

# Life Inside the Bubbles

-- My Outlook of 2018

Chen Lin

December 2017

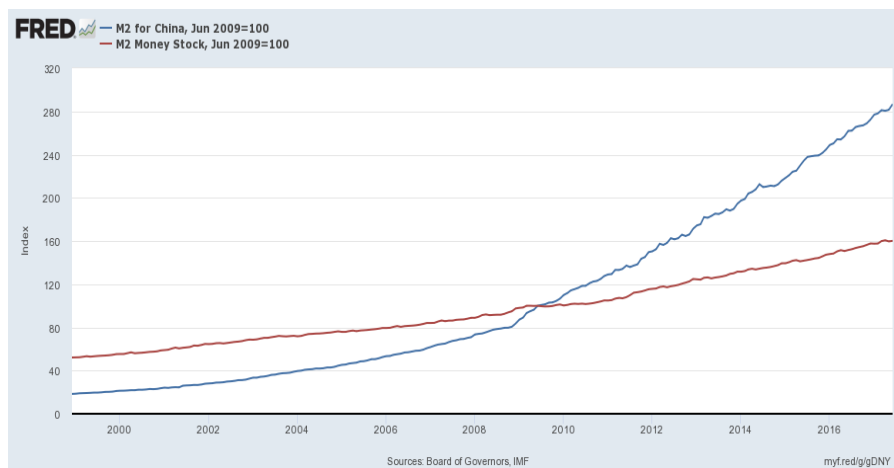


The massive unprecedented money printing by the central banks around the world has created some gigantic bubbles in the universe. I saw bubbles everywhere, including in the stock market. For example, we have Swiss National bank holding huge position, over 3 billions worth of Apple stocks. Why does a central bank hold so much Apple stock? Because they printed so much money and used them to buy USD to lower the Swiss Frank. They found a creative way to make their money appreciate by speculating in the stock market! What if they need to do the reverse one day and sell the shares? Nobody cares!



### Bitcoin, the mother of all bubbles?

I predicted on 12/8 letter 1948 that bitcoin could top out next week or so, let's see if it holds true.

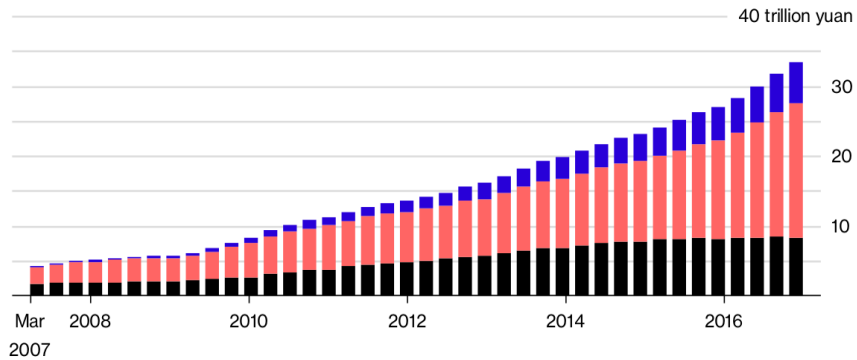


If you think the US printed too much money, check out China.

## Debt Drivers

Rise of Chinese household debt is mainly due to soaring mortgages

■ Business Loan ■ Mortgage Loan ■ Consumption Loan



Source: IIF, Bloomberg

**Bloomberg**

Chinese household debt is accelerating. That's the major concern for global growth forward.  
My most optimistic source told me this can last for another 3-5 years?



Very careful in 2018 and beyond!

## Quick Review of 2017 – A Spectacular Year

### Biotech



**Abeona Therapeutics Inc. (ABEO)/ABEOW** is my biggest winner for 2017



Eliza's miracle recovery from the children's Alzheimer's reminded me of the purpose of investing!

I also have big winners like **Immunomedics, Inc. (IMMU)** and **Fennec Pharmaceuticals Inc. (FENC)** this year. I am particular proud that IMMU has the most promising drug against late stage breast cancer and FENC can help thousands of children who lose their hearing during chemotherapy.

## Mining



**Novo Resources Corp. (NVO.V)** is my biggest winner in mining for 2017.

**Maya Gold and Silver Inc. (MYA.V)** is another big winner of mine this year. The share price finally started to take off after they had spectacular drilling results in the mine as well as smooth ramp up of its production. I am hoping for more in 2018.

## Energy

Energy stocks had a tough year in 2017. Fortunately I told everyone to load **Valeura Energy Inc. (VLE.TO)** in November, just before the takeoff. I am very hopefully for a good 2018.



Does the rise of **Valeura Energy** give the signal that energy juniors are coming back?

## **My investment thesis for 2018**

**Biotech** will be catalyst driven. I am looking at the following stocks closely.

**Sorrento Therapeutics, Inc. (SRNE)** will have the FDA decision by the end of February and potential big deal(s) with major pharma on CD38 and clinical trial data. It is the hottest area of CAR-T, as we discussed many times. By the end of 2018 we should know if it is the next Juno or else.

**AcelRx Pharmaceuticals, Inc. (ACRX)** will have FDA decision on its Zalviso some time in 2018. EU decision on Dsuvia will be due in 2018. The company is trading at close to cash with sizable insider purchases. I really like the risk-reward.

**Immunomedics, Inc. (IMMU)** should submit for accelerated approval and get a FDA decision in late 2018.

**Stemline Therapeutics, Inc. (STML)** should submit for approval in early 2018 and get a FDA decision.

**Abeona Therapeutics Inc. (ABEO)** we should see continuing data releases and the important phase 3 EB trial should start in 2018.

**Neptune Technologies & Bioresources Inc. (NEPT)** key catalyst is receiving the marijuana license to produce marijuana oil, expected in Q3 2018. **Acasti Pharma Inc. (ACST)** will seek to close its deal with Chinese pharma and working on its own clinical trials in the US.

## ***Energy,***

I feel 2018 could be finally the year of energy juniors that we have been waiting for so many years! Recently, GMP increased the 2018 breakeven wellhead price of oil for US shale production to 55/barrel, big jump from 2017's 43/barrel. It is because there is a sharp drop of well productivity of Eagle Ford as well as Permian. The reason I heard is due to "the best locations of the shale plays have been drilled out". It seems to me that we have reached a turning point in energy. The only major production increase is Canadian oil sand, but they are facing pipeline constraints. As long as the world economy continues to expand, 60 dollar oil can be the new bottom. Plus anything happens in Middle East will send oil price flying.



*Chinese school children found it warmer to have class outside under the sun because there is little heat inside the classroom due to the natural gas shortage. Spot gas price reportedly spiked to as high as US\$40/MCF.*

China recently reduced coal heating greatly in an effort to bring blue sky back to Beijing. However, the demand of natural gas jumped and led to a huge shortage. Experts expect natural gas will stay high in China for the next 5 years. This will have huge impact to LNG as well as gas in EU as Russia will try to ship as much as possible to China.

After the brutal years of bear market in energy, especially the energy juniors, I am turning bullish on energy. I already increased my energy exposure by investing in VLE and TAT. I am planning to increase my energy exposure further in 2018, likely after taking profits in biotech.

**Valeura Energy Inc. (VLE.TO)** I am looking for the resource report in Q1. It could come out in early part of Q1. That will be the biggest catalyst of the stock other than someone makes a bid of the company. The plan is to drill another well in mid 2018, likely deeper this time. I intend to book profits throughout 2018.

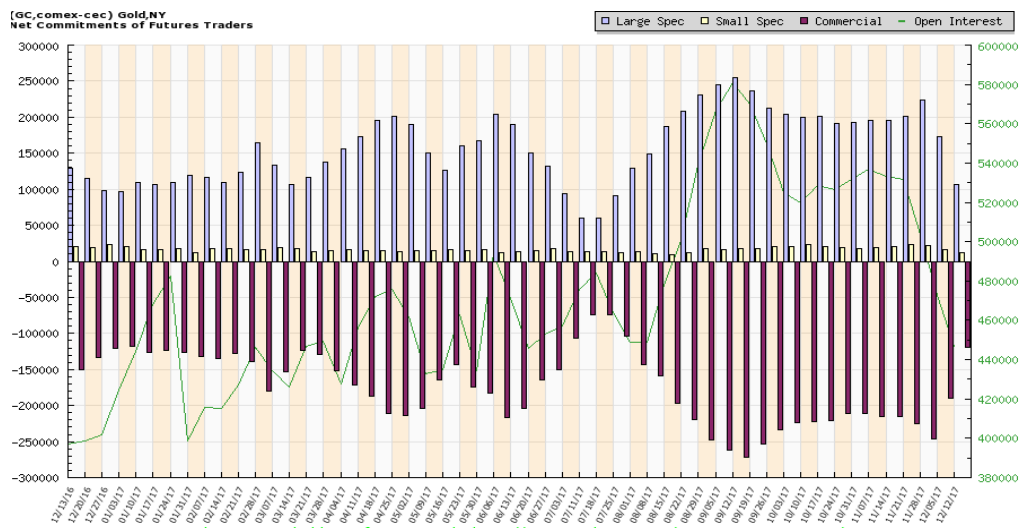
**TransAtlantic Petroleum, Ltd. (TAT)** is a different animal. It also has a major acreage in the Thrace basin. However, it has other assets throughout eastern Europe, worth at least 3-5 dollars. The key catalyst I am looking for is the company sign a farm out deal with a major, could be Statoil, regarding its Thrace basin 100% land position.

**Pan Orient Energy Corp. (POE.V)** I have been holding it for many years. They are finally going to drill the center of the basin. The timing is around Q3 of 2018. I am looking forward to the drilling and encourage investors to load up before the event as it has much stronger balance sheet than VLE, almost impossible to chase afterward. It also has assets in Thailand and Canada that the company can monetize anytime.

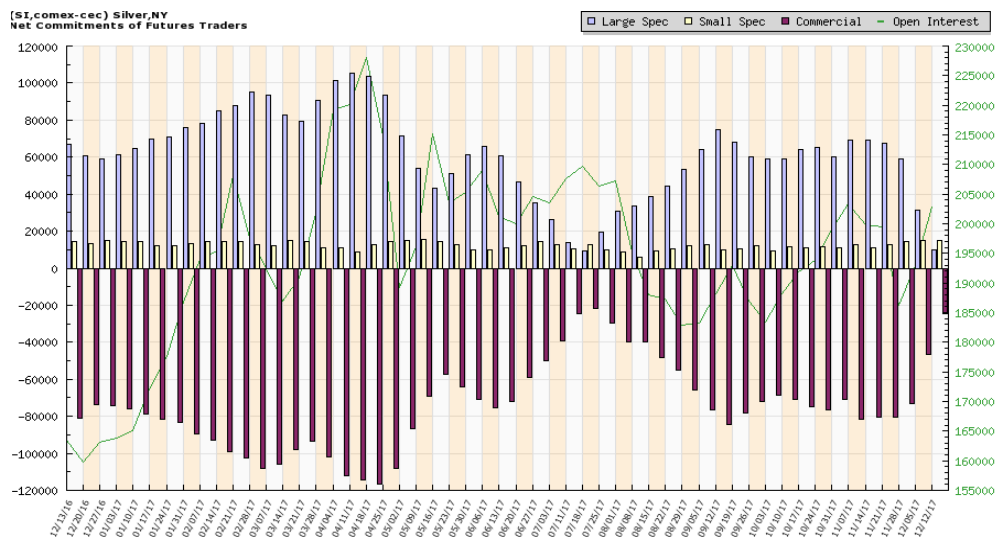
**CUB Energy Inc. (KUB.V)** should have an exciting year, finally. Ukrain recently cut the royalty of new well in half for the first 5 years. 12% for shallow wells and 6% for deep wells. That makes it one of the best fiscal term in the world. KUB should have quite a few important catalysts coming in 2018, namely the drilling to the west and east, the new nitrogen unit online plus potentially sign deals to explore the new concessions it recently received.

Can 2018 be finally the year that **Canacol Energy Ltd (CNE.TO)** takes off? It has all the ingredients to start running. Every well it drilled in the past two years was a hit. Who has this kind of track record? In 2017 money was taken out to chase the bubble plays from marijuana to bitcoin. Maybe 2018 will be the year to come back to basic? In the same time, CNE recently announced that they are selling the oil assets in Ecuador and in the process of sell/spin off its columber oil assets. I should create shareholder value, just in time of the big gas production ramp up.

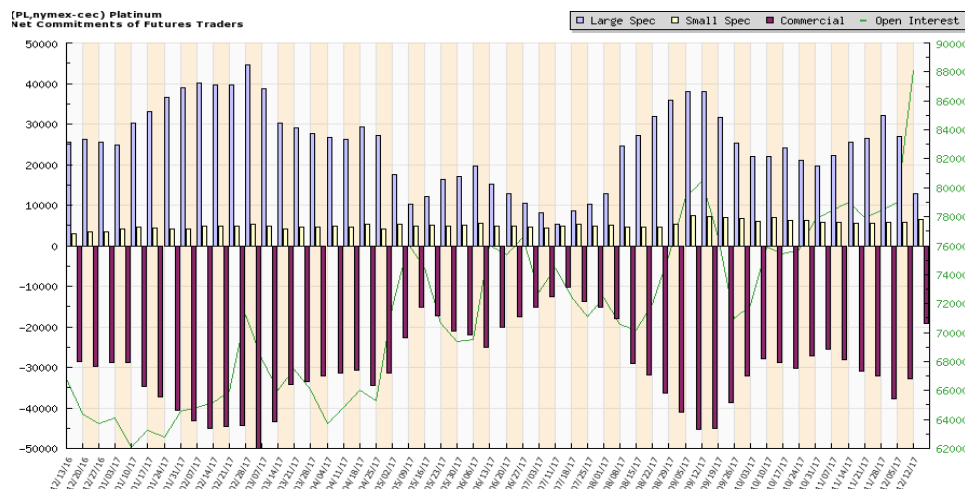
**Mining** suffered the same as energy. Money was taken out to chase the hot plays like marijuana and bitcoin. I see when these hot plays cool down, gold and silver will start to shine.



Gold future longs under margin calls



Silver longs dropped to historical low, likely due to margin calls



Huge drop of platinum future longs positions.

In mining I am keeping my eyes open for potential discovery play like **Novo Resources Corp.**

**(NVO.V)**. NVO should have very important drilling results in early 2018. That will provide an important clue of how much the gold deposit extends. **Maya Gold and Silver Inc. (MYA.V)** should have the mine ramp up in 2018. I own a collection of junior exploration companies hoping for big hits in 2018.

As for producers, I like **OceanaGold Corporation (OGC.TO)**, **Wesdome Gold Mines Ltd. (WDO.TO)**, **Tahoe Resources Inc. (TAHO)** etc at the current tax-loss selling price. Recently gold and silver future investors were almost wiped out due to margin calls, as we can see from the charts above. That provides a good buying for rebound in January as index fund rebalancing and tax loss selling finishes, for both producers and ETF/Futures.