



A UK focused Turnaround Value Investment Partnership

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TODAY'S TOPICS

1. US data: Recession or Depression?
2. European Energy Crisis – what next?

1. US DATA – RECESSION OR DEPRESSION

ARE WE AT A TURNING POINT?

+1% May 2022 CPI Print

Biggest drivers:

- +1.8% used cars (3.99% weight)
- +1.0% new vehicles (4.03% weight)
- +1.7% car and truck rental (0.15% weight)

- +0.9% lodging away (1.01% weight)
- +12.6% airline fares (0.66% weight)
- +0.6% rent of shelter (32.07% weight)
- +1.3% transportation services (5.83% wgt)
- +0.7% apparel (2.49% weight)
- +3.9% energy (8.3% weight)

+1.2% Food (13.42% weight)

+0.4% Medical care services (6.87% wgt)

+1.3% June 2022 CPI Print

Biggest drivers:

- +1.6% used cars (3.99% weight)
- +0.7% new vehicles (4.03% weight)
- 2.2% car and truck rental (0.15% weight)

- 2.8% lodging away (1.03% weight)
- 1.8% airline fares (0.76% weight)
- +0.6% rent of shelter (31.92% weight)
- +2.1% transportation services (5.86% wgt)
- +0.8% apparel (2.46% weight)
- +7.5% energy (8.67% weight)**

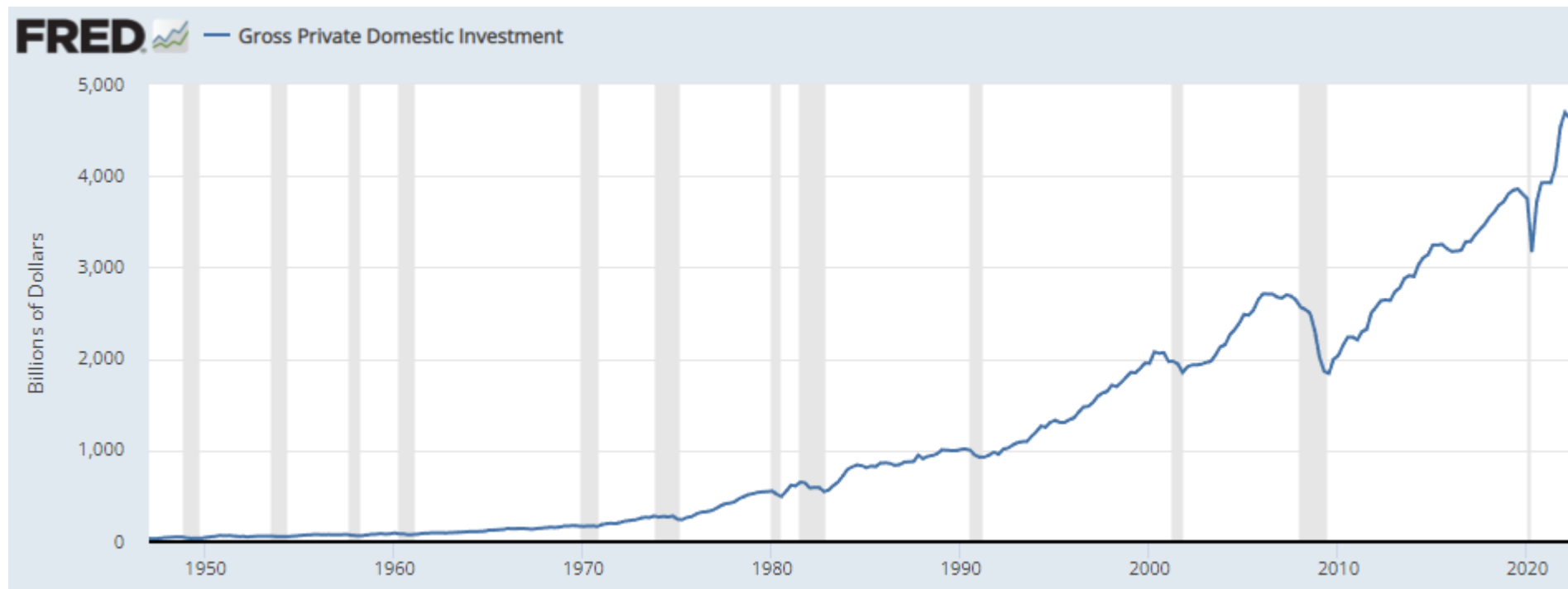
+1.0% Food (13.42% weight)

+0.7% Medical care services (6.82% wgt)

WE ARE IN A RECESSION, AREN'T WE?!

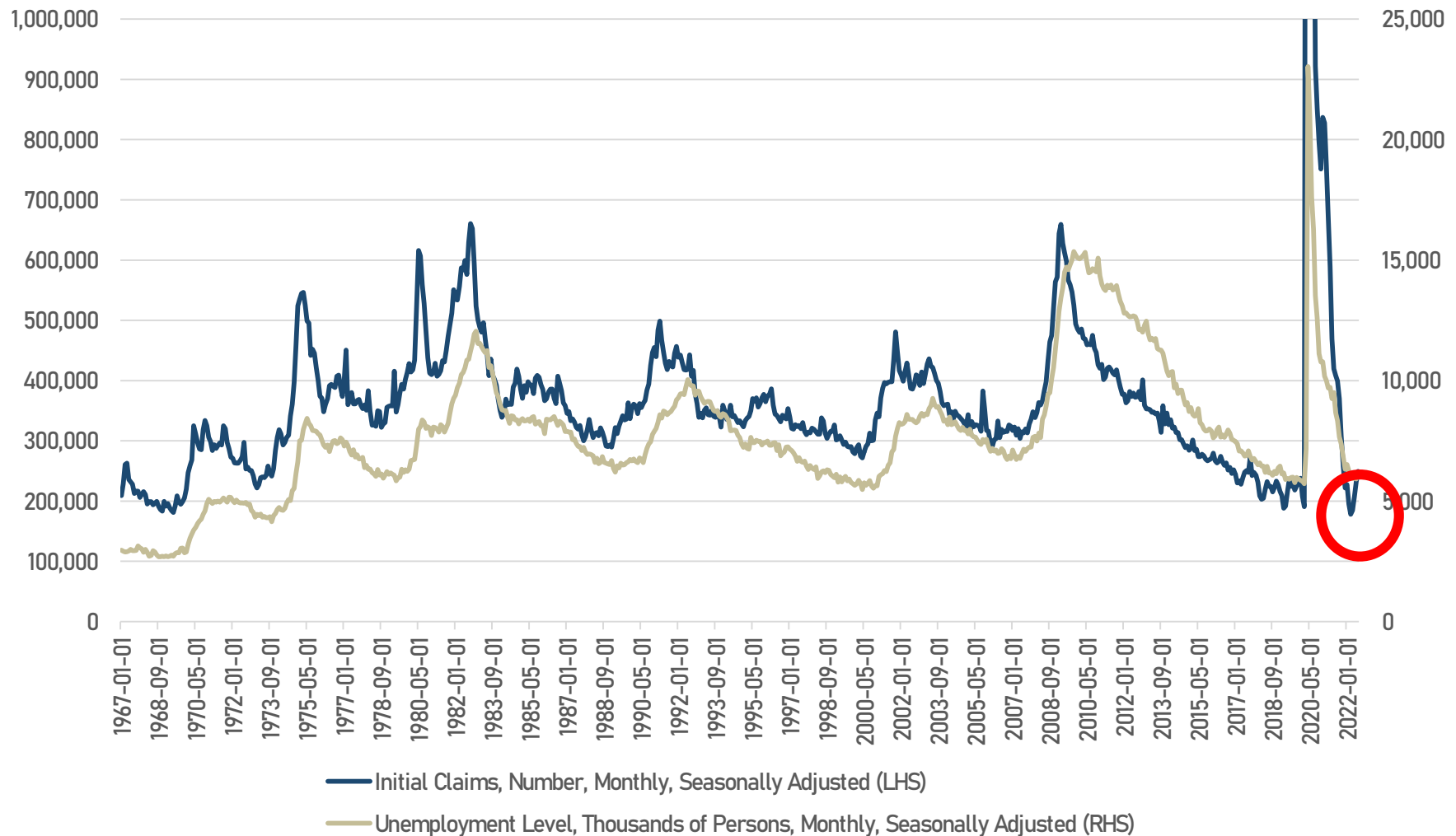
	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Gross domestic product	1.9	0.9	2.4	3.2	2.8	1.9	-5.1	-31.2	33.8	4.5	6.3	6.7	2.3	6.9	-1.6	-0.9
Personal consumption expenditures	1.8	1.2	0.4	2.4	2.1	1.1	-4.8	-24.1	25.5	2.3	7.4	7.9	1.4	1.8	1.2	0.7
Goods	0.6	0.4	0.3	1.4	1.0	0.4	0.0	-1.9	9.9	-0.1	5.7	3.0	-2.2	0.3	-0.1	-1.1
Services	1.2	0.7	0.1	1.0	1.1	0.8	-4.8	-22.2	15.6	2.3	1.8	4.9	3.6	1.5	1.3	1.8
Gross private domestic investment	1.6	0.4	1.1	0.5	0.2	-1.2	-0.9	-9.6	11.7	4.0	-0.4	-0.7	2.1	5.8	0.9	-2.7
Fixed investment	0.2	0.3	0.6	1.1	0.5	-0.2	-0.4	-5.6	4.9	2.9	2.3	0.6	-0.2	0.5	1.3	-0.7
Change in private inventories	1.5	0.1	0.5	-0.6	-0.3	-1.0	-0.5	-4.0	6.8	1.1	-2.6	-1.3	2.2	5.3	-0.4	-2.0
Net exports of goods and services	-1.7	-0.5	0.4	-0.5	0.1	1.4	-0.1	1.5	-3.3	-1.7	-1.6	-0.2	-1.3	-0.2	-3.2	1.4
Exports	-0.8	0.1	0.4	-0.3	-0.1	0.2	-2.0	-8.3	4.6	2.1	-0.3	0.8	-0.6	2.2	-0.6	1.9
Imports	-0.9	-0.6	0.0	-0.2	0.2	1.3	1.9	9.9	-7.9	-3.7	-1.3	-1.0	-0.7	-2.5	-2.7	-0.5
Government consumption expenditures and gross investment	0.2	-0.1	0.5	0.9	0.4	0.5	0.6	1.0	-0.2	-0.1	0.8	-0.4	0.2	-0.5	-0.5	-0.3

PRIVATE DOMESTIC INVESTMENT – A RECESSION INDICATOR



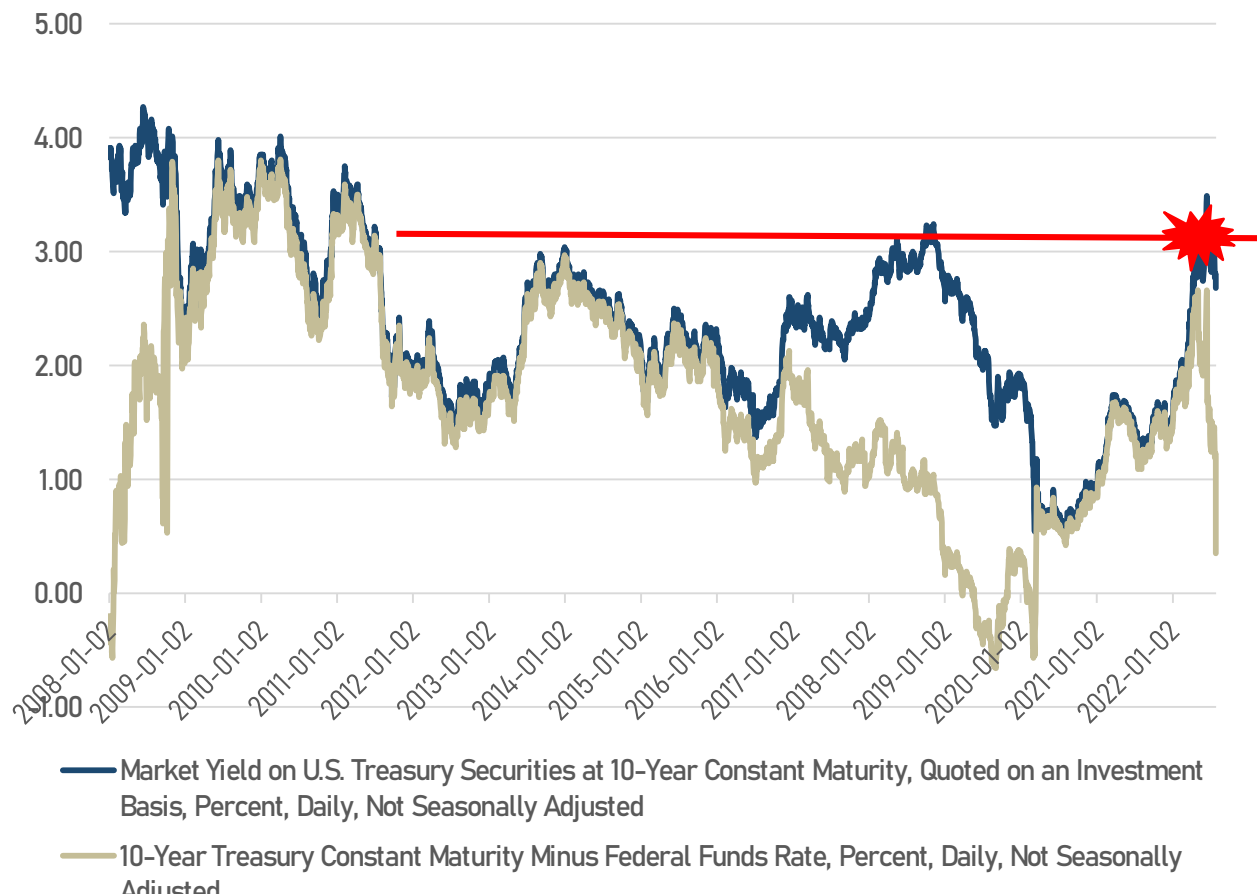
INITIAL CLAIMS ARE LEADING UNEMPLOYMENT LEVEL

Initial Claims have been rising for four consecutive months



US INTEREST RATES BACK BELOW BREAKING POINT

10-yr yields - Fed Funds indicate Recession



Fed	Rate (priced 15th June eod)	Rate (priced 29th July eod)
June	1.68	-
July	2.25	2.33
September	2.83	2.90
November	3.45	3.15
December	3.60	3.24
BoE	Rate (priced 15th June eod)	Rate (priced 29th July eod)
June	1.36	-
August	1.69	1.55
September	2.22	2.16
November	2.51	2.40
December	2.72	2.71
ECB	Rate (priced 15th June eod)	Rate (priced 29th July eod)
July	-0.25	0.00
September	0.00	0.38
October	0.41	0.60
December	0.92	0.86

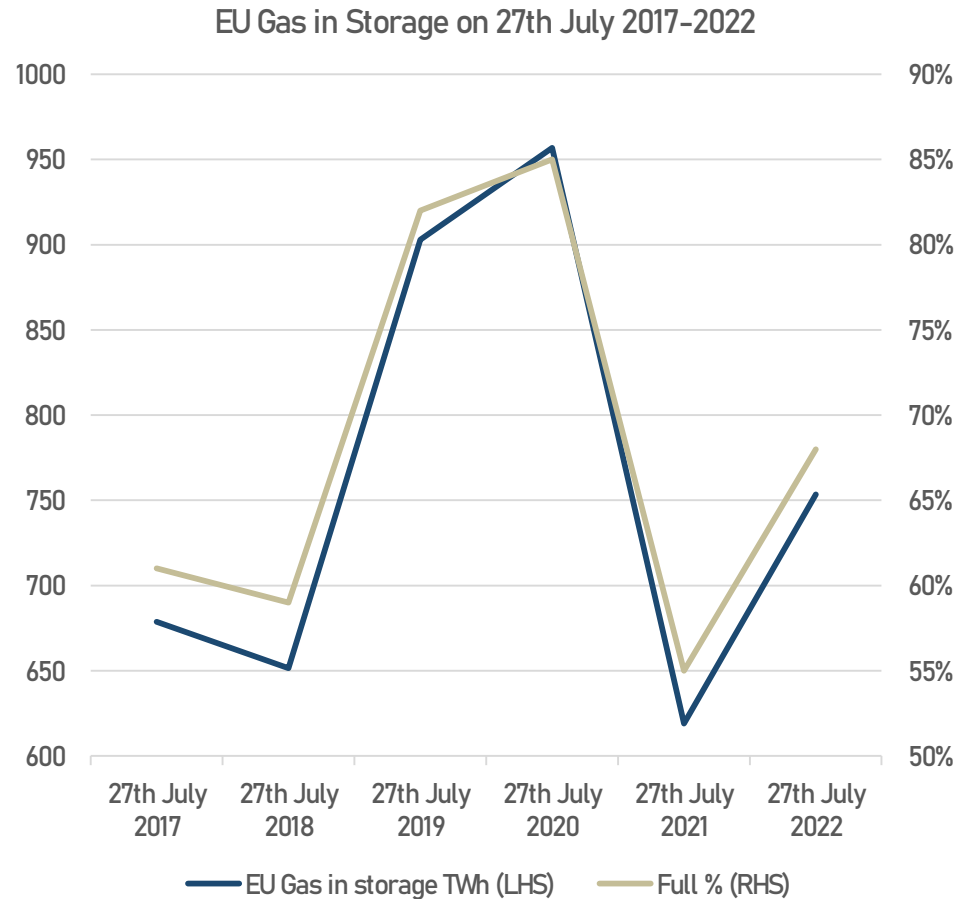
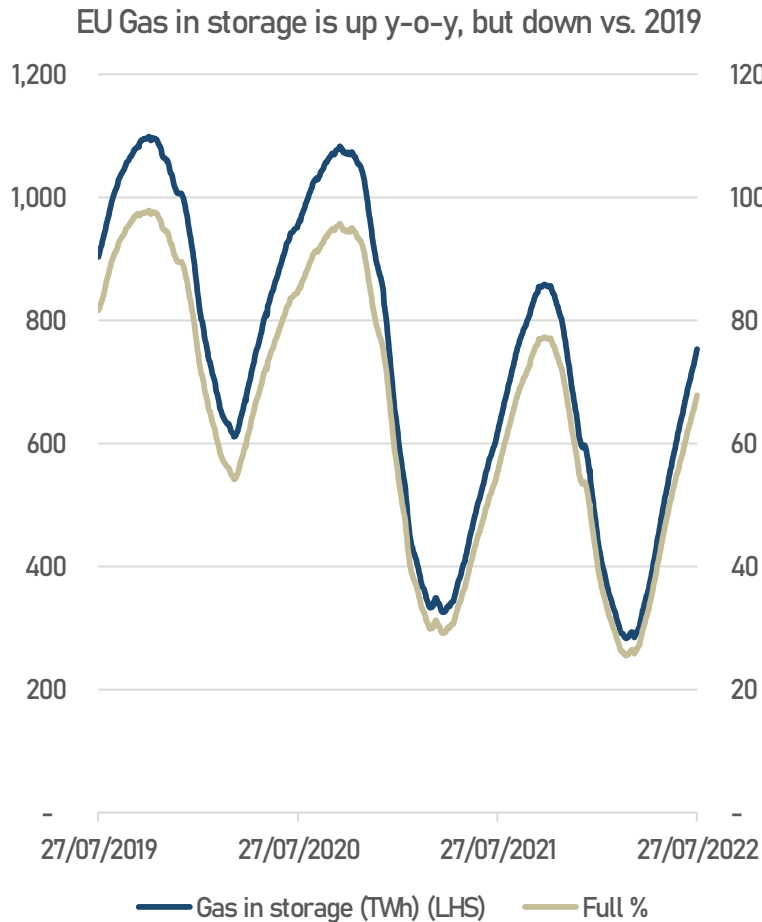
2. EUROPEAN ENERGY CRISIS – WHAT NEXT?

RUSSIA WILL ADJUST GAS FLOWS TO OPTIMIZE PRICING

Pipeline/LNG carrier	EU imports 2019 (in TWh)	Realistic scenario imports (annualised in TWh)	Worst case Scenario imports (annualised in TWh)	Best case Scenario imports (annualised in TWh)
Russia Yamal Pipeline	358	0	0	0
Russia Nord Stream Pipeline	596	238	0	596
Russia Ukraine Pipeline	433	87	87	173
Russia TurkStream Pipeline	347	347	347	347
Russia Blue Stream Pipeline	173	173	173	173
Russia LNG Carrier	228	228	0	228
Total	2134	1073	607	1517
Difference		-1061	-1528	-618

Pipeline/LNG carrier	EU imports 2019 (in TWh)	Realistic scenario imports (annualised in TWh)	Best case Scenario imports (annualised in TWh)	Worst case Scenario imports (annualised in TWh)
Norway pipelines	1065	1200	1200	1200
Norway LNG Carrier	59	59	59	59
Qatar LNG Carrier	293	293	293	293
Algeria Pipeline	205	300	300	300
Algeria LNG Carrier	98	98	98	98
Libya Pipeline	49	49	49	49
US LNG Carrier	166	661	992	400
Nigeria LNG carrier	127	127	127	127
Trinidad and Tobago LNG carrier	59	59	59	59
Other LNG carrier	49	100	100	100
Total	2170	2946	3277	2685
Difference		776	1107	515

EU GAS STORAGE LEVELS ARE AT AVERAGE LEVELS



EUROPE'S NUCLEAR POWER DISASTER

- EdF cut France's nuclear power production from 330-360 TWh to 280-300 TWh for 2022 and from 340-370 TWh to 300-330 TWh for 2023
- Total loss in TWh for 2022: 80-100 TWh
- Renewables in UK grow at around 1-3 TWh per year, hence not enough to replace nuclear

Closing Nuclear Power Plants

Country	Power Plant	Closure Date	TWh
UK	Hinkley Point B	Aug-22	6.75
Germany	Isar 2	Dec-22	9.45
Germany	Emsland	Dec-22	6.75
Germany	Neckarestheim 2	Dec-22	8.78
Belgium	Doel 3	end 2022	6.75
Belgium	Tihange 2	Feb-23	6.75
UK	Heysham 1	2024	6.75
UK	Harlepool	2024	6.75
UK	Heysham 2	2028	6.75
UK	Torness	2028	6.75
Belgium	Dohel 4	2035	6.75
Belgium	Tihange 3	2035	6.75
UK	Sizewell B	2055	6.75

COAL TO THE HELP? FRACKING?

- Germany aims to cover 1-2% of gas consumption via coal (10-20 TWh)
- Only 1 of 16 coal-fired power plants registered for reactivation
- Low water levels of Rhine river complicates coal transport
- Fracking is in discussion in Germany and the UK

