Wealth Management
Dominion Securities

RBC Dominion Securities Inc.

The Krygier Report

An exclusive newsletter from Mark J. Krygier, Senior Portfolio Manager | September 2022 www.krygierwealthmanagement.ca

Mark J. Krygier
Senior Portfolio Manager
& Wealth Advisor
416-733-5750
mark.krygier@rbc.com

Avital Pearlston
Associate Wealth Advisor
416-733-5751
avital.pearlston@rbc.com

Irene Hama
Associate
416-733-5752
irene.hama@rbc.com

Jacky Mai
Associate
416-733-5749
jacky.mai@rbc.com

From Goat to Savior…

In my youth, the idea of using nuclear power as a source of energy had a frightening connotation. Beyond the deliberate and horrific use of nuclear weapons to harm mankind, which was first harnessed in WWII by the U.S. armed forces in Hiroshima and Nagasaki, the first nuclear power plant disaster occurred on March 28, 1979, when the Three Mile Island Unit 2 Reactor, near Middletown, PA, partially melted down. This was the most serious accident in U.S. commercial nuclear power plant operating history and resulted in the release of small amounts of radioactive material into the atmosphere. I can still envision the *Time* magazine cover page and the ensuing media coverage fanning the flames of hysteria. A few years later, on April 26, 1986, across the globe in Chernobyl, Ukraine, the Number 4 RBMK reactor went out of control during a test at low power, leading to an explosion and a fire that demolished the reactor building and released large amounts of radiation. More recently, on March 11, 2011, the most powerful earthquake ever recorded in Japan triggered a tsunami with 13-14 meter high waves causing damage to the nuclear power plant in Okuma, Fukushima, Japan. The pictures of destruction from each of these incidents only exacerbated the fear about the use of nuclear power as a safe source of energy. Notwithstanding the media coverage and certainly not to minimize the human suffering which occurred, it appears that as a result of the accident in the Three Mile Island incident nobody actually died, in Chernobyl somewhere between 31 and 50 people died, and in Fukushima there has been 1 confirmed cancer death. Sad – yes, tragic for those involved – absolutely, but in terms of "disasters", hardly worth the media coverage they generated.

The result of these three nuclear power plant accidents was to effectively turn public opinion against the use of nuclear energy, despite its tremendous attribute as a significant and powerful source of clean energy. Nuclear power is nearly 8,000 times more efficient at producing energy than traditional fossil fuels, and nuclear power plants do not produce any significant amounts of greenhouse gases or pollutants and is therefore one of the cleanest and most inexpensive energy sources on earth. This fact has mostly been ignored in light of the populist attitudes to nuclear energy, despite the insatiable and rising appetite of a growing world population. After each nuclear power plant disaster, the political will to continue the use of nuclear power disappeared, resulting in the closure of existing nuclear power plants, and the shelving of the building of more power plants. This occurred at the same time that environmental lobbying slowed down or stopped the production of traditional fossil fuel sources of energy (oil, natural gas and coal). While wind and solar power are growing in usage, the technology to harness their respective energy lacks the capacity to provide sufficient energy to meet demands– hence the current energy crisis we are experiencing. Only recently is the global community starting to wake up to the fact that the need for nuclear power has never been stronger, with insufficient supplies of oil and gas to meet energy demands after years of suppressed production, and the lack of powerful enough alternative sources of clean energy.

Late last year, Germany announced that its last three remaining nuclear power plants which were intended to be closed permanently would be left open. Recently, Japan announced new measures to boost nuclear power to cut emissions and avoid shortages. They will also consider extending the lifespan of reactors beyond the maximum of 60 years and the Japanese Economy Ministry plans to restart another 7 reactors by the summer of 2023 or later. In the U.S., production tax credits make the production of nuclear power plants viable and will likely result in keeping open those plants that were at risk of closure. President Biden's signing of the Inflation Reduction Act (IRA) was the biggest boost the US nuclear and uranium industries had received in decades. India's largest power producer is looking to develop another massive nuclear power plant, with Prime Minister Modi aiming to triple India's nuclear fleet over the next decade. China recently announced that due to record breaking drought, which severely impacts hydropower, they are going to accelerate their 150 reactor build program. The U.K. recently approved the financing and construction of a new massive 3.4 GW Sizewall C project. This change of attitude towards nuclear energy is clearly a global phenomenon. Not coincidentally, a special UN scientific committee published a report that radiation hazards are grossly misrepresented and exaggerated by media, a fact which is enlightening, but not shocking.

Bottom line

The world is trying to wrap its collective head around balancing the challenge of supplying sufficient and credible sources of energy, to meet the continually increasing demands by a growing and more affluent global population, versus the need to protect the environment. Economics 101 dictates that after years of suppressing uranium production, along with that of the more traditional fossil fuels, a massive supply deficit in uranium can only mean one thing for the foreseeable future – higher prices. This bodes well for producers (like Cameco, a position in our Growth models which is up over 35% in 2022) and those economies (like Canada) which can supply what the world desires. While it doesn't receive popular "tweets" like Bitcoin, Game Stop or Facebook ("Meta"), uranium based nuclear energy deserves serious consideration by long-term investors.

Global benchmarks
As at August 31, 2022 (Canadian $ Returns – except where noted)

Asset class	YTD	1 year	3 years
S&P/TSX Composite T/R (Canada)	-7.2%	-3.4%	8.7%
S&P 500 TR - **US$**	-16.1%	-11.2%	12.4%
NASDAQ Composite - **US$**	-24.5%	-22.6%	14.1%
MSCI Europe Index Price Return	-20.8%	-20.5%	-0.6%
MSCI Emerging Markets	-16.2%	-20.9%	-0.1%
China S.E Shanghai A Price Return	-15.7%	-11.8%	4.4%
MSCI World Index Price Return	-15.5%	-13.0%	6.6%

Asset class	YTD	1 year	3 years
30-year U.S. T-Bond - **US$**	-24.1%	-23.1%	-7.4%
10-year U.S. T-Bond - **US$**	-12.6%	-13.9%	-3.6%
Long GOC Bond (2053)	-24.6%	-22.5%	-9.8%
10-year GOC Bond	-12.1%	-12.9%	-3.8%
5-year GOC Bond	-7.3%	-8.5%	-1.6%
3-month CDN T-bill	0.3%	0.3%	0.6%
US$/CDN$ (1.3172)	3.9%	4.1%	-0.5%

Source: RBC Capital Markets Quantitative Research

For past copies of ***The Krygier Report*** visit
www.krygierwealthmanagement.ca.

Wealth Management
Dominion Securities