

SM89 | 10.1.2022**Winter is Coming | Episode 5**

Tracy Shuchart, Partner at Intelligence Quarterly and @chigrl on Twitter

We welcome Tracy Shuchart, Partner at Intelligence Quarterly and @chigrl on Twitter, into the SmarterMarkets™ studio. Host David Greely sits down with Tracy to discuss the broader impact of the European energy crisis across the commodities and financial markets.

Tracy Shuchart (00s):

I have to go back to the point that pretty much everything revolves around energy, right. It runs, it literally runs the global economy, and I think it's particularly important for anybody to watch this sector as it literally affects the cost of everything else.

Announcer (16s):

Welcome to Smarter Markets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions are we facing a crisis of information or a crisis of trust and will building smarter markets be the antidote?

David Greely (41s):

Welcome back to Winter is Coming on Smarter Markets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Tracy Shuchart, Partner and Global Energy and Material Strategist at Intelligence Quarterly. You may also know her as Chigrl on Twitter. Today we'll be discussing the broader impact of the European energy crisis across the commodities and financial markets. Hello Tracy. Welcome to Smarter Markets.

Tracy Shuchart (01m 07s):

Hey there, how are you doing? Thank you for having me.

David Greely (01m 09s):

I'm doing well, thanks. Well really glad to have you here today. I've been looking forward to this conversation and talking with you about the energy crisis in Europe and hearing your perspective because you're someone who's both a strategist and who's managing money across the global energy and materials markets and I wanted to dig into the idea with you that all of these markets, all of these commodity markets are connected and that the ripples from what's now happening in European energy markets are or will likely soon be felt across the broader commodity and financial markets. So I was hoping you could start us off there today with taking us through how are other commodities currently being affected by what's happening in Europe?

Tracy Shuchart (01m 52s):

Yeah, well I mean obviously we were seeing secondary and tertiary effects across the entire commodity sector since last year before the Ukraine invasion even. We saw energy prices already spiking in Europe and people kind of forget that this really started well, well before the Ukraine invasion. So as early as about last September, we started seeing spiking energy prices in the UK first and that threatened small meat firms and by October natural gas prices got so high that that started affecting fertilizer companies that were then forced to curb production, which then caused problems in the meat packing industry because they rely on the CO2 from the fertilizer companies and then if we move to sort of the EU last fall, we all also saw the fertilizer industry being hit there too as well. We saw iron, copper, nickel, aluminum and zinc smelters as well as stainless steel mills were forced to either shutter entirely or curb production because those metals are very energy intensive.

Tracy Shuchart (03m 07s):

We saw aluminum probably the hardest hit throughout the year. I mean we've seen closures all throughout, you know, since last fall up until very recently, but aluminum was probably the hardest hit and Europe produces about 11% of global production. So since fourth quarter of 2021, total of eight European countries have seen aluminum closures. We've had five aluminum plants in France, Romania, Slovakia, Slovenia and Germany lead to reduced production. While we've had three in Spain, Netherlands, and Montenegro shut

entirely, this means that 50% of European aluminum smelting capacity is currently offline right now. So obviously that's going to lead ultimately to higher aluminum prices, higher metal prices all around because we're facing kind of these structural supply deficits and moving forward we know that these countries are really going to pull back on their green plants, right, their young homes. So if we look at things like EVs that require massive amounts of aluminum, 250 kilograms per vehicle on average, you know, solar panels, the new generation solar panels require twice the amount of aluminum that the older generation did and obviously, you know, when turbines also require a ton of metal, ton of aluminum, a ton of steel and so this is going to just make all of these products more expensive and if metals are more expensive, manufacturing is more expensive products and more expensive. So it's gonna ripple, you know, we're gonna see ripple, ripple effects across all of these sectors.

David Greely (04m 59s):

And it's amazing because, you know, people talking now about potential European recession, it sounds like with all those plant closures, a big part of industrial activity is already shutting down and I find one of the fascinating things getting into the idea of, you know, the short and long term impacts of this on the energy transition is we need the metals like aluminum to make the solar panels to make the things we need for the energy transition, but we also need a lot of energy to make those metals and so if we cannot have the energy to start with, it's hard to get the energy that we want to transition to, but I'm glad you brought up that idea of ripple effects and how these play out over time because you know, I'm kind of trying to figure out what's the next shoe to drop here and as someone managing money, how do you think about that timing in terms of managing risk and trading profitably when there's things that we can kind of foresee might be the next thing to happen. But you know, it's not clear when.

Tracy Shuchart (05m 55s):

Right. Well it always takes a lot longer for things to play out than you initially think they do. Right, generally really speaking, especially when you're looking at sort of these big macro ideas, they take a long time and I mean our major, our three major themes have been energy, metals, and agriculture. Obviously that started with the energy sector after the bottom fell out of the market in 2020 and oil went negative and the whole, you know, the whole world shut down, but you know, even before that happened, you know, we were already seeing some supply problems in the energy sector that just kind of derailed it for six months or so, but, so, and in looking at these, if you start with say the energy sector, right, and so you know that the energy is pretty much at the heart of everything, right.

Tracy Shuchart (06m 46s):

It makes everything run. So, you know, we knew that, or I knew that this was gonna eventually affect things that were very energy intensive like metals and particularly in the agriculture industry, which also is very energy intensive you know, not only do you know they require fertilizer, which requires a lot of gas, but I mean just to get their farms running requires a lot of, you know, diesel, kerosene and different fuels of that nature and so really keeping, I think the focus at energy, at the heart of everything, then it's kind of seeing how long is it going to take to hit these other markets, right and so that's kind of the timing issue and again, it's, you know, not always easy to get right but I think that's what we're, what we're seeing right now.

David Greely (07m 42s):

Yeah and it's a little frightening, right. It feels like you're kind of, we're descending down through the hierarchy of needs and we have this winter where it's, you know, trying to stay warm and keep the lights on but you've brought up food a few times now it sounds like last year with the initial energy problems in the UK that had impacts on meat producers and meat packers and with Nat Gas such a big component of fertilizer production. How concerned are you with what we'll see happen in food markets come next year?

Tracy Shuchart (08m 14s):

I think we're gonna definitely have, see a problem we're already seeing, you know, we saw a fertilizer kind of spike this summer, right and I kind of have pulled back since then, but if we look at those markets, those markets are starting to jump again because of all the production that's being taken offline in the EU and we're already experiencing, you know, some shortages in the US and we're not even at planting season yet. So looking at those markets, you know, I think that's gonna play an even larger role in H1 of 2023 as we go into sort of planting season, BUT obviously when, and I think your input energy input costs are going to be higher. I mean obviously we've seen energy pull way back, but I mean, still \$80, \$85 that's very high for, you know, for the norm.

Tracy Shuchart (09m 03s):

Let's, let's put it that way. So I think we're in to see higher energy prices for longer. We're gonna see input costs for, you know, agriculture start to storm and then, you know, we're also having supply that's gonna affect supply problems too because we do have some other countries like Canada and the Netherlands that want to cut back on fertilizer usage, whether or not that's puts some

farmers out of business, which then takes more food supply off the market because we look at like another ones like the number two global exporter in the world of food and they're looking at a lot of farmers that could really be hurt by this and go out of business. So yeah, I mean, so I think we barely scratch the surface as far as, you know, we talk about food prices have escalate, you know, our up 13% your year. I would say probably they're higher, but that's what the government tells us that they are. So, but I think that's gonna be higher for longer and I think we probably haven't even started to scratch the surface of that yet, right.

David Greely (10m 07s):

Yeah. Which makes it sound like the inflationary pressures are gonna be with us from the commodity side well into next year and you know, we've got the fed coming out this week, so by the time this episode airs, we'll hear what the decision was, looks like it's, you know, 75 basis point sounds baked in according to a lot of analysts out there. But I wanted to ask you because like sitting here in the US you know, we've had this strengthening of the dollar and you know, this, you know, this very strong dollar has been masking a lot of the impact of rising commodity prices on US consumers, you know, kind of look at the prices of gasoline at the pump, they're down even though things like not gas prices are still up a bit, but nowhere near what the rest of the world's experiencing and I was curious for your opinion on, you know, how big a deal do you think it is that we have this strengthening dollar at a time of rising commodity prices and how does it affect how you're thinking about how this particular commodity price surge is gonna play out?

Tracy Shuchart (11m 08s):

Well, yeah, I mean, okay, so honestly, let's start with, there's often a prevailing notion that commodity prices are directly inversely correlated to the dollar, so people are looking for, in other words, people are looking for if the dollar goes up commodity prices go down and certainly there are cases that that happens and there are points in time that that happens, but if you look over long enough period, this is not the case for the most part and especially when you're looking at supply side problems, as we've seen pretty much in energy and grain prices and based in industrial metals over the last two years really have been rising alongside of the USD. So when we have these structural supply deficits in all of these markets with a rather in lasting demand, rather than, you know, other than shutting down the entire global economy as we did, you know, we're gonna continue to see rising commodity prices in face of a rising dollar.

Tracy Shuchart (12m 10s):

Now this is, I mean it's going to be a problem for the US but it's gonna be even a bigger problem for emerging markets. So I think that ultimately what we're really gonna see, I think we're gonna see a lot more say food protectionism, energy protectionism start coming into play, just as we've seen, just so as recently as India just, you know, put 25% export tax on their rice and earlier this year they even took, stopped exports altogether for a time being. So I think that this is going, and I think we're going to see these kind of actions coming up a more and more globally.

David Greely (12m 52s):

Yeah, and it sounds, it's interesting when you think about what's happening in Europe right now, people who are in markets could see this coming for a while. Even if you just looked at the, the, the wholesale prices, the futures market prices you saw coming, but it wasn't really until people started to get those utility bills in the mail and the prices got passed through to residential users and small commercial businesses that it really kind of hit the public consciousness I think, and forced a lot of policy maker reactions and I think, you know, maybe that's one thing we have to think about in the US is the rest of the world is probably seeing this before we are, I would imagine, and to get ready for some of these political reactions, but before I want to dig into some of that policy maker reaction with you.

David Greely (13m 35s):

But first I wanted to ask, you know, I was curious, I've always found it odd, you know, that in my experience when talking with like equity managers or bond managers, there's almost like it, it's socially acceptable for many money managers to know very little about commodities, sometimes it's seen as this kind of quirky, odd little market even though it's so central to everything we do and it's like in a way that I often have found that, you know, an equity manager has to have a basic understanding of the bond market and vice versa and I imagine you talk to many different types of investment managers and what do you think that they need to understand about what's happening in the commodity markets right now?

Tracy Shuchart (14m 15s):

Well, I mean I think I have to go back to the point that pretty much everything revolves around energy, right. It runs, it literally runs the global economy, you know, and I think it's particularly important for anybody to watch this sector as it literally affects the cost of everything else. I mean, for most businesses, energy is one of the highest input costs from, you know, small businesses to large

businesses. This factors into their bottom line and affects how they therefore conduct businesses. You know, earlier we kind of talked about the ripple effects of high natural gas prices affecting smelters that turn affects manufacturing, which in turn affects global supply chains, which in turns affects all aspects of business, from transportation to food processing to utilities to consumer discretionary to healthcare, even to the tech industry and you know, kind of expanding on this supply chain problem was right after the pandemic, we got just a glimpse of how supply chains could be interrupted and how they could affect businesses.

Tracy Shuchart (15m 22s):

And even many businesses and industry still continue to real from these disruptions still today, right. If we just, if we take for example the oil industry, you know, we're still having problems sourcing steel pipe and things of that nature. So, and that's not the only business that's still having problem kind of sourcing materials. So if we look at that and take that as a whole and know that all of these things affects whatever business that you're kind of looking at that you kind what to invest in, then you kind of have to take into account how the commodity sector factors into how, how do they do business and if anything, nom again, I think the energy sector might be biased, but I think the energy sector should be of particular interest for, you know, any anyone that's investing globally in any equity market.

David Greely (16m 22s):

Yeah, it is so central to everything we do and I love the point you brought up about, you know, some of the takeaways from the supply chain issues that people learned about and people began to learn what supply chain means after the COVID shutdowns and that the point that something can be essential even if it's a low portion of costs. So, you know, the silicon chip you need might not cost very much in the grand scheme of the price of a car, but if you don't have the right chip at the right time, you end up with thousands of brand new cars that don't work parked on a lot outside Detroit

Tracy Shuchart (16m 56s):

Exactly, that don't work and then those, you know, and then those input Costco higher because we, you know, we had, you know, all those automakers fighting for a limited amount of chips, which, you know, then we saw auto prices, you know, increased tenfold and then we saw the used car market explode because new car prices got too high. So keeps on going down the chain, right,

David Greely (17m 18s):

Yeah, absolutely and that's like, so that's a great segue and I'd love to know, what do you think policy makers need to better understand in this environment, because I feel like there's also that there, there's not that focus on the scarcity right now of like, hey, there's like, there's a lot of talk about prices and who's making too much profit and needs to reallocate that to somebody who's paying too much for fuel, but I don't see as much conversation of, wow, we're short a lot of what we, we need, who's gonna get it and who's not gonna get it?

Tracy Shuchart (17m 52s):

Well, and that's a problem and that's what they're kind of getting a little bit of taste from. You know, we have to realize that the source of the problem, the energy crisis didn't just, even though we just started to see, you know, energy crisis spike over the last year or so, this is because of poor policy decisions that started a decade ago, you know, in some cases two decades ago, right and so this has all just finally come to fruition because you know, we had the right elements in place to kind of, you know, spark it off. It was gonna happen regardless, but you know, COVID happened, Ukraine invasion happened, so a lot kind of, you know, happened that just further exacerbated problems, but I mean as far as policy makers need to look up, they need to really understand that energy transition just doesn't happen overnight and the technology is just not there yet.

Tracy Shuchart (18m 52s):

Even though you want it to be, you can't base energy policy on, I hope that it's gonna work out, right. You're talking about billions of people, you know, and I think that, you know, their big mistake was wanting to switch off fossil fuels right away and wanting to go, we're gonna go wind and solar and that's great except for those are intermittent power sources and the battery tech is just not there yet. So you still need fossil fuels as your base load power and if you don't want, you know, and this is where natural gas is perfect roll as the transition fuel because it's much cleaner than say oil or coal and I've been talking about this for years actually, but they continue, you know, they continue to demonize the industry and then on the flip side, nuclear fantastic idea, right, this is super clean, it is the cleanest, it's the most energy dense, right?

Tracy Shuchart (19m 45s):

You have need a tiny amount of uranium to create enough energy that, you know, millions of gallons of oil, but the west has largely shied away from that. We haven't really done anything in the last two decades. You know, there haven't been a lot of upgrades, there hasn't been a lot of builds in the west. We now we have seen some in Africa, we have seen some in Asia, but we haven't in the west because we had Chernobyl we had Fukushima, west got freaked out and said, no, we don't, this is dangerous and then we had the environmental groups come and say, but what about the radioactive waste we're all going to die, you know, without people. I think really there was just not a lot of education out there and you know, since those accidents have happened there's still, there has been fantastic strides in nuclear energy.

Tracy Shuchart (20m 42s):

It's very different. You know, it's not the same plant that it was 20, 30 years ago that that were built. So I think the thing is that I think that's sort of the media's fault too, when government's fault too and how they portrayed this, right without kind of educating people. So the best thing I think that they need to do is, well, what they're forced to do now is go back to the drawing table on nuclear. We've seen UK who wants to start eight new nuclear reactors, we see Germany deciding on and off whether to keep these last three on or off or on or off, but we are seeing more interests, we're seeing more interest in the US you know, we just had California for example, to shut their last nuclear plant. They're gonna keep it open for another 10 years. So we're seeing some warming up to up to that.

Tracy Shuchart (21m 37s):

So I think that's good as far as policy makers are looking, you know, let's give them, I'm gonna give them a little pat on the back. This is good that we're seeing policymakers kind of change their view on these sorts of kind of energy and that's kind of the DM market side of it and if we look at the EM, the emerging market side of it, I think the west really needs to stop interfering. You know, for example, just last week we had Simon Zarchy, you know, he was an Africa speaking. He said do not invest in natural gas long term and then, you know, for those kind of parts, this is just really unrealistic. I mean, cheap abundant natural gas is a great transition feel, although it's not so cheap right this second, but you know, if they were to drill locally, it would, cause you have to realize over 600 million people, 43% of Africa's population lacks access to any electricity.

Tracy Shuchart (22m 34s):

And most of them are in Sub-Saharan Africa, which actually have a lot of resources that they could tap into you know, and I think, you know, a lot of African countries kind of have in trying to argue against the west and basically say this is unfair that you're trying to put us in a position that, you know, we're just not at the same level as a DM market and so, you know, I think that policy makers there should continue to try to get investments for their oil and gas industry that to bring them out of poverty. I think the west really needs to, if they want help them as far as, you know renewables are concerned, that's fantastic, but I think they should stay out of their way a little bit is, you know, you not get so involved in energy policy..

David Greely (23m 26s):

Yeah and the thing I find really interesting with energy policy that I don't think policy makers understand enough and you brought this up talking about the energies are in the US John Kerry is investments in supply side infrastructure, whether it's opening up gas and oil fields, building nuclear plants. You do this if you plan on using it for a long time, you know, like 10, 20, 30 50 years and it only economically makes sense if you're planning on using it for that period. So I've often heard like a lot of conversations with policymakers recently where it's like, well, you know, yet do this for three years and no one's gonna do it for three years and so like now we're kind of in this worst of all possible worlds we're seeing in Europe where energy is unreliable and incredibly expensive and they're having a switch on all these coal burning plants, which is the last type of fossil fuel you'd want to use from a climate perspective and so, you know, I guess as you know, you invest in companies and how do you get policy makers to see this need for, you know, 10, 20 years, like the more of that investor mindset that you have?

Tracy Shuchart (24m 39s):

Well, yeah, I fired them all, hire, you know, a lot of things, you know, you know, every four years you change administrations in the US or four to eight years depending, right and so I think that there's one, I think there's a lot of like change over, but I think that's one of, one of their problems, but I think you should hire people with experience really, I mean with more experience than we currently have. I mean that's the only thing that I can think of because all these energy decisions that people are making are really from people not that qualified to make those sorts of policy decisions. They are all based politically, they're all politically motivated policies at this point because a bunch of bureaucrats got together and decided we're gonna have this climate, you know, Paris accord or you know, this policy that, you know, there's a lot of accords out there right now, but, and then everybody just said okay, this is, you know, we're

gonna go with this, but nobody is well versed enough to say, how, how are we gonna get here, not like, it's great. We want to get here. I love it. Great idea, everybody wants clean energy, everybody wants clean air, everybody wants cleans, everybody wants that, but how are we gonna get there, you know and that's kind of the missing point I think right now and that governments need to, you know, have a bigger conversation with that or get together with people that have bigger problems and not just bureaucratic think

David Greely (26m 15s):

Yeah and when you look at the scale that's gonna be needed to accomplish these things that we've committed to in policy, I just can't imagine doing it without being able to draw on the expertise of the energy industry, the mining industry. There's no one else who knows how to operate at that scale to do the things that we want to do

Tracy Shuchart (26m 38s):

And the scary thing is, is because it's being so demonized they are having a hard time finding labor in those markets, those fields are dying. I mean if you go to, you know, colleges these days, nobody wants to major in those kind of things in the oil industry or the mining industry because it's dirty. It's got bad connotation and so, you know, that labor pool is also dying too and so you know, we need to, I think I have more outreach programs with like start enticing those people to be in those industries. We need more engineers in those fields and whatnot, get them together, this is not going to fix itself by itself. As you can see, it's self-destructing before our very eyes right now. So we just need, we need a whole redress of the situation, which hopefully I hope that's sooner than later at the pace of things right now.

David Greely (27m 35s):

Right, definitely need it sooner than later and we need a lot of young people to get in to working on these problems and you know, you spoke about outreach and I wanted to ask you because you know, you've developed a very large, I think it's almost a quarter of a million followers on Twitter where you post a ChigrI, which I imagine is for Chicago, I think where you got your start as many commodity folks have. Yes and I wanted to ask you, why did you start posting on Twitter and what do you see as the benefits and challenges of that level of social media presence and engagement?

Tracy Shuchart (28m 09s):

Well, I started really because I had just moved to Chicago. I didn't really know anybody and I had just started in the industry at CBOT, had a grunt job, and I just thought, you know, it would be a good way because I had a friend that was like, you should go one. There's a lot of financial people on there and I was like, okay and so I kind of just went on to shy, you know, ChigrI cause I wanted be anonymous. I never had, I didn't have my name on there for years and so really that's how I just really started and I started talking to financial people and you know, just kind of my circle grew. I remember, you know, when I got like a hundred people following me, I was, I can't believe a hundred people want to hear what I have to say.

Tracy Shuchart (28m 55s):

That's right. So I've been on, you know, just gross organically from, from there I guess, right. So, you know, I mean I think it's really beneficial for everybody. I think I know that it can be very toxic and people talk about that the toxicity a lot, right, because there's a lot of hardcore things, but I think fin generally, or financial Twitter, it's a really good place, you can meet people, you can see, I mean I think there's a lot of good to be found there. There's a lot of good advice. There's a lot of ton of good information. You know, there is a lot of people that you can learn from. You know, I specialize in commodity markets. I don't know that much about a bond market, you know, I can follow a bunch of bond people and learn all about bonds, you know what I mean or I can follow a bunch of people in, you know, specializing for healthcare and I can, you know, find out about all the healthcare companies, you know, you know, anybody can do that. So that's where I really think that it's really beneficial because you can learn a lot from everybody else. You just have to sidestep the toxic people and cause there's always those people in there that kind of want to start fights and kind of whatever and so, you know, I think the best engagement with those people is no engagement

David Greely (30m 14s):

That sounds like great advice, but it is, it's a really amazing that you've been able to create and form this network because, you know, when I got started in commodities, it was working, you know, in one of the big banks at Goldman and yeah, like one of the cool things about those types of environments is that you get to work with lots of different people with different backgrounds, economists, bond traders, equity traders, commodity people and different clients but it's cool to be able to do that without having to be inside a company where the client relationships and the people who work for the company are kind of defining that network that you're in and instead you can, you know, more open source it and create your own

Tracy Shuchart (30m 55s):

Well exactly and you get views from all different, you know, all different companies, all different kinds of traders, all different, you know, I mean just, there's a ton of information out there just if you're new to Twitter, just wade through it, it's worth it in the end.

David Greely (31m 12s):

That's great and I'm curious, was there like, was there a certain event that occurred that you were discussing a lot on Twitter that, you know, all of a sudden first started noticing, wow, a lot of people are listening to my thoughts on this or was it more gradual over time?

Tracy Shuchart (31m 28s):

I think it was really more gradual over time. It took a long time to get to like 50,000 or something and then it kind of just grows from there.

David Greely (31m 37s):

Exponential growth.

Tracy Shuchart (31m 39s):

Yeah. So I mean I've been on Twitter, well I've been on Twitter well since like 2009 I think. You know, I started in the industry a little bit before then, but you know, that's a lot of, that's a lot of dedication on.

David Greely (31m 58s):

People are taking a break at some point. going on Twitter sabbatical.

Tracy Shuchart (32m 03s):

It's a lot of dedication on my like, what is that, I'm like 13, 14 years. That's great, great.

David Greely (32m 08s):

So once again, hard work and persistence comes to the forefront, but I know you're gonna have to go in a few minutes, but I wanted to ask you while you're here, you know, there's a lot happening in the commodity space. Obviously we've talked about many of those things, but I wanted to think like a little bit longer term. So thinking, you know, beyond this winter out over the next few years, how do you see the outlook in the commodity space and where are you looking for opportunities?

Tracy Shuchart (32m 36s):

Yeah, I mean I think that I think the sector is just starting, you know, we're just starting to see the explosion of problems. I think that the problems that have been created are definitely not going to be fixed in any time like the near term. So, you know, I think for, I think this is gonna be a strong sector for the rest of decade at least is kind of where I'm looking at because it took us that long to get into this mess. It's gonna take us twice as long to get out of the mess, but I think, but if, you know, kind of on a shorter term, you know, I'm kind of looking at agriculture and 2023 and I think metals will really hit probably back half of 2023 into 2024 right, as soon as some of this energy sector calms down a little bit, I think that's gonna, metals will be the next freak out if, if that makes sense at all. So I think, I think this sector's really strong and I think there is plenty of opportunities to be had out the current situation even though the situation is not great.

David Greely (33m 43s):

Right and I'm curious why, why do you see metals after agriculture. I'm just curious what the sequence of events you're thinking about is.

Tracy Shuchart (33m 50s):

I think that everybody's gonna be, right now, it's gonna take, like gonna take at least a year, year for year up to figure out its energy flow, right and so after they kind of do that, that's gonna exacerbate the metal problem even more and then they're gonna have to start focusing because right now their focus is on how do we get close here, right. How do we get LNG here. How do we get oil and gas if we embargo Russia in December, so right now how do we build out, you know, they need where they think that they say two to three years to build, you know, LNG space, but you know, that's going to take a lot longer than they think, but anyway, their primary focus right now is on how to get energy flows to them to replace the flows that are not Russia related or that are Russia related.

Tracy Shuchart (34m 37s):

So I think that the metals are gonna take a little bit more for that when they shift their policy back around to really focusing on EVs and getting their manufacturing back up. Cause right now their manufacturing shutting down so as soon as you know, they kind of get that house in order, their energy house in order a little bit flow-wise, I think that they're going, that's gonna be the next problem because they're gonna realize, well here are still our, our, you know, green policy goals and oh my God we don't have enough muds either and oh my god we just shut down. You know, we just curbed production for two years and so that's why I think that's gonna take a little bit longer. I think you're gonna find opportunities huge opportunities in agriculture just kind of in that, Well I think that's, that will continue as well. Let me preface that will continue as well, but I think the next kind surge you're gonna see is gonna be in that 2023 where we have cause that's kind of immediate. We have, you know, planting spring and summer planting is going on and we're just not gonna have enough fertilizer. So that's kind of, the only reason, but I think that, and you know, all three sectors are gonna play huge role over this next decade. At least

David Greely (35m 55s):

That's a long time. It'll keep very interesting. Any near term catalysts you're looking at of that's gonna tell you how bad this gets or whether we might skate through in the short term?

Tracy Shuchart (36m 09s):

Well obviously you know, I'm focusing on energy flows right now cause I think that's really the most important thing that we need to look at is, you know, because Germany just came out and said, well we have enough gas. We're, at 90%, you know, storage. yay, but that'll last us through winter, which I've been saying that all summer. It just, you know, it's all about flows. So really right now we should be focusing on global energy flows no matter what. I think Russian barrels are gonna stay on the market more so than anybody thinks. That's just what is gonna happen because other countries are going to take advantage of that discount regardless. So really I would be focusing on, you know, how that energy flow space is revolving if you to use as a gauge on how quickly we can sort of get out of this mess, if that makes sense.

David Greely (37m 03s):

Absolutely, well, thanks for joining us. We'll be watching the near term flows and longer term. It sounds like this is gonna be a very interesting space for the next decade or more. So thanks for sharing your ideas and thoughts with us. Really appreciate it.

Tracy Shuchart (37m 17s):

Thank you.

David Greely (37m 18s):

Thanks again to Tracy Shuchart, Partner and Global Energy and Material Strategist at Intelligence Quarterly. We hope you enjoyed the episode. Join us next week with Bill Perkins, Founder, Managing Partner and Head Trader for Skylar Capital. We'll be discussing his trader's perspective on natural gas, power and carbon markets in Europe.

Announcer (37m 38s):

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