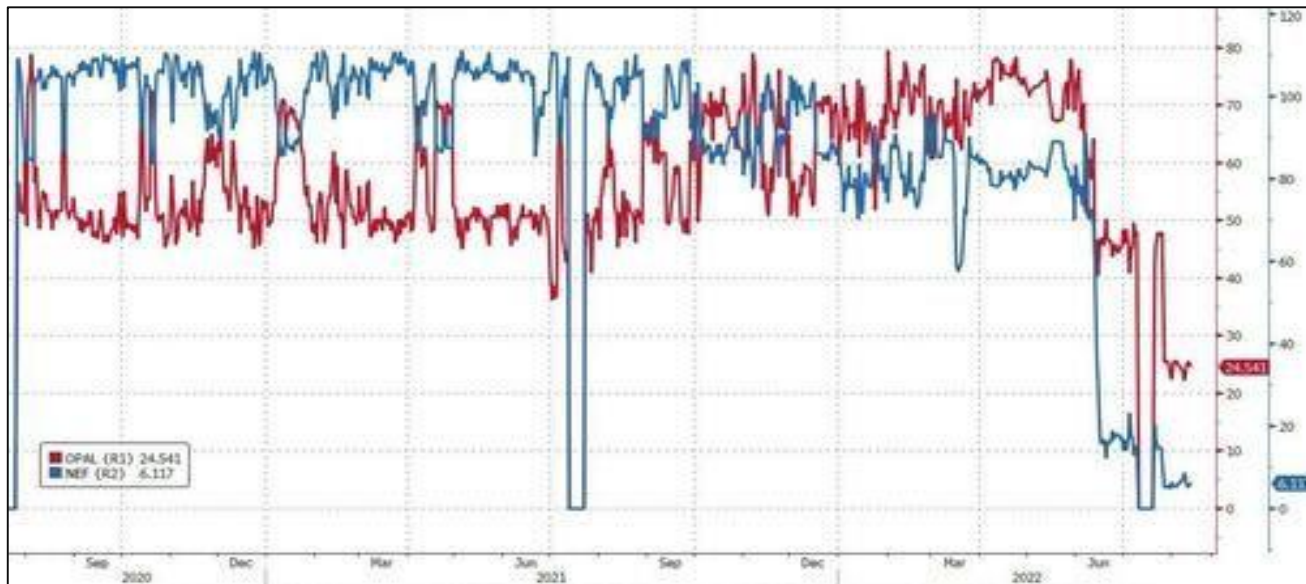


- With ambitious climate goals set by governments, it has become increasingly clear that the energy transition targets cannot be met without a reliable, low cost & zero-carbon-based energy source like nuclear, as renewables like wind & solar come with their own set of challenges.
- Some pundits have estimated value of nuclear sector at \$30 bn. Nuclear is going to play a larger role in the global energy transition and that over time this will lead to a trend of potentially higher uranium prices.
- Uranium mining in many countries contracted and even disappeared in the U.S., despite the U.S. having the world’s largest fleet of nuclear reactors. The situation worsened as Western utilities became increasingly dependent on low-cost Russian conversion and enrichment services.
- While nuclear had a negative halo in the years following Japan’s Fukushima incident, nuclear’s announced inclusion in the European Union’s sustainable finance taxonomy in 2022 has signaled that European governments have finally accepted that nuclear power must be a key component of future energy policies.
- U.S. government has belatedly begun efforts to wean the U.S. off its reliance on Russia for nuclear fuel. Two draft bills are currently working their way through Congress and the Biden administration has requested \$4.3 billion in funds to support domestic uranium mining and nuclear fuel chain services.

Source: Spratt Asset Management



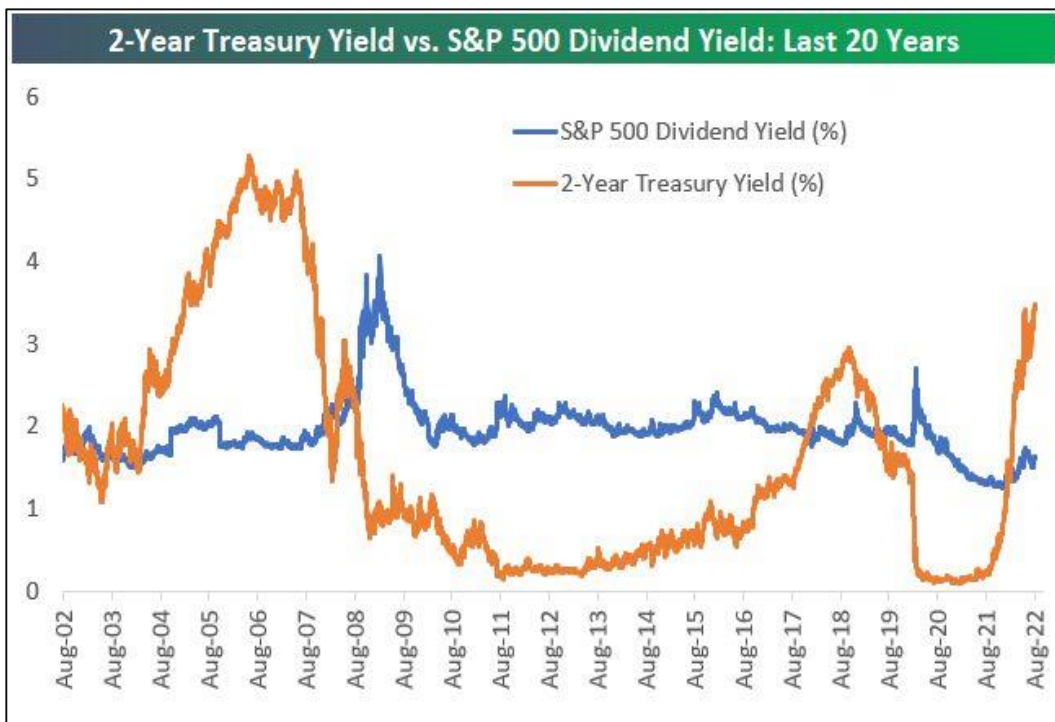
Energy crisis of 1973, resulted in major energy policy pivot in the West. The crisis spurred political support for nuclear energy & prompted buildout of new nuclear power plants, which continue to operate today & provide reliable carbon-free electricity. Current global energy crisis is likely to help extend lives of many of these nuclear power plants, which may contribute to increased demand for physical uranium.



China Is Aggressively Reselling Russian Gas To Europe - Zero Hedge.

Russia has surpassed Indonesia and the United States to become China’s fourth-largest supplier of LNG so far this year. "Europe’s fears of gas shortages heading into winter may have been circumvented, thanks to an unexpected white knight: China." - FT.

With Russian pipeline gas to Europe effectively shuttered..... Europe’s imports of LNG have soared 60% year on year in the first six months of 2022, according to research firm Kpler. Chart below shows Russia energy exports to Europe have reached a point of standstill.



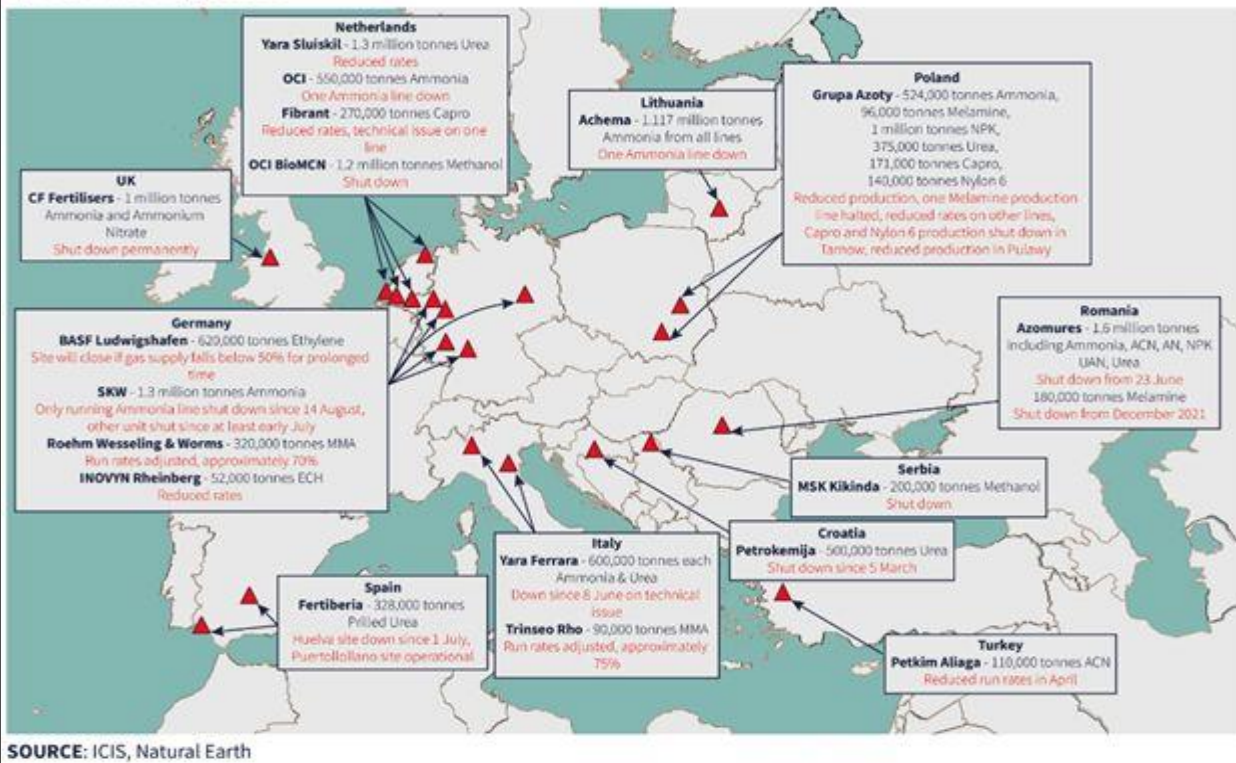
Bonds are cheap. The 2-Year US Treasury yield is now more than double the S&P 500's dividend yield.



Much of the market commentary over the last few days is a touch of tunnel vision, with all eyes on Jerome Powell and Jackson Hole, the echoes of the ongoing global energy crunch continue reverberating. Companies in Europe are shuttering production of base chemicals and fertilizers, leading to warnings of shortages in intermediate goods.

Soaring gas prices hit Europe fertilizers, chemicals

Updated on 23 August 2022



Aluminum shortage is intensifying

Aluminum smelting is very power intensive and with severe power shortage in Europe, more European smelters are expected to halt the production due to energy prices and with China stimulating the economy, the premiums will remain elevated.

Figure 9: Visible aluminium inventories (kt)

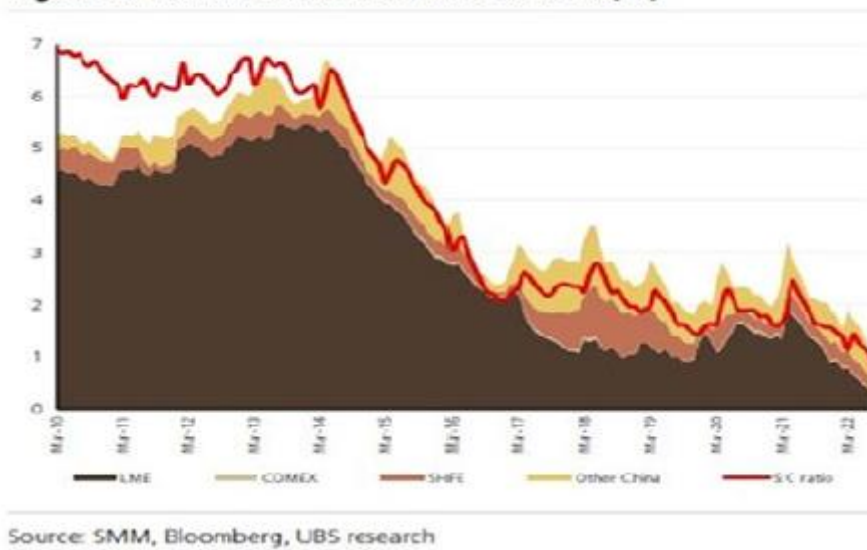


Chart 8: Everyone is bearish but no-one has sold stocks

Inflows to equities vs allocation to equities



Source: BofA Global Investment Strategy, EPFR, BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Everyone is bearish.. No not really

Everyone is bearish but no one has sold stocks based on inflows to equities vs allocations to equities.