



NHCO Week in Review December 30, 2013

NHCO Weekly Market Update

The global oil landscape is changing very quickly. In the 80's there existed an organization that could send fear into the minds of investors and world leaders: OPEC, the Organization of Petroleum Exporting Countries (focus on the exporting part). OPEC members were composed of the world's largest oil producing exporters including Venezuela, Libya, Saudi Arabia, Iran and Iraq. This group had the ability to turn the oil spigot on and off with ease, wreaking potential havoc in world markets and economies. But we don't live in the eighties anymore and today's headlines show just how irrelevant this group has become. With the world's global supply of oil increasing due to new drilling techniques we find ourselves facing the emergence of a new oil exporter, the United States.

This week we saw two additional stories that added to the evolution of the global oil market and the opportunities that it is creating. As the US finds and refines more domestic oil the experts are already forecasting our country's energy independence. But first, what must be resolved is an old law that prohibits the export of crude oil products out of the US. Refined products are fine for exportation but not unrefined crude. That logic perhaps made sense when you are a net user of the product but times are changing and law makers may well need to readdress this law in the near future. One announcement this week points to US companies making strategic bets regarding the fundamental changes occurring in the US oil market. Kinder Morgan, one of our nation's largest pipeline companies, announced this week that they were going to spend \$962 million to buy American Petroleum Tankers. Kinder Morgan's core business is moving oil and gas product across North America via massive pipelines. Getting unrefined oil from fields in North Dakota to refineries in Texas and then getting the refined fuel back through those pipelines to consumers has been Kinder Morgan's core business for years. Kinder Morgan now sees a market for US oil beyond the reach of the pipeline. Their attitude is if we are going to have excess energy let's send it to buyers overseas. Unfortunately pipes don't run under the ocean so bring in the tankers. Kinder Morgan's purchase is for only 5 ships but it speaks volumes as to where one American company sees their growth prospects for the future: today pipelines, tomorrow ships.

You might not be surprised to hear that global demand for new super tankers is rising. As the old global fleet is retired due to obsolescence, a new fleet of tankers is being ordered by buyers around the world. These new tankers meet the new environmental requirements that are requiring ships to have safety features like double hulls to protect the environment in case of accidents. Presently there are orders for two hundred large tankers in the works. As further evidence of the global need to transport oil and energy products, the Panama Canal has been undergoing a massive upgrade to accommodate these new mega tankers. Currently set for completion in 2015 the new canal will allow more of our US product to find its way to those in need. With the US on the precipice of becoming a net exporter expect to see this new fleet of tankers populating our ports in the near future.

Carl Gambrell

	12/27/2013	% Wk Chg	% Yr Chg
DJIA	16,478.41	1.59%	25.75%
S & P 500	1,841.40	1.27%	29.11%
Nasdaq	4,156.59	1.26%	37.66%
EAFE	1,908.00	2.31%	18.95%
Emerging Mkts	997.56	0.94%	-5.46%
Hang Seng	23,243.24	1.89%	2.59%
NIKKEI	16,178.94	1.94%	55.64%
FTSE	6,750.87	2.18%	14.46%
CRB Index	284.16	0.37%	-3.68%
Dow Jones Utility	487.94	-0.08%	7.69%
TIPS Index	109.75	-0.61%	-9.60%
VIX Index	12.46	-9.64%	-30.85%
OIL	112.18	0.38%	0.96%
Gold	1,213.27	0.83%	-27.54%
Euro	1.37	0.56%	4.16%
Yen	105.17	1.03%	21.25%
Sterling	1.65	0.90%	1.58%
High Yield	5.98%	-0.66%	-11.67%
Investment Grade	3.90%	0.52%	16.07%
2 Year Gov't	0.39%	2.63%	58.02%
5 Year Gov't	1.73%	2.98%	139.31%
10 Year Gov't	3.00%	3.81%	70.71%
30 year Gov't	3.94%	3.14%	33.56%
2 Year Muni	0.33%	6.45%	12.63%
5 Year Muni	1.18%	0.85%	41.15%
10 Year Muni	2.76%	-0.72%	62.93%
30 Year Muni	4.22%	0.24%	52.73%
3m LIBOR	0.25%	0.00%	-18.30%
Fed Funds	0.08%	0.00%	-55.56%
Prime	3.25%	0.00%	0.00%
Money Market	0.40%	2.56%	-21.57%
12m CD	0.67%	0.00%	-2.90%
30 Year Mortgage	4.56%	0.88%	34.12%
15 Year Mortgage	3.57%	0.28%	27.05%

Data: Bloomberg