Energy Rundown: 2022, A New Year of Living Dangerously

“The chaos will only intensify,” said the CEO of Saudi Aramco, Amin Nasser. As in, oil markets are chaotic now and things are definitely getting worse.

So, Happy New Year, right?

Of course, if anyone might know a few things about global oil markets it’s the guy who runs the state-owned oil company of Saudi Arabia. (Okay, mostly state-owned. There are a few non-state investors too.)

Nasser gave a talk last month in Houston at the World Petroleum Congress. Attendance was over 5,000 from more than 70 oil producing countries, and this was despite Covid restrictions.

“Energy security, economic development and affordability imperatives are clearly not receiving enough attention,” warned Nasser.

He spoke in the context of innumerable breakneck efforts by governments, non-government organizations and businesses across the world to restructure the global energy complex. In other words, he offered an oilman’s perspective on the anti-oil, anti-fossil fuel, anti-carbon/CO2 movement.

The background to what Nasser discussed is the fact that we live in an era when a large segment of (mostly Western) global-level governance, power and money is resetting energy policy to move away from carbon, the energy source that powered the Industrial Revolution for well over 200 years. No more coal, oil or natural gas, basically. No more combustion. No more CO2 emissions, or so they say.

It sounds good to some people; mostly, to people who willingly overlook all manner of issues wrapped up in history, engineering, thermodynamics, geology and much else.

Here in the West, we’ve long passed the point of social and economic danger. We’re far beyond mere barstool rants about “saving the planet,” let alone giving a hearing to faculty lounge kooks.

Go back just a year to January 2021. On his first day in office, President Biden all but declared war on fossil fuels. Via executive order he canceled the Keystone XL Pipeline (concerning oil imports from Canada), shut down oil and gas drilling on most federal lands, and much more. In just one afternoon he signed off on a long laundry list of anti-carbon bonbons for his political supporters.

Then as 2021 unfolded U.S. energy prices rose. A mystery, right? Who could possibly have known?

Yet by the end of 2021, fuel pump prices were up 75% and more, and Pres. Biden was reduced to whining and pleading with OPEC nations to increase oil output over previously scheduled levels. Overseas, oil producers politely declined and smiled all the way to the bank.

But fuel prices are just one page of a long chapter that reflects Biden’s domestic policy contra oil and gas. And couple this American angle on the issue with other events that negatively impacted global energy supply. China banned Australian coal, for example. While Germany shut down almost all of its nuclear plants. More such power-downs come to mind if we cared to list them.

Suffice to say that we’re now at the point where being wrong on energy can (as in, It Will) crash the global economy. And contrary to popular political wisdom, no central bank will ever create enough “money supply” to bail out the problem.

Across the world, powerful people have promulgated policy based on carpet bombing carbon. You see it everywhere, both figuratively and literally. It’s embodied in the wind and solar movement, with those massive, eye-insulting, not-very-renewable systems you see along highways and covering landscapes.

World policy players have long waged an ongoing jihad against coal for electricity too, until recent power outages in diverse continents brought a reprieve to the proverbial rock that burns. And irony of ironies, humble coal was among the best performing commodities of 2021, with average global prices rising by 111% if the charts are to be believed.

Or consider those super-high, government-mandated mileage standards for internal combustion vehicles. On the darkest day of the year, the Winter Solstice this past December, the U.S. EPA lifted mandates by 25%, from 32 miles per gallon to 40 for cars sold in the American market by 2026.

In essence, this is akin to wartime industrial policy masquerading as environmentalism. That is, EPA just issued a de jure ban on almost all internal combustion engines in favor of still-evolving electric vehicles, to be built with all manner of exotic materials whose supply chains are problematic on the best of days.

Getting back to Saudi Aramco’s Nasser in Houston last month, he referred to “glaring gaps in the transition strategy” of developed nations to move away from fossil hydrocarbons and related, so-called “green” policies in developing nations. In essence, if I may summarize the speaker, much of what’s happening is short-sighted with large measures of complete ignorance thrown in.

A few topical numbers speak for themselves. Begin with a recent analysis by Rystad Energy, which concluded that global oil and gas discoveries in 2021 hit a 75-year low, at about

4.7 billion barrels of oil equivalent (boe). This is significantly down from 2020 when over 12.5 billion new boe were booked.

For perspective, global oil consumption over the past few years – just liquid petroleum and not including natural gas – has hovered in the range of 100 million barrels per day, or 36.5 billion barrels per year.

So just compare recent discovery with current consumption. Clearly, the world is drawing down against past oil discoveries and not replacing its oil-based resource with new finds or development.

But it's not as if the oil and gas are not "there." Oh, the molecules are in the ground. They just await the geologists and programs to discover them, and the engineering to bring them out.

And this raises another profound factual issue, namely that capital investment in 2021 was dismal, with about $340 billion globally invested in new exploration and development. It may seem like a big number, but per people who follow the energy industry – economists and oil company analysts – the appropriate capex number "ought" to be well over $500 billion per year.

Do that math, and right away we see dramatic under-investment in the global energy complex, certainly with hydrocarbon prospects up and down the line. Oil and gas investment is shy by about $500 million per day overall. That is, if you want to keep the world's transport, industrial and agricultural systems working.

Oddly enough, this immediate investment deficit doesn't materially affect daily oil output in the short or even medium terms. Oil that flows today, tomorrow, next week, etc. is from wells already drilled and producing. In the case of Saudi, for example, much of its oil comes from fields discovered 50 and

60 years ago, and wells drilled in the 1980s and 90s.

But in a longer timeframe, current underinvestment will eventually reflect in absolute decline in output. You can't pump oil from wells that were never drilled, nor from fields never discovered in the first place.

More immediately, oil buyers and traders clearly see what's happening, and of course markets tend to be forward-looking. So current underinvestment is a strong forecast of a looming, long-term supply crunch. And thus we stand at the foundation of market uncertainty, which has led to high prices, with higher tom come.

I'll wrap up with a couple of broad predictions for 2022. They derive simply from connecting the dots out of 2021.

Coming down the rails, energy supply is and will remain problematic. Every energy source will be more expensive. And rising energy prices will translate as a core element of looming inflation. In this regard, well-run energy plays are a good idea, especially ones that pay a dividend.

And don't neglect another important safe harbor in times of inflation, which is well-run mining plays and related metals.

In 2022 precious metals ought to do well, along with so-called "energy metals" used in batteries and electric systems, everything from copper and nickel to rare earths (REs). Expect prices to stay solid and likely rise. While all along, supply will tend towards tight, to the point of shortages of key commodities.

And finally, along these latter lines let me refer you to a recent interview that Jack Lifton and I conducted with Geoff Atkins of RE producer Vital Metals, click here to access

There's more to come from this end as the weeks and months unfold. But for now, best wishes for 2022.

Byron King’s Angle to the Tax Loss Selling Season Blues

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness.”

Apologies to the ghost of Charles Dickens for borrowing the first line from his 1859 historical novel, *A Tale of Two Cities*. It’s about the French Revolution, but that same sentiment pertains to our current era, and certainly how stock markets reflect (or mis-reflect) the economy.

Dickens highlighted political and social contrasts and contradictions. Sophisticated London versus revolutionary Paris. Plus, how science and reason were gaining traction across the world, while in another human dimension passion and bloody craziness were the rule.

Dickens and his *Two Cities* cross my mind every year around this time, in late November and the first couple of weeks of December. Predictable as phases of the moon, there’s always an annual market sell-down known as “tax loss selling season.”

We definitely see this phenomenon in mining shares, and if you’ve been around for even a short while you know the drill.

Towards the end of the year many investors, funds, etc. sell mining shares that have done well, to book gains in the winners. Then they sell shares in different companies to book losses. The idea is to rebalance portfolios, take money off the table and absorb losses as a tax shelter.

You want contrasts and contradictions? The best of times and worst of times? Voila!

On the one hand, a long list of wonderful companies bleeds red on the screen, based on share price declines. Ugh, you think. What a takedown.

Yet if you follow many of these declining plays, the back-stories have never been better. Great assets, experienced and savvy technical teams, strong management, money in the bank. Yet people are hitting the sell-button and share prices are sliding.

Well, there's another way to look at it too. If you follow the right kinds of companies and know the stories – assets, capabilities, management – you can find bargain basement plays.

The idea is to shop now and pick up discounted shares. Then ride the gains that typically come with the new year, aka the "January effect."

For example, look at a large, well-run company like **Agnico Eagle Mines Limited** (NYSE: AEM | TSX: AEM), with a market cap of $11.8 billion. It's a solid gold mining play for any long-term investor. The company has no serious problems in any news.

Yet in just the past month the Agnico share price has slipped from over $57 to the $47 range. That's definitely not reflective of the company, its assets or people. It's just sellers taking money off the table towards the end of 2021. Yet by about March 2022 that $10 down-move will more than likely be fully restored and then some.

Agnico is a buy just now.

Or look at a much smaller company like **Group Ten Metals Inc.** (TSX.V: PGE | OTCQB: PGEZF), an early-stage explorer with a market cap of a mere $45 million. It controls a vast spread of mineral claims in the legendary Stillwater district of Montana, adjacent to mighty **Sibanye-Stillwater Ltd.** (NYSE:

SBSW), with a market cap of $8.9 billion.

Group Ten has identified significant nickel, copper and platinum group metals (including rhodium), along with cobalt, chrome and gold. The company just released a very solid resource estimate, with one version summing up to over 6 million ounces of “palladium equivalent,” leading to a nice uptick in share price back in October.

Yet in the past month, Group Ten shares have drifted down by about 25%. And that’s despite the fact that almost none of the drilling results from the 2021 field season have yet been reported. The company expects to release additional mineralogical (good) news in January and February, which will likely strengthen the share price.

Another buy. W company with great assets, a strong technical and management team, money in the bank, and phenomenal location in mining-friendly Montana, smack next to a multibillion-dollar giant. And just now, in early December, the shares are on discount.

Or how about two other, underappreciated rare earth (RE, REEs, Rare Earths, Critical Material) companies, currently in similar sell-down territory, namely **Defense Metals Corp.** (TSXV: DEFN | OTCQB: DFMTF) and **Appia Rare Earths & Uranium Corp.** (CSE: API | OTCQB: APAAF).

Defense Metals is working on a large project in British Columbia involving a rock type called “carbonatite,” which in this case is filled with high grade RE mineralization. After three field seasons (2019 – 2021), Defense has a good handle on the deposit. Management just released a splendid preliminary economic analysis that shows excellent numbers in terms of tonnes/grade, value, return on investment, etc.

Yet shares are down about 25% in the past month, while the company has yet to release results from the 2021 drilling program. If you follow the RE space, here’s a bargain buy.

And Appia is working on another, very extensive RE deposit in northern Saskatchewan. It’s based on a mineral called “monazite,” in high demand across the world for rare earth minerals.

Indeed, Appia’s deposit may be among the highest-grade monazite plays anywhere, certainly in North America and competitive with the best plays elsewhere in the world. The ore body is near-surface as well, which simplifies the mining angle. And the company has an arrangement with uranium processors in Saskatchewan to deal with any issues of radionuclides in the ore.

Yet despite this setup, shares are down over 40% in recent weeks. Another bargain play, now on sale at year end.

With all the companies above, from big Agnico to much smaller Group Ten, Defense Metals and Appia Rare Earths and Uranium, we are looking at temporary, seasonal selloffs. For long-term investors, the shares are a bargain. Even for traders who are looking to buy now and sell into the new year, it’s a setup for a gain.

In other words, we have a relatively short window in early December to buy into any number of beaten-down plays. Or to turn Charles Dickens around and take a more upbeat view of the opportunity which is right in front of you, “It is the worst of times, yet also the best of times.”

That’s all for now… Thank you for reading.

A ‘Very Large’ Battery Metal Producer Focuses on the Critical Material that starts with ‘N’…

There’s money to be made in metals, of course. Gold and silver, and platinum and palladium, copper and many more. It’s a long list when you think about it. Well, today I’ll give you a name for one-stop shopping to do just that.

Just to lay a foundation, though, by now you’ve surely heard stories about how the electric vehicle (EV) revolution is happening. Even a casual news reader knows that auto, truck and bus companies are making massive transitions from internal combustion to battery-electric power trains. And to make it work, they need all manner of so-called “battery metals.”

One battery metal, growing in importance, is nickel, which is used in the cathodes for the lithium-ion batteries currently used in cars, trucks, and buses with the longest range. Unlike cobalt, with which it is mixed in those cathodes, nickel is today produced in large quantities from primary ore deposits. The 2020 global production of nickel was 2.5 million metric tons, almost all of which is, at this time, used for making stainless steel. Cobalt production was 120,000 metric tons, and all of it was produced as a byproduct of copper or nickel mining. Global nickel reserves are estimated at 95 million metric tons, while cobalt reserves are less than 10 million metric tons. It is planned to use nickel as much as possible in long-range battery cathodes, so as to not depend on limited cobalt reserves.

There are forecasts of eye-popping increases in demand for a list of battery metals that are already in short supply.

Prices for these substances are high and heading higher. Nickel is already in high demand for stainless steel and the addition of high demand for battery cathodes can be met but only with higher prices.

As things unfold, much of the money from those upward price moves will flow to the bottom line of miners and metal refiners.

And everybody has a story, right? If you follow the metals sector even a little bit, you know that junior companies are springing up like mushrooms after a rainstorm. They promote projects from here to Timbuktu, all across the globe in search of the next big discovery. You hear plenty of promises, and in fact with a lot of good fortune some of them might actually pan out over time. All well and good.

But what if I told you that there's already an up and running company that's a world leader in producing numerous of these critical metals, particularly nickel but also platinum and palladium, as well as manganese, copper and much more, including even gold and silver? It's that one-stop shopping I mentioned above.

It's a big company, to be sure, with a market cap of about $48 billion. Yet despite its size, it's still growing and offers solid capital gain potential. Not moonshots perhaps, but likely a steady, sturdy lift over the next few years.

While we're at it, this company is fast becoming "green" within the mining space. That is, its CO2 emissions are enviably low, certainly for a miner and even compared with emissions from many other industries. In this sense, the shares are becoming more and more attractive to ESG-oriented investment funds.

All this, and the company is immensely profitable. Shares deliver a nice dividend that currently yields over 7%. And those shares also offer a form of currency play in the event

of a dollar slide over time.

The name? It’s a Russian company called **Norilsk (OTC: NILSY)**, which trades in ADRs under the ticker **NILSY**.

The parent company was founded in the 1930s as a state mining enterprise in the former Soviet Union. The purpose was to exploit the massive mineral resources of the Kola Peninsula in the northern regions of Russia, adjacent to Norway and Finland.

There’s plenty of history about this mining complex from the 1930s under Stalin, and during World War II and all through the Cold War. It was a key asset of the Soviet state, to be sure.

Then after the USSR fell apart, this former industrial pillar of Communism transformed into a globally competitive mining company whose governing processes are not unfamiliar to Western investors. There’s transparency in operations, with corporate behavior that conforms with international standards.

And Norilsk delivers. It’s among the world’s largest producers of nickel, as well as palladium and platinum. Its metallurgical offerings include about 30 other materials that come from its extensive mining and refining operations, including gold, silver, copper, cobalt, manganese and more.

In many respects, Norilsk is almost a “battery metal” company in its own right, although it doesn’t pursue the downstream manufacture of storage and power systems. Norilsk just sticks to its strong suite, which is mines, metals and making money.

You might be wondering, how clean and green is a Russian mining complex? Well, there’s data available showing where Norilsk stands in its CO_2 intensity for nickel output relative to other producers across the world. It is the lowest producer of CO_2 per kg of nickel delivered of any company in the world.

Okay, I know… Many stock market players are looking for tiny, low market cap juniors in the 10-cent and 20-cent range, with hopes of hitting it big via 100-bagger moves. And yes, sometimes Santa Claus really does come down the chimney.

But if you're alright with a large, well-established mining giant with massive reserves and resources, decades of technical experience, currently working well in the battery metals space, making strong earnings, delivering enviable dividend yield, and even a "green" play… Well, go with Norilsk.

That's all for now… Thank you for reading.

Byron King's Top 5 "Outstanding" Yukon Gold (and Silver) Mining Names

There are mining districts, and then there are mining districts. Speak with anyone even remotely knowledgeable about the mining space and certain names instantly elicit a smile.

For example, say "Quebec" and a person smart about mining will grin at the thought of all that gold over the decades. Same thing when you say "Nevada."

Or say "Peru" or "Chile" and a mining-savvy person will nod at the thought of copper, silver and much more.

Today let's discuss the sweet sound of "Yukon," because the most northwesterly province of Canada certainly brings mineralogical happiness to my soul. Indeed, I'm so positive about Yukon as a mining mecca that I'd like to list five of

the top plays in the jurisdiction and explain why I like them. That is, allow me to share with you some ideas with upside, upside and more upside.

But only five! Because I could list ten, or fifteen, and maybe twenty. Yes, that's how promising is the mineral endowment of Yukon. For now, let's stick to five names in terms of descending levels of development.

We'll look at a newly built, producing mine and then work through other production, development and exploration names. Just five companies, though… And I apologize to the great plays *not* discussed here today, although your time will come as well.

Victoria Gold Corp. (TSX: VGCX)

Currently an up-and-running gold producer, I followed this one from the time it was a brown stain on a hillside to the buildout of a brand new, working mine. It's on track to produce 200,000 ounces of gold per year, with a mine life of 10 years and likely much more based on the results-oriented exploration of adjacent land. Every step of the way, Victoria was a model of excellent technical effort coupled with crisp execution. On paper, it's profitable at $750 gold. And with gold now at $1,750, the economics are superb. Aside from making money for its own account, Victoria is an obvious takeover play for any intermediate or senior gold miner that needs instant, profitable ounces.

Alexco Resource Corp. (NYSE American: AXU | TSX: AXU)

This is a reboot of a century-old lead-silver mining play in the Keno Hill area of Yukon. Now, the assets are again up and running with a modern mill and eye-popping new discoveries over the past five years. The old mine and mill were long abandoned and designated as a superfund cleanup site when the environmental services side of Alexco came along with an appointment from the government of Canada to begin a cleanup.

But after not too long, management realized that remediation in connection with renewed mining could not just benefit the environment, but deliver world-class levels of lead and zinc, along with bonanza-grade quantities of silver. The operation pays for itself with the base metal output, and silver is icing on the top. As silver prices rise over time, Alexco is a rocket shot.

Western Copper and Gold Corporation (NYSE American: WRN | TSX: WRN)

Western controls the Casino ore body in southwest Yukon, a massive copper-gold-bearing porphyry that's best characterized as advanced-stage exploration and early-stage development. The resource numbers are simply eye-watering, with over 10 billion pounds of copper and over 14 million ounces of gold (using the term, "measured, indicated and inferred"). Mine life is estimated at "over 47 years," which is an amusing understatement among mining-savvy observers. Heck, this is a 100-year play if it lasts a day. The deposit will require a deep-pocketed operator to build it out, and Western has partnered with Rio Tinto to advance the effort. It's worth noting that massive projects must await their moment in time. But based on price and demand trends for copper and the constant attractiveness of big-ounce gold plays, Western's day in the sun is coming sooner rather than later.

Banyan Gold Corp. (TSXV: BYN)

Banyan is a gold play located on a massive geological trend that connects the above-mentioned Victoria Gold and Alexco. Drilling to date has been remarkably successful at finding mineable, commercial levels of gold in almost every hole. Obviously, as per the drilling, there is precious metal in the ground and now the challenge is to figure out how much; although my informed hunch is likely "a heck of a lot" as these things go. And as if the gods of the earth could not be more favorable to Banyan, much of the land package is located

along a road system, with an adjacent airfield and power lines. It makes logistics far less expensive and lowers finding costs by extending the bang for every drilling buck. Currently, the idea is to drill and identify more of that gold. Next comes the resource estimation, and that's when, where and why Banyan's share price has skyrocket potential.

Metallic Minerals Corp. (TSXV: MMG | OTCQB: MMNGF)

Metallic is an early-stage exploration play located on a land package directly adjacent to the above-mentioned Alexco. Many of the same geologic trends that underlie Alexco continue onto the Metallic land package. In that sense, Metallic has focused its early-stage drilling on finding similar rocks, structures and chemical trends. Another way of looking at it is that the Keno Hill silver district began with outcroppings of veins and mineral resources that old-time prospectors spotted over a century ago. But those geological clues are more deeply buried on the Metallic land package, and not evident to the casual eyeball. This time around, finding the ore zones will require modern exploration techniques to figure it all out. Still, Metallic is in the right place with the right geology, and a solid, well-run program focused on finding what "ought" to be there. Give it time, and here's a play with excellent potential and upside.

That's all for now… Thank you for reading.

Evergrande: What to Do as the Body Floats Down the River

“If you wait by the river long enough,” said the ancient Chinese scholar Sun Tzu, “the bodies of your enemies will float by.”

Sun Tzu’s quip came to mind this week as a drama unfolded in China with Evergrande. The firm has massive debt – well over $300 billion – and minimal money to pay interest, let alone repay principal.

Indeed, as the week progressed, Evergrande offered excuses and a mere few, token payouts. These included offers of title to real estate in lieu of cash. While many Evergrande employees learned that they are not going to be paid. Definite cash flow problems on display here, right?

It’s more than that though. Evergrande highlights how we’re deep into a global liquidity crisis, coming at the end of a ridiculously expansive period of worldwide money creation. Yet despite all the currency issued by central banks across, many big players are broke, if not insolvent.

Media are filled with forecasts of how an Evergrande crash will lead to a major global meltdown, the “next Lehman Brothers” as many have phrased it. Evergrande will smack the global economy like a big asteroid.

Well, there’s no extinction-level event just yet. Everything is playing out day by day, and as the matter comes into better focus it’s evident that the whole affair is not unexpected.

Evergrande has long been known for its growth-by-debt approach to business. It overpaid for land, labor and materials. It overbuilt hundreds of major projects across China, many becoming those infamous empty, “see through” cities out of some science fiction movie.

Many wondered how this could go on, because it didn’t make sense. And guess what… it was pretty much a fake form of business and development.

Ponzi-like (or to use a more recent analogy, Madoff-like), Evergrande remained afloat for as long as the company could raise cash from sales, from deposits for new projects and a revenue stream of new, gullible investors.

But there’s no stopping the clock. At some point, and certainly, as the business climate played out after 18 months of Covid, there would come a day when the scam ran its course. Hence my thoughts about Sun Tzu, an allegory supporting the virtue of patience. Give things enough time and eventually, the bodies float by.

What does it mean to you? At this stage, whatever happens with Evergrande will happen. It’s not that the firm is “too big to fail” in China. In fact, I suspect that Chinese leaders would be happy to see a bigshot, go-go business cut down to size, and arrogant managers publicly humiliated, if not standing in a court dock charged with economic crimes against the state.

At the same time, Evergrande has hundreds of thousands of employees and millions of indirect hires based on its development work. China’s leaders cannot afford to let things get too far out of hand, leading to large-scale job losses and social unrest.

Expect some form of government-backed restructuring of Evergrande, with limited payouts to the small but numerous stakeholders, and other cash to domestic suppliers. Also expect to see China stiff many foreign creditors, such as hedge funds and banks who bought into the Evergrande promise. Many write-downs lay ahead for those foreign devils.

Meanwhile, something even more important is afoot. Evergrande’s collapse is a clear sign that many other overextended plays across the world are about to hit their own brick walls. They may be smaller than Evergrande, but cumulatively they add up to more asteroids raining down on the global economy, one after another.

In other words, investors large and small are about to rediscover the meaning of investment risk as a decade of up-up-up markets confront the realities of too much debt and not enough cash flow.

Frame it as many discrete, sector bubbles about to deflate in a disorderly way. And please don't think that you can outplay an avalanche.

Safe havens include cash, of course. Precious metals too, although when markets sell down abruptly even gold and silver take big hits, but only because they're liquid. People sell what they must to raise cash, not what they might like to sell, especially when markets go no-bid for shares of crummy companies.

This mess is not over, It won't be over any time soon. Step aside if you can. And whatever you do, don't become one of those bodies in the river.

With Ships Swinging at Anchor, It's Gonna Be a Hard-Candy Christmas

If you're above a certain age, you'll recognize part of the title, from a famous song by Dolly Parton in the 1982 musical show *Best Little Whorehouse in Texas*.

The local sheriff had just closed down Dolly's umm… establishment, which killed her cash flow. And in an enterprise like Dolly's, it's not as if the treasury was filled with high interest bonds. That is, when her doors

closed Dolly’s business model was over.

Dolly’s employees were boarding buses to other towns. She knew that the days ahead would be tough. Hence her wistful song alluding to a Depression-era saying about a “hard candy Christmas,” when tooth-busting sweets would substitute for wrapped packages under the tree.

Dolly’s ditty came to mind recently when I saw this chart of container ships at anchor off the Ports of Long Beach and Los Angeles:

Obviously, there are many ships parked offshore awaiting their turn at the pier, and beneath the massive unloading cranes. Those delayed ships hold literally hundreds of thousands of 20- and 40-foot containers, filled with just about everything.

The backlog represents billions of dollars of goods sitting idle, stuck in transit because there are only so many berths in the harbor, and so much capacity to unload and forward the freight.

It’s a strange moment in time. We’re witnessing a strange confluence of faulty economic theory, awful politics and cruel reality. It may seem merely curious just now, but over time

it’s ruinous.

Courtesy of Congress and the Federal Reserve, many people have money in the bank if not cash in their pockets. That’s what spending nearly $7 trillion of so-called “stimulus” over the past 18 months will do for a throttled-back economy in the midst of a global pandemic.

Then again, where does that money go? Well, people have spent a solid whack of it on imported products, much from China. And if goods can’t move via air freight (high-end tech products like Apples come to mind), they arrive in containers stacked high on a giant ship.

But what happens when those ships and containers must funnel through just a few ports equipped to unload the vessels? Well, you get that chart.

Those ships anchored offshore represent many things. Consider automobiles not yet unloaded, hence empty asphalt at the local car dealer. Or elsewhere in the supply chain, we have goods undelivered at factories, and in consequence entire facilities shut down or disrupted.

Unloaded ships signify empty shelves at Walmart, Target and more. Or unstocked warehouses across North America, resulting in long waits for normally available goods. (While to be sure, the word “normal” no longer defines very much in these Covid-days.)

Economics used to teach that shortages would prompt so-called “entrepreneurs” to open factories and produce goods and satisfy needs. College professors talked about “widgets,” and how in times of shortage ambitious people would somehow flip the switches and stamp those things out until shelves groaned under the weight. Ha! Not anymore.

Old college-level bromides no longer pertain in a deindustrialized nation where many of the factories have

closed, while domestic managers shifted production offshore.

And now all those goods that support the economy must funnel in – slowly! – through a handful of super-crowded entry ports.

Irony abounds here. Unlike the situation with Dolly Parton, there's money in the economy these days. But it's chasing too few goods, within supply channels that pass through narrow apertures of entry.

All in all, that chart forecasts an economy of shortage, and a hard-candy Christmas of inflation and scarcity.