

Energy Complex

The beauty of energy being beaten down to smithereens as it has been in the past year or so is ultra-low oil, gasoline and heating product prices. We're all benefiting from that as consumers and I'm stalking how to capitalize on the big falloff. Why this is happening everyone is asking and we never know for sure until a long time after the fact but it appears fears over China's true growth numbers as well as global growth and consumption are big catalysts. The other side is oil is being pumped in big numbers across the globe, Iran just came back online as a major producer and the Middle East complex is trying to keep prices low to gain market share. Many believe it is to take our fracking industry out, we'll see how that plays out.

The energy complex is complicated and we're going to break down a few pieces of it so you'll have a better idea of what everyone is talking about as you hear the talking heads go on and on about what they think is going to unfold.

- Upstream energy is the area of the business where companies find, drill, extract or otherwise pull energy products out of mother earth's womb.
- The midstream companies are those that store and transport energy products to what many refer to as the "downstream" business.
- Downstream is the area where companies turn raw products into the finished products. In the oil area crude is turned into gasoline, jet fuel, diesel, home heating oil, etc. In the gas area it is turned into propane and various type of gas for applications across the globe.

What makes energy a super attractive asset class is you need it to live, it is a basic need that will never go away. Some new technologies will go away and become obsolete so it's difficult to find the next new thing, but it is easy to buy things we'll always need when they are on sale in a big way.

Energy Complex, Continued on page 2

INSIDE THIS ISSUE

2. [Energy Complex \(cont'd\); Hustling!](#)
3. [Noteworthy News; Weird Times \(cont'd\)](#)
4. [\\$ Quiz; Driving & Sleeping; Loyalty Programs](#)
5. [Inspirational Quotes; Kids Korner](#)

Weird Times

In "normal" times right is right and wrong is wrong, people are given incentive to do the right things and dicientive if they behave badly. This means kind and accomplished folks get awards, scholarships, promotions, bonuses, etc. and bad guys get fined, punished, jailed or otherwise disciplined. Our world isn't quite working via that logical societal equation of late in many areas. We still have a world that punishes the bad guys, but also one where sloth and stupidity are rewarded, and the bad guys only get punished if they're not politicians, bankers or some other elite or politically favored class. We're in a world where our leaders feel herculean when indeed they are inept on almost every level. This older person below is a beacon of fitness, I can't do this and I'm jealous! We can all do it if we commit and train properly.



Looking at the picture I cannot help but to think of Janet Yellen, the current Fed chairwoman. The looks are similar although I'm sure the physical attributes and abilities are quite different.

Normal times would allow for proper asset price discovery, where markets can establish a priced based on supply and demand with the typical moves above and below those levels based on current sentiment or news. The past few years have been politically driven, period. We've never in history seen a situation where global governments have all gotten together to act in unison to attmpt to force an economic outcome that isn't possible.

There has been so much liquidity pumping by govermnts all over the world people are currently believing all is better in the global economy and the business cycle is gone forever. The business cycle provides for expansions and contractions in the economy and is healthy and will never go away.

Weird Times, Continued on page 3

Energy Complex (Cont'd from pg. 1)

We have no way of knowing if this is the lowest prices will go, but at these levels if given enough time, there is a lot to like in the industry.

World oil demand is estimated at 94 million barrels per day in 2016. World supply is current on a production clip to product 96.5 million barrels a day. This surplus is why prices have plunged, an area of the world where supply and demand are actually working. This may be the one area of the global investing markets where central banks are not in complete control of. Supply and demand is what should drive things, not central bank nonsense but for the time being we'll stick with what we're given to work with.

The surplus is great news for storage companies, the oil has to be stored somewhere and we're finding the storage situation across the globe to be tight, very tight and prices are rising as supply and demand is dictating price.

The lower prices have forced companies to reduce their expenditures on looking for new oil as well, we're seeing "rig counts" drop by larger percentages than they did in the great recession of 2009. A rig is a massive machine designed to pump oil, natural gas or other fossil fuels out of the ground. The "rig count" is a common term used to show how many rigs are out there at any one time in production. The US rig count was 1196 rigs in Oct 2014. Today the U.S. rig count is down to 413. That's a 74.3% drop in the number of rigs currently pumping oil. This will of course slow production and at some point, the excess inventory will be used up and we'll start to see oil prices go back up.

People are clearly enjoying the low prices associated with oil and oil related products. If you're going to do any paving in the near future as the weather breaks you'll see a big drop in the price of asphalt as one of the main ingredients is oil. Last year a lot of energy companies went bankrupt due to the low oil prices and expect more this year. This is a dangerous place today, but the healthy firms will be able to swallow up bankrupt firms for pennies on the dollar. All of this activity as the impact of lowering the number of producers and when prices rebound, it'll be a windfall for the smart companies who have assets and low operating costs. Here is the cost of most major shale areas so you can see where breakeven levels are:

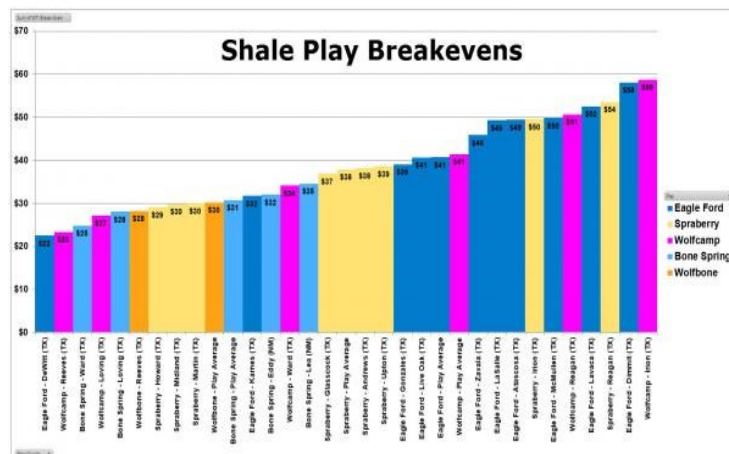


Chart Source: reuters.com

There are a ton of ways to get ahead, if you're willing to hustle. Let's look at a few for anyone to consider:

- Recycle old phones and electronics at <http://www.savesthestudent.org/make-money/mobile-phone-price-comparison.html>
- Refine your cooking and hosting skills with a paid audience at your home with www.eatwith.com
- Love to drive, www.lyft.com pays \$35/hr for those who want to schlepp around others
- Musical aficionados can get a few bucks for reviewing new music at www.slicethepie.com
- The ibotta app gives you free cash for scanning your recipets and looking for offers. Don't buy to buy but if you're doing it anyway this is a no brainer.
- Getting rid of good old clothes can be a money maker at www.thredup.com
- If you're good online you can be a website tester through many sites, the list is here. <http://www.theworkathomewoman.com/test-websites/>
- Sadly you can offer your human being services to those less outgoing with a www.rentafriend.com. This is no joke and the hourly rate is good!
- www.fiverr.com will allow you to outsource anything, or be the outsourcer. You will not belive the services offered or what people will pay for, the bigger metro area you live in the more options available to you.
- If you're a great student and take copius notes, you can turn them into cash at www.notesale.com. For the slackers out there who want to skip class and still do well, you 're now getting paid to learn!
- Big reader, use www.bookscooter.com to sell your collection for a really good price in a competitive marketplace.
- If you can type quickly and like to be on the computer you can work from home at www.clickworker.com entering data
- Young women who love to shop can get paid to be a mystery shoper via the mobee app or via www.marketforce.com
- Unload your collection of CDs, movies or games at gamestop or online at www.musicmagpie.com
- If you're good at something you can be an instant professor at www.skillshare.com and teach what you know for a fee. Webinars are the classrooms of the future so this is a trend to get in front of.
- www.ebay.com Everything on there and someone to buy it
- www.fieldagent.com will allow you to fill the tasks of those who are unable or unwilling to do the legwork and you become the breadwinner for super simple things.
- Times are changing, are you aware of the new opportunities these changes have presented?

Noteworthy News!!!

- Congratulations to the McCann/Motoh families on the birth of baby Sam on March 1st, a healthy bouncing baby boy to join big sister Josie! ☺

Question & Answer

Ask any financial question you have and we'll address it here.

Q: Why can the government keep doing things that make no sense to the common man?

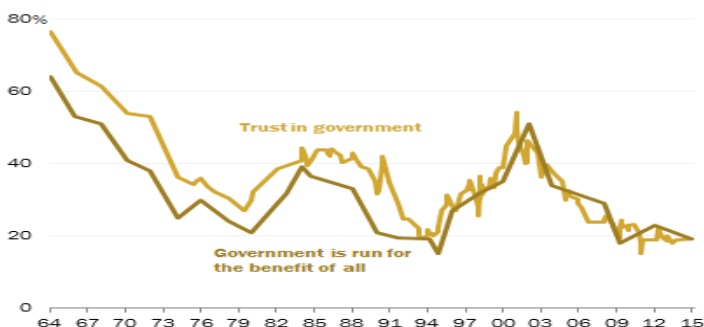
I love this question and we get a lot of similar questions about policy and how government operates and the lunacy of it all. We're equally befuddled by the madness going on around us but it will eventually stop. I'm not the right person to ask this question as I'm a common sense driven individual, not a political person, but I'll take a stab at it. I think the reason is because the feedback loop between policymakers and reality is completely broken. The next reason is the US has such great credit these clowns can borrow forever on the taxpayer's credit cards that don't have any limits. This is likely why the outlier candidates in today's race for presidency are so popular, people are so fed up with crooked politicians and bad deals for the average Joe they're willing to take a newcomer.

There are a few ways we can fix this problem, one is to just fire them all and start over, which is highly unlikely. Another option would be Buffets idea, which is to make any political leader ineligible for re-election to any office they hold if the body they control is at any type of fiscal deficit. We're spending more money than we take in on almost every level of government and as long as that's okay, why would the political class change anything they're doing?

Another solution along these lines is to give pay cuts to policymakers who are not balancing their budgets. This is actually a real life bill in the hoper right now from a Rod Blum. I hope this passes because it'll give the leaders a whole new perspective of fiscal reality, if they are out of whack they will get a pay cut and then things will start to come into reality.

Should nothing change and the feedback loop continue to be broken, the system will correct itself when the fiscal imbalance reaches the point of no return. We're likely not too far from that point now, they've pushed the envelope really far and the snapback to the mean is going to be violent when it comes. Ironically people have never felt worse about government as illustrated by the chart below. Shocker!

Trust in government and perceptions of government fairness



Survey conducted Aug. 27-Oct. 4, 2015. Q15. Trust trend sources: Pew Research Center, National Election Studies, Gallup, ABC/Washington Post, CBS/New York Times, and CNN

Weird Times (Cont'd from pg. 1)

Business cycles allow for expansion in good times and cleanse out the excesses or damaging things in tough times. We're in a society where nobody should ever feel any pain. The political correctness movement has gone so far beyond anything close to reasonable people are acting like drones on many levels. The following graph will show you how the stock market has diverged from the bonds. As you can see under normal circumstances the credit of High Yield bonds, leveraged loans and stocks tend to move together. This has been true in history with the exception of the past few years since "operations twist" came to be.

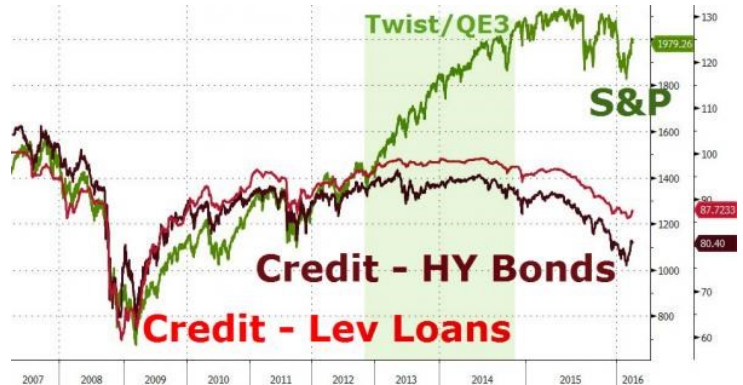


Chart Source: Bloomberg

This tells us the bond people have not bought the move in stocks over the past few years because bond values have diverged substantially from equities. People who save their money in the bank are not rewarded and those who speculate on the riskiest assets have been rewarded. This is similar to the people who pay and do all the right things, but never get any breaks but if you're on the system in any way, everything is given to you for free. The economy cannot operate like this long term so expect a reversion to the mean in the near future. It's gone on for far longer than any of us could have possibly fathomed, but the end is near and we're in the home stretch now of the insanity of central planning. It also tells us the risk levels are clearly to the downside. We're likely in a topping pattern where levels of the market will fluctuate and attempt to get back to their highest levels of last year but fall short. If that unfolds as we believe it will, the failure will be dramatic.

It's critical to understand that what has worked over the past 5 years from an investment perspective isn't going to work in the next 5 years. Markets don't go up forever and we're going to have an economic contraction regardless of government policy, jawboning from Central Bankers or any other possible intervention. The concept of intervening in markets now is somewhat abnormal as well, things are okay and we need to let the cycle complete itself. The intervention in 2009 did make sense to stabilize the banking system, but lacked true punishment for those who gamed the system and were rewarded with big jobs and bonuses. It's not normal for bad news of the economy to drive big gains in market prices but over the past few years it has because market participants have become conditioned to act like Pavlov's dogs and they now expect some type of government program or "easing" any time the economic numbers come in weak. The drugs are losing their effect so to keep the same result it'll take far larger doses and the medicine cabinet is almost empty. Hang on! ☺

Money Quiz



This month's challenge is to analyze the consumption of alcohol on life expectancy, or perhaps the difference in medical technology, or perhaps a combination thereof! The average life expectancy of an American male born today is 76.4 years. What is the average life expectancy of the average Russian male born today? Last month's quiz was won by Faith Meisner, the average price of a gallon of gas as of 1/29/16 was \$1.83, the cheapest since 2009. Winner goes to Ruby Tuesday on us! 03/28/16: 12

Driving & Sleeping in 2016

Travel is fun and can be very expensive, but it can also be pretty cheap if you're willing to do whatever it takes. We've seen some creative families sssttttreeettttcchhhh the dollar a long way by using interesting tools available to all of us. We'd like to fly first class and stay at the poshest hotels in the world while renting a Bentley but that's not the way most of us do it, even if we can afford to. Some creative strategies include using the newest technologies. Rather than renting a car use public transportation or Uber, and when renting go for the wild card package where you get any car above a compact and sometimes come out with a far more expensive one.

To get to where you're going flying is quickest of course but driving is often far less expensive. If you're really going a long way some of the solo travelers opt for a hostel and many today are going with Airbnb as their preferred method of sleeping in a place of your choice at an incredible price. You can still look for traditional hotels and motels at big values, but it's difficult for them to beat an empty house, condo, wing of a home or even a bedroom within a home. Campgrounds also offer good values, even if you don't have a big rig you can rent the cabins in many campgrounds for a fraction of what a big hotel charges. For those with the big rigs, or even the small rigs, after you've acquired the rig getting a spot to park it for the week or month or however long you're going to be in the area is downright family friendly.

If your trips are local and you love mother nature most librarians offer free passes to state and national parks as well as other local attractions, but you need to plan these treks out in advance as the coveted passes are typically signed out a long time in advance. Another great idea is to travel countertrend, go to places people are not fond of at the moment and get a great value and track the exchange rates. Your money goes a long way in Europe today but it was horrible a few years ago. There are always deals to be had, the question is will you look long and hard enough to make them come to fruition? Happy travels! ☺

Loyalty Programs

Just about every store in America today has some form of a "loyalty program" where they'll give you a discount if you sign up, get their solicitations and carry around that little thing on your keychain. I joke with many people that their key to card ratio on their keychains is often 1:10, they're carrying around a key or two and dozens of loyalty cards. I refuse to carry around any such nonsense but of course I want the deal. Does your keychain look anything like this?



In my household we joke that you should only have one metal key ring and no store cards. Some people love multiple key rings, a plethora of store cards and trinkets on their keychains. They've transformed their keychains into weapons but they're personalized! ☺ I've found most retailers will allow you to sign up for their program and not carry around the dumb card. I won't give them my email address so I'll make one up and many of them allow you to use your phone number and simply give it to the clerk upon checkout or even have an app on your phone with a picture of the scan code so you can get the deals.

The stores also try to get you to sign up for their store credit card, and offer you financial incentive to do so. They do this because there is more money to be made in the credit card business than in the retail business so if they can get a piece of your action financially and keep you loyal to their store, it'll cloud your judgement when deciding where to shop and they'll likely profit in the end. 72% of consumers carry balance on credit cards, please make sure you're one of the 28% who do not, ever. This is a rule, you cannot be financially at your top potential if you carry balances on credit cards, think of them as a financial disease if you carry a monthly balance. If you pay them off in full each month as I do for the float of the money and the points or cash back, they're wonderful tools to use and take advantage of. Just like the casinos though, most people are not doing it right and most people aren't winning while they gamble or the casinos wouldn't be building these massive buildings they always do. ☺ Get the deals, but keep your load light wherever you can! ☺

Inspirational Quotes

- Not everything that can be counted counts, and not everything that counts can be counted. Albert Einstein
- Being challenged in life is inevitable, being defeated is optional, Roger Crawford
- You cannot perform in a manner inconsistent with how you see yourself, Zig Ziglar
- No pressure, no diamonds, Mary Case
- Our chief want is someone who will inspire us to be what we know we could be, Ralph Waldo Emerson
- Know yourself and you will win all battles, Sun Tzu
- Management is doing things right; leadership is doing the right things, Peter Drucker



We can piece the puzzle together and make your money work for you!

Kids Korner

When colleges recruit your kids or grandkids, pay attention to what messages their sending to the youths in your household. My oldest is now a sophomore and she recently took the PSAT's and did okay so now we're inundated daily with college letters, pamphlets and invitations. The kids today are generation Y, the largest consumer generation in history so the colleges have a lot of people to go after.

I look at all of this through a very unique lens and it blows me away how marketing based it has become. Study overseas, we've built new dorms, we've got the best food on any campus, blah blah blah. All of that is great and they have hit the nail on the head of the "experience" of college which is what everyone wants. They've broken out kids down into groups, who is likely going to college and who isn't, who is on social media, what activities and interests your kids have, be watchful of what your kids put online and into landing pages designed to gather all of their personal data, likes and dislikes.

Some people get all wound up with a lot of mailers thinking "look at all of the schools that want me" and some see through that and asked are these kids being gamed? Colleges are extending application deadlines, sending reams of mail, emails and social media messages to kids encouraging lots of applicants but then boasting what a tough admission rate they have. Could this be a profit center for schools today? 😊

If anyone you love or care about would benefit from receiving our newsletter, tell us who they are and they will be included on our mailing list. They'll certainly appreciate you thinking about them and having their best interests at heart!

Name _____ Email _____

Address _____

City _____ State _____ Zip Code _____

Name _____ Email _____

Address _____

City _____ State _____ Zip Code _____

Registered Representative, securities offered through Cambridge Investment Research, Inc. a Broker/Dealer, member FINRA/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Chadwick Financial Advisors and Place Financial Advisors and Cambridge are not affiliated. Opinions expressed may not necessarily be those of Cambridge Investment Research, Inc.

Disclosure: Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results. This information is for educational purposes and should not be construed as individualized investment advice.



Visit us online at www.fiscalwisdom.com

info@fiscalwisdom.com

Telephone (860) 673-1942

Toll Free # (800) 843-4513



Place
Financial Advisors

Please think of us whenever you or someone you care for needs the following:

- ❖ Stock option analysis, diversification
- ❖ Pensions – qualified and non-qualified
- ❖ Family Protection Strategies
- ❖ Retirement Income Plans
- ❖ Investments & Investment Advice
- ❖ Business Protection & Succession
- ❖ Retirement Plans
- ❖ Divorce or Separation
- ❖ College Financial Aid Strategies
- ❖ Tax Savings Strategies
- ❖ Required Minimum Distributions
- ❖ Debt & Cash Flow Management
- ❖ Employment contract negotiations
- ❖ Settlement option analysis
- ❖ Financial Advice – hourly or annual retainer
- ❖ Fee based investment management
- ❖ In depth portfolio & risk analysis
- ❖ Estate & Income Tax Planning
- ❖ Distribution of Assets – IRA, 401(k), etc.
- ❖ Retirement Income – Guaranteed or variable
- ❖ Income Replacement Techniques
- ❖ Widow/Widower Assistance
- ❖ Nursing Home Asset Protection Strategies
- ❖ Long-term Care Issues & Strategies
- ❖ Key employee retention strategies
- ❖ 401(k) & Retirement Plan Rollovers
- ❖ Philanthropic gifting & charitable planning
- ❖ Trust, inheritance and foundation planning

Mike Chadwick's Money Matters

15 New Britain Avenue, Unionville, CT 06085

860.673.1942

199 Main Street Torrington, CT 06790

860.489.8880

Chadwick Financial Advisors Place Financial Advisors

