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The Prudent Investor - seeing too many bubbles

I am an INDEPENDENT Certified Financial Analyst (OeVFA, EFFAS) who worked as a financial journalist for 15+ years and now evaluate global market trends. Analyzing financial and political news permanently I want to share my insight with those who understand that we approach an era of global redistribution of wealth. The US-European centrist approach will not work much longer. Five billion people in the developing countries will demand their fair share of the world's resources.

Wednesday, June 08, 2005

Electricity prices are lagging behind

Some day I will be able to deliver some good news, I promise. But when trying to stay on top of the avalanche of news these days it's hard to swim against the current of bad news. But bad news are often followed by good news in the form of innovation that leads to growth in infantile industries.

My latest example is derived from [Williams Inference Center \(WIC\)](#), a news research group that gathers anomalies in the media and clusters them into trends. As they charge 30,000 Euros (it was dollars) each per year from a very distinguished group of

clients that includes the top names in investment banking for four quarterly reports I am happy to be able to get it in exchange for some consulting discussions.

Their latest compilation of news files focuses on electricity, saying that electricity is way too cheap in comparison to other forms of energy. This comes as a logical conclusion from a projected growth in demand of 3 percent p.a. The stocks mentioned below are their recommendations.

WIC points out that the required total global energy investment until 2030 comes within an inch of 16 trillion dollars. 9.6 trillion will flow into electricity whereas "only" 3 trillion each will flow into natural gas and oil exploration/refining investments. Investments into coal will total a mere 320 billion dollars, it says.

This enormous sum includes improvements of the power grids and they are badly needed. Half of the projected annual growth rate of 3 percent for electricity consumption is attributable to micro processors which means the world needs electricity of quality and reliability. A conventional grid can tolerate power hiccups. For computers and routers it can be a catastrophe.

Silicon is the way to go, WIC forecasts. Silicon, the base material for chips is also the base material for power chips or thyristors. International Rectifier is one of the leading companies in this technology. Today only 12 percent of the world's electricity is switched by power chips. This is expected to rise rapidly as demand for clean power escalates.

Companies with a focus on clean and stable power are American Power Conversion, who secures stable power to Cisco's newly announced Integrated Communications System, and Emerson Electric, which will derive 26 percent of its total revenues from clean power sales this year. Another company to watch is American Superconductor

which provides extremely reliable electricity.

WIC's John Trudgian says that the global economy is beginning a transition to a higher cost base for basic resource inputs. Huge capital investments will be necessary only to maintain current consumption of energy, water and food (they recommended water shares in an earlier report.) In this context he points out that China's cost advantage in production is also based to a big part on cheap electricity generated in coal-powered plants, "and coal exploration is heavily subsidized by less stringent safety standards."

Cars will be powered by electricity, not hydrogen

WIC also bets that future hybrid cars will rely on electric power rather than hydrogen as this is too energy intensive to produce. In their projections cars will use electricity in city traffic below 25 mph and switch to gasoline power above that. While running on gas the accumulators will be charged too. The so far dispelling fact that it takes twice as long to charge batteries than to empty them will be overcome in the future. Japanese giant Toshiba has developed a prototype battery that can be recharged to 80 percent of its capacity within one minute. This does not shy away buyers of hybrid cars who are willing to wait up to a year for the delivery of their hybrid Lexus RX 400 or half a year for a Toyota Prius. The only hybrid that can be taken right out of the showroom is Ford's Escape, an enquiry at hybridcars.com shows.



GRAPH: The Wilderhill Clean Energy Index starts to recover from its lows. *Courtesy Yahoo!*

While WIC sees the whole list of companies that make up the [WilderHill Clean Energy Index](#) as a buy they single out those firms that are engaged in the development of the before mentioned thyristors. They are Energy Conversion Devices, Power Integrations, Ultralife Batteries, Intermagnetics General, Maxwell Technologies and Active Power. A Wilderhill ETF is traded on the Amex, for more info click [here](#), for components go [here](#).

While electricity appears to be the kind of energy to go for in the future, especially for environmental reasons, there is of course one negative coming on its wings: Electricity prices have only one way to go - that is up. This forecast is bolstered by the theory of peak-oil production, described in [this post](#).

Focus on secrets and lies

Another focus in WIC's quarterly is on secrets and lies, a discussion very dear to me (see [this post](#)). In hindsight of Mark Felt's revelation that he was the "Deep throat" whose tip-offs led to the only resignation of a president in power, WIC's researchers point out that there are too many lies floating around the world nowadays. The recommendation of Winston Churchill that lies should be put under a dense veil of truths in order to remain credible in the eyes of those at whom they are directed, seems to have been forgotten. They quote extensively from Michael Ruppert's bestseller "[Crossing the Rubicon](#)", which gives the reason why there is no new Deep throat within the Bush administration, "the government routinely protects itself against disclosure by compelling millions of employees to sign security agreements and secrecy oaths, which would make them subject to immediate incarceration or loss of benefits if they talked." Next to this one they recommend another bestseller, "[On Bull----](#)" by Princeton University professor of philosophy, Harry G. Frankfurt. I am waiting for its delivery.

by The Prudent Investor @ 00:15

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