

Episode 5: Don't Let Energy Volatility Scare You

In Episode 5 of SL Advisors Talks Energy, Simon Lack talks about market volatility, valuations in midstream energy, and Canada's new way to export its crude oil.

Show Notes:

Volatile week with more tariffs on China roiling markets (:51)

Still assuming Trump will take China deal in time for election (:52)

Falling bond yields reflect widespread risk aversion (1:28)

Equity risk premium is favoring equities (2:15)

Investors asking why energy stocks are down again (2:48)

Sector remains out of favor, falls farthest when stocks are weak (2:53)

But valuations are compelling (3:03)

Energy Transfer yields >9%, 2X covered by DCF (3:10)

Williams 6% yield, also 2X covered (3:24)

ENLC fired its CEO and lowered guidance but still expects to raise distribution, yielding 15% (3:36)

Midstream energy infrastructure earnings generally good, but sentiment poor (3:51)

Misallocated cash, although signs of improvement (4:00)

Weak natural gas prices, although not hurting pipeline earnings (4:30)

Fears over climate change, although oil and gas consumption continue to grow (5:00)

Turn to Canada – big challenge to get crude out of Alberta (6:55)

Keystone XL much delayed although TC Energy (FKA TransCanada) expects to finally build it (7:32)

ENB told us they wouldn't build a Canadian crude pipeline except in Alberta (7:47)

Plans to build railway from Edmonton and Ft McMurray to Alaska (8:10)

Amazing considering 2013 crude disaster in Quebec, 47 deaths (8:34)

But pipeline opponents have done this (8:41)

Railway will travel up through Yukon Territory, allowing Canadian crude exports from Alaska (9:19)

Also unlocking mineral reserves in Yukon by providing transport (9:22)

Project still in planning stage, but reflects ongoing global demand for crude in spite of fears over climate change (9:38)

Links:

Alaska – Alberta Railway Development Corporation

<http://www.a2arail.com/about-a2a.html>

Stocks Offer Bond Investors an Opening

<https://sl-advisors.com/stocks-offers-bond-investors-an-opening>