

I N S I D E R *Weekly*

— Issue #170: September 2020 —

Greetings, and welcome to this edition of the Insider Weekly.

This week our own Kuppy provides this curvy goddess of a sunset photo from Grayton Beach on the Florida panhandle. Kuppy is currently ~~drinking too much~~ hanging out there with four friends.



If you're experiencing winter wherever you are, then this one'll make you jealous. Don't blame me. Blame subscriber Kurt in Mauritius.



TRAVEL PLANS

I'm going to provide (as best I can — plans change) a heads up as to where we'll be ("we" being my family and I). For clarity's sake, that's two hormonal teenagers and a menopausal wife. Fun. From early next week for a couple weeks — Salzburg. Then likely Bratislava from the 28th September. No idea how long yet. We'll see, but the loose plan is to head north up to Prague and then Krakow. If you're in any of these places, it'd be lovely to meet. Don't

worry, we're not fancy folk, there's no need to dress up. It's just nice to meet intelligent people and fill the old brain with on-ground intel.

IN THIS WEEK'S ISSUE

- The mask slips further
- Corona: the greatest delusion of all time
- Power structures
- The real cost of renewables
- California: third world incoming
- We're cool with falling oil prices
- Inflation: it's already raging!
- **The Big Five:**
 1. Raspadskaya PAO
 2. Grange Resources
 3. Kefi Gold and Copper
 4. Equatorial Palm Oil
 5. China Shenhua & Yanzhou Coal

THE MASK SLIPS FURTHER

As each day goes by we come across more insanity, though if as we've suggested, you go and read through the United Nations' Agenda 21 and World Economic Forum website, then this extreme Marxist global agenda that is coming at us at warpspeed begins to make sense. I warn you, though. The WEF website has a treasure trove of podcasts and blog posts that make "A Nightmare on Elm Street" look positively joyous in comparison.

Anyway, these Marxists are now tying covid to... deep breath... white males.



This could have been taken straight out of the Communist Manifesto.

At this point I think it's worth pointing out that I warned this was coming in "*What Happens Next*". If you've not read it, then feel free to do so [here](#). I pointed out who was to be the targets in this mad dash towards communism. Now it's out in the open.

Sticking with the dirty world of politics. Imagine this scenario. China or Russia are invited to influence and intervene in the domestic affairs of the United States. One would think this high treason. Certainly not democratic. You know, where the people of the country get to choose what happens in that country. That's the idea of democracy after all, in theory at least. Having a foreign body superseding that would be a complete subversion of the entire democratic process.

Yet, of course, this is exactly what the United Nations' Agenda 21 is all about. That's fine, you might say. Let the fools who sign up for that do so and let sovereign nations be sovereign nations.

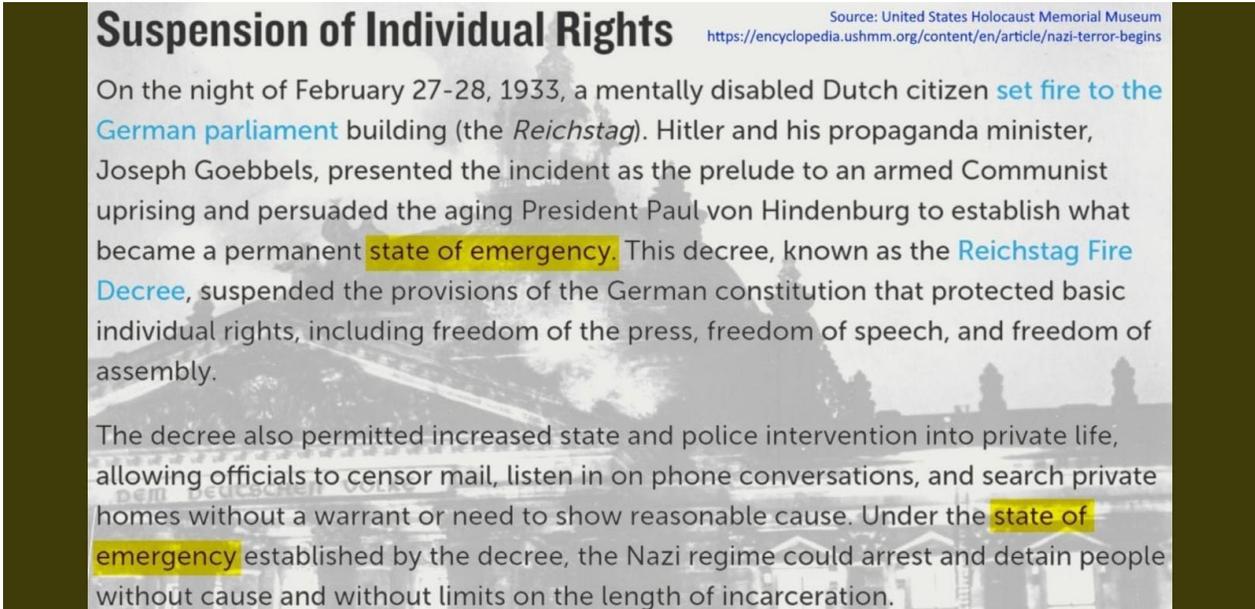
Well, what happens when folks in those sovereign nations push to have the UN intervene regardless?

It is an interesting question and we're going to find out the answer shortly, because a conflict is coming. Ooh boy, is it coming.

The George Floyd family is calling for the United Nations to intervene in the United States on "genocide grounds". Joining the bandwagon are the ACLU who are also getting involved to pressure the United Nations into intervening in the United States. Yes, you read that correctly. The so-called American Civil Liberties Union wants the UN – an unelected corrupt group of bureaucrats – to intervene in the domestic affairs of a sovereign nation, the United States.

The results of this, my friends, will be authoritarianism like we've never seen before and massive, massive stagflation as these policies are rolled out causing a destruction in supply of every good and service that currently makes your life enjoyable.

Moving from the US shores across to that barren rock called Australia, I thought it worth first reviewing something from just prior to the second world war and how the Nazis gained power.



Suspension of Individual Rights Source: United States Holocaust Memorial Museum
<https://encyclopedia.ushmm.org/content/en/article/nazi-terror-begins>

On the night of February 27-28, 1933, a mentally disabled Dutch citizen **set fire to the German parliament** building (the *Reichstag*). Hitler and his propaganda minister, Joseph Goebbels, presented the incident as the prelude to an armed Communist uprising and persuaded the aging President Paul von Hindenburg to establish what became a permanent **state of emergency**. This decree, known as the **Reichstag Fire Decree**, suspended the provisions of the German constitution that protected basic individual rights, including freedom of the press, freedom of speech, and freedom of assembly.

The decree also permitted increased state and police intervention into private life, allowing officials to censor mail, listen in on phone conversations, and search private homes without a warrant or need to show reasonable cause. Under the **state of emergency** established by the decree, the Nazi regime could arrest and detain people without cause and without limits on the length of incarceration.

For those of you who've been paying attention to what is taking place in the state of Victoria in Australia, you will no doubt find the above rather chilling.

While the WHO are trying their darndest to link the corona to global warming, we have a different linkage and it comes back to economics.

We pose this question: would governments' response to the corona (lockdowns, shutting down of industry, paying folks to stay at home) have occurred if the cost of capital and the inflation rate were high (i.e. governments couldn't print money without resulting in inflation)? We doubt it and conclude that the coronavirus crisis is one giant contrary sign that life is too easy and capital is too cheap in many (most) countries. Is it a contrary sign of the end of fiat currencies and/or a peak in the deflation theme – a peak in the 40-year bond bull market?

It certainly looks that way to us. There really are few places for us to relatively safely park our capital, and ironically those places (commodities) that present the greatest safety are the cheapest they've been, in many instances in over 100 years. Ain't that something?

THE GREATEST DELUSION OF ALL TIME

Back in March we said that the corona crisis will end up being the next chapter in Charles Mackay's *"Popular Delusions and Madness of Crowds"*. The basis for our assertion? Experience with markets, ignoring the noise and focussing on data, group think... or put another way, mass psychology and one little heuristic that has served us well over the years:

"When everyone is thinking alike, they are most likely to be wrong."

Because if everyone is thinking alike, there is no one thinking or questioning. In this case people aren't allowed to question. Anyone who does is censored, shamed, vilified and risks having their livelihood destroyed. Just take a look at what they did to once renowned Judy scientist Milkovich.

Remember that Imperial College of London forecast and how everyone jumped on its conclusions without any hesitation?

This despite the track record of the College being nothing short of laughable.

Well, at least Russia Today isn't shy in being politically correct and publishing articles that don't fit into the big tech social media platforms' ideology. As they report a huge mistake was made with how many people would likely die as a result of corona. I don't believe it was

a mistake, but nonetheless simply acknowledging how catastrophically wrong the projections were is a step in the right direction.

The 1% blunder: How a simple but fatal math mistake by US Covid-19 experts caused the world to panic and order lockdowns

6 Sep, 2020 13:50 / Updated 2 days ago

[Get short URL](#)

From the [article](#):

“Lockdown can be seen as a complete and utter disaster. And it was all based on a non sense, a claim that Covid was going to kill one percent. A claim that can now be seen to be utterly and completely wrong. Sweden, which did not lock down, has had a death rate of 0.0058 percent.

We locked down in fear. We killed tens of thousands unnecessarily, in fear. We crippled the economy, and left millions in fear of their livelihoods. We have trapped abused women and children at home with their abusers. We have wiped out scores of companies, and crushed entire industries.

We stripped out the NHS, and left millions in prolonged pain and suffering, on ever lengthening waiting lists, which have doubled. There have also been tens of thousands of delayed cancer diagnoses – the effects of which are yet to be seen, but the Lancet has estimated at least sixty thousand years of life will be lost.

It takes a very big person to admit they have made a horrible, terrible mistake. But a horrible, terrible mistake has been made and no governmental authority has the balls to say - sorry we stuffed up!”

We wonder if it was in fact a genuine mistake. It seems to be a little contrived for our liking.

Investment implications? Well, be very careful of believing in the prevailing narrative!

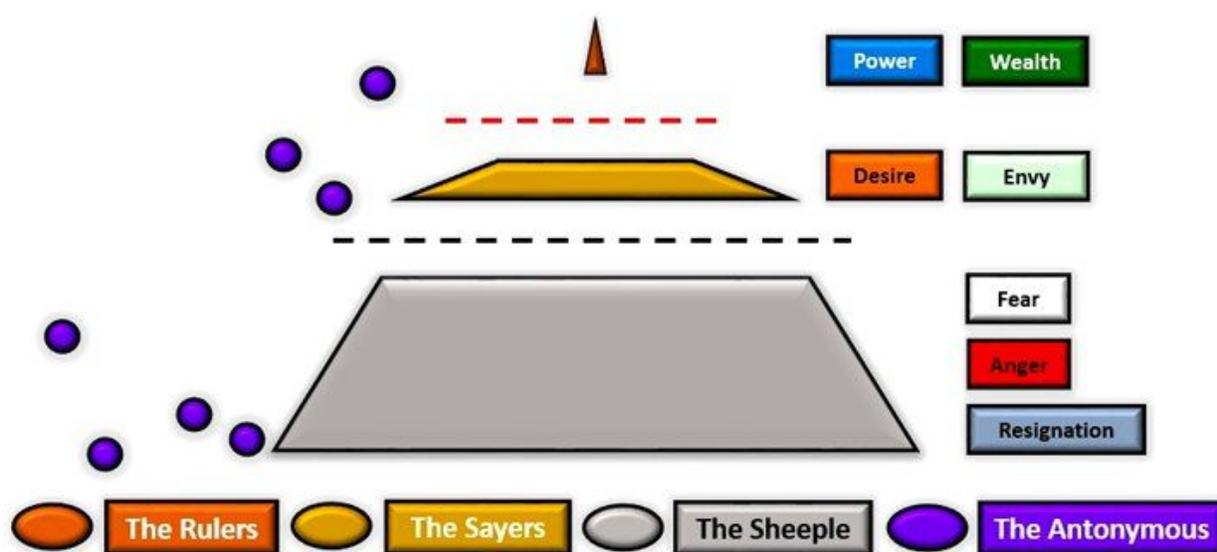
Secondly, a narrative can catch on like wildfire and push human behavior (that includes markets) to extremes that we have trouble reconciling. We suspect that the next big investment theme will do the same – we are very sure that this will be an inflationary theme.

And all of this brings me to...

POWER STRUCTURES

This below comes from a good friend of mine, who shall remain anonymous. What I can tell you is that he is sharp as a tack and runs a macro fund managing the sort of size of capital that really can move markets. This means it's a rather narrow amount of firms so I'll leave it there.

He shared this with me on a channel with 60 other global macro fund managers.



The Rulers – motivated by wealth and power aim to strengthen the status quo and protect self-interest. They employ the Sayers to control the Sheeple. >Big Tech, entrenched political elite, deep state, Soros/Davos globalists, third world strongmen, corporate titans.

The Sayers – provide services to the Rulers with aspiration of gaining acceptance and perhaps the dream of admission. They are enforcers who enjoy a sense of power by imagining that they control the Sheeple. >The bureaucrat class, media, religious leaders, university system, entertainment industry, business lobbyists, professional sports leagues, NPO's, NGO's, medical and legal professions.

The Sheeple – prioritise basic needs. Largely follow orders and criticise those who do not. Top echelon mimics the Sayers in hopes of being confused as one. Further down there is fear, anger, and resignation. >The masses

The Autonomous - can fall into all three classes and run the full spectrum. >Iconoclasts, charismatics, populists, disputants, dropouts, criminals, addicts, and the insane.

And this brings me to a difference between the current power structures in the world.

Broadly speaking let us compare those in Western democracies and those in parts of the world I'm focussed on now: CIS, Visegrad, Russia, Mid-East, Asia general. For simplicity sake I'll just call them "other".

The West:

Industrial tech/pharma complex: Here big business influence via lobby groups what policies get put in place and hence who benefits and who doesn't. This is the revolving door between the White House and the Treasury and Federal Reserve as just one example.

Presently the most powerful of these trends is those on the radical left, Silicon Valley in particular are pushing hard towards communism. Destroying the middle class with lockdowns, cementing their own business enterprises (look, we can operate remotely, unlike restaurants for eg). Amazon just captured a truly astonishing amount of market share in the lockdowns. More than they could have ever achieved otherwise. No wonder the Washington Post (owned by Bezos) pumps out an endless amount of propaganda about lockdowns being necessary. Facebook, Google and Twitter, they're where everyone has gravitated to given they're locked at home. And if you're angry because you lost your job, you can't protest. Cops are truly ruthless against mothers in the park with their kids, folks going for a jog without a face mask. And yet violent BLM protesters are left alone to riot, burn down, and otherwise destroy property.

So that's the state in most every Western democracy today.

Other:

We have really the same thing in the CIS, Visegrad, Mid East though it's geared towards ensuring you can sell a lot of energy and assorted other things to the populace and make the most money. Corruption here tends to be more upfront, and out in the open.

The key difference is in end goal/ideology. The former (Gates et al) believe in communism and depopulation in order to "save the planet from climate change" and the latter don't.

I believe this will in time prove to be one of the major kernels that moves capital and people (if we can get out... and in) from the West to the East.

DUNKELFLAUTE AND THE REAL COST OF RENEWABLES!

Dunkelflaute is German for a “dark lull” – not too much wind or sunshine.

Please don't get us wrong. We are not “fossil fuel heads,” rather we're realists and we get highly irritated with misinformation and/or biased reporting.

We have been led to believe that the cost of generating electricity from wind and solar has dropped below natural gas and coal... and what's more, it keeps on dropping. While this is generally true, there is a big catch. The cost of generating electricity and the cost of delivering a consistent supply of electricity to your house are two different things, as explained in an [FT article](#):

“How to manage intermittency is one of the challenges of weather-dependent low-carbon electricity. It is not simply about paying for back-up for when nature refuses to play ball. Sometimes blazing sun and gusting winds can cause the opposite problem: too much electricity. Then plants must be paid to shut or turn output down to stop them overloading the network.

However, there is one melancholy constant in all this balancing and back-up activity: it generates additional so-called system costs.

A recent report by the UK's business and energy department, Beis, shows how, when these are factored in, they can change the relative economics of different low-carbon energy sources.

Much of the recent story has been about the plunging cost of renewables. For instance, in 2013 the UK government estimated that an offshore wind farm opening in 2025 would generate electricity for £140 per megawatt hour (MWh). It now forecasts that could be achieved for just £54/MWh.

The report sees this trend continuing. By 2035, it estimates an offshore wind farm might on average produce power for as little as £41/MWh; and large-scale solar just £33. However, these figures exclude those system costs, mainly because the solar or wind

developer does not have to meet them. At present, these are simply spread across the network as a whole.

When you add them in, as the Beis report does, attributing them to the generating source that caused them, the picture changes. Take the 2035 figure of £41/MWh for offshore wind. With estimated system costs on top, Beis believes the all-in price is closer to £59 to £79 (43-92 per cent higher). For solar, £33/MWh becomes £45-£61. In each case, the range depends on how widespread the use of these renewables is, although does not set out the precise assumptions it is using.

Essentially, the marginal cost of each extra renewable on the system keeps going up as their use increases.”

Yet it is these costs that aren't discussed, although perhaps they will become more apparent with the dramas playing out in California.

Expect more shortages and higher costs of everything. Because remember, when the cost of energy goes up, the cost of every item in the entire supply chain goes up. Stagflation.

We remain contentedly long energy.

CALIFORNIA: THIRD WORLD INCOMING

There is no better sign that you live in a third world country than electricity rationing.

In 2012 California shut down their nuclear power plant and tried to replace it with imaginary green energy. We marvelled at the stupidity of it at the time and knew it would end with... well, shortages.



MayorOfLA  @MayorOfLA · Sep 7

It's almost 3 p.m. Time to turn off major appliances, set the thermostat to 78 degrees (or use a fan instead), turn off excess lights and unplug any appliances you're not using.

We need every Californian to help conserve energy. Please do your part.
[#FlexAlert](#)

Shortages are met with higher prices. Now, let's quickly walk through what happens to a cup of Joe in this scenario.

Joe comes from Colombia. Here he is in all his beauty.



In order to get your cup of morning Joe it first requires planting and harvesting of the beans. That requires a lot of energy. Then Joe gets from Colombia on a plane (energy consumption), then he gets onto a truck, more energy consumption. Then he gets to a supermarket, where he's refrigerated (more energy consumption), and then you drive your car to that supermarket (more energy consumption) and make your purchase. You take it home and flick the coffee machine on (more energy consumption), and then chuck the cup in a dishwasher.

No prizes for the answer to this question...

Will this cup of Joe cost you more or less when we increase the price of energy?

This mad unscientific experiment (junk science, yes) is going to bring untold misery and stagflation to millions of people. It will accelerate the demise of Western hegemony in the world and the wealth, both in terms of capital and increasingly human capital, which will move to the East. This is one reason I'll be spending the next few months in the Visegrad countries and CIS.

Here is what's going to happen, folks.

These Western countries that have all signed up to this insane Agenda21 and it's "green" initiatives are going to end up doing exactly what Germany did.

Germany got rid of all of their coal and nuclear energy. Now, they import their energy from their neighbors, notably Poland and France. Waydago Merkel, you abject moron.

Except, this time the energy is so concentrated in Russia and the Middle East that these are the countries they'll be importing from. We'll see "woke" politicians like this clown in LA chastising people for "using too much," and they'll be able to say "look we don't mine any oil and gas so we're carbon free".

They will say this while at the same time importing their energy from Russia and the Middle East. I'm going to be there synthetically long this insanity by [buying up currently distressed property in Dubai](#). These guys are going to kill it!

And while this is taking place, the West is literally going to lose money hand over fist. The collapse will be swift. Over within a decade and the mantle of power – both economic, social and political – will have moved from West to East.

If you want a wonderful and humorous take on the absolute disaster that is Canada's Justin Trudeau's government policies and their mad push towards communism via "green," then I recommend [this](#).



WE'RE COOL WITH OIL PRICES FALLING

Glancing at the WTI future and you could be forgiven for thinking that we're off to retest the March lows.



We don't think the weakness will get too far. The reason for that is supply destruction.

Few appreciate how much supply has come offline and will stay offline. The majors are cutting back on spending faster than you dash to the loo after a dodgy curry, and reopening these wells requires timeframes of over 18 months in many instances... and that's if there was Western capital eager to go there. Given the virtue signaling taking place and the risks one now takes of censorship, smearing, shaming and destroying one's livelihood and reputation should they go near the fossil fuel arena, we don't think that this supply is coming back in a hurry.

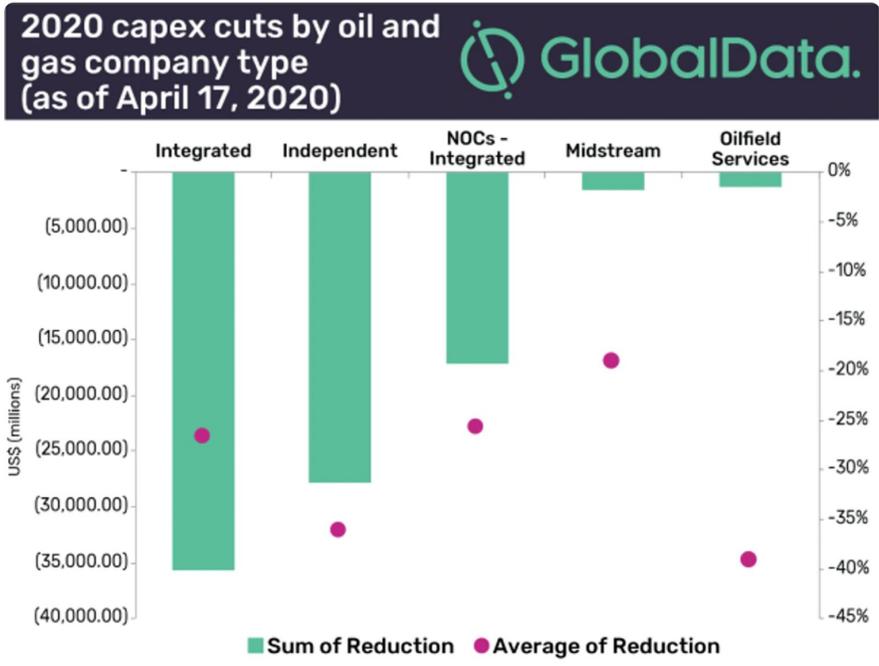
From [Reuters](#):

"Exxon will slash spending in the Permian Basin shale field this year to about \$3 billion from an original \$7.4 billion budget, consultancy Rystad Energy estimates.

The company has said it plans to reduce the number of drilling rigs there to 15 or fewer, from 55 early this year, and the company's pullback "will continue," senior vice president Neil Chapman said in a July call. Spending on refining and chemical plants that take years to design and complete, "is really a question of deferral," he added."

From our research here it seems shale oil production is going to be hit rather hard because what Exxon is doing is being echoed by all other shalers (the bigger operators at least).

Remember this?



Note the date, it is some 5 months old. We now know that further cuts have been made since April.

Supply destruction has been deep and longer lasting than anyone dares to imagine. Demand doesn't even need to bounce back. It can simply remain at these levels, and because supply is being so constrained we're in for a surprise.

INFLATION: IT IS ALREADY RAGING

We find it bizarre (how often have we used that word as of late) that few can see inflation coming down the track let alone observe that it is already here and raging.

We're noticing the price rises of many things in Australia and New Zealand. Just as I write, look at what popped up in my email inbox:

Your current premium	Your new premium from 1 October 2020
\$222.10 per month INCLUDING your current rebate of \$74.30 per month.	\$232.95 per month INCLUDING your new rebate of \$77.95 per month.

Rebate percentages are indexed annually. Your Australian Government Rebate will not change on 1 October 2020.

But the “real” reason for this chirp? Price rises [folks are facing in the US](#):

BUSINESS NEWS SEPTEMBER 1, 2020 / 9:17 PM / 7 DAYS AGO

Factbox: Americans on lockdown pay more for groceries, clothes and appliances

Richa Naidu, Siddharth Cavale, Nick Carey

9 MIN READ



Some of the price rises in this article are colossal to say the least. How these aren't being talked about in the press of popular opinion is one of the wonders of the modern world.

THE BIG FIVE

Five interesting long-term setups — unloved and totally off the radar of the average fund manager. Take a closer look, my friends!

These are equities that are coming across our radar as we constantly, week in, week out monitor global markets. They're not positions we've bought but rather bringing you into our world of assessing and seeking out deep value.

FROM OUR TRADING DESK

1. Raspadskaya PAO
2. Grange Resources
3. Kefi Gold and Copper
4. Equatorial Palm Oil
5. China Shenhua & Yanzhou Coal

RASPADSKAYA PAO

A proud Russian coal miner with 2x more cash than debt, profitable (ROE 10%, even with depressed coal prices), 10% dividend yield, P/E 10x, P/B 0.89x. Dirt cheap is something that comes to mind.

We note that the valuation has attracted legendary value investors Grantham Mayo Van Otterloo as stockholders. Plus, 85% owned by Russian steel manufacturer Evraz Plc. A classic cash-cow type business!



GRANGE RESOURCES

Operating an iron ore mine and pallet production facility in Tasmania and also with rights to a very large iron ore development near Albany, Western Australia. If you fell off your chair when we discussed valuations of coal miners, then brace yourself as your heart might temporarily stop when we discuss these valuations:

ROE 23%, P/B 0.50x, P/E 2.5x, dividend yield 10% (on a 20% payout ratio), 7x more cash than debt... you get the point by now?



KEFI GOLD AND COPPER

A gold and copper explorer-developer focused on the Middle East and Africa. They're developing a 1moz gold mine in Ethiopia and exploring for gold and copper in Saudi Arabia.

Beyond that we don't know too much more, except to say that's a "textbook" long-term setup.



And short-term it seems like someone knows something or is it a reflection of investors' growing appetite for small cap speculative miners?



EQUATORIAL PALM OIL

Palm oil producer in Liberia, West Africa. We have talked about this stock before. Someone knows something as it has been rising dramatically over the last month.



CHINESE COAL MINERS: CHINA SHENHUA & YANZHOU COAL

China Shenhua is a Chinese coal miner listed on the Hong Kong Stock exchange:

- P/E 6x and forward P/E 6x
- P/B 0.65x
- Dividend yield 10% (30% payout)
- ROE 11%, ROA 8%
- 2.5x more cash than debt

And if you want a chart... well, here you go (overlaid with Newcastle Spot Coal price).

Granted, you can't get bullish from a technical perspective based on this chart, but in this case we believe fundamentals override any technical inference.

this way. And you'll score yourself a bonus 4-month subscription, which amounts to the same thing.

Nobody wants to feel like they're selling their mates something only so they can get something in return. That's not how friends work.

In any event, below is the link for this so when you're singing the praises to your friends, please use this link to ensure they get a better deal... and you do, too:

<https://capitalistexploits.at/refer-a-friend/>

Lastly, if you're not on it already feel free to join the Telegram channel (as a fly on the wall) where hedgies, myself included, banter and discuss markets. If you're easily offended then best you stay away, otherwise buckle up. Go [here](#) to get instructions.

As always, thanks for reading and being part of Insider.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris MacIntosh', with a long, sweeping underline.

Chris MacIntosh

Founder & Editor In Chief, Capitalist Exploits Independent Investment Research
Founder & Managing Partner, Glenorchy Capital

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