



Free Weekly Investment Commentary

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Oil Demand Catching Up to Oil Supply; Almost Time to Buy or Add to My Previously Recommended Master Limited Partnership ETNs

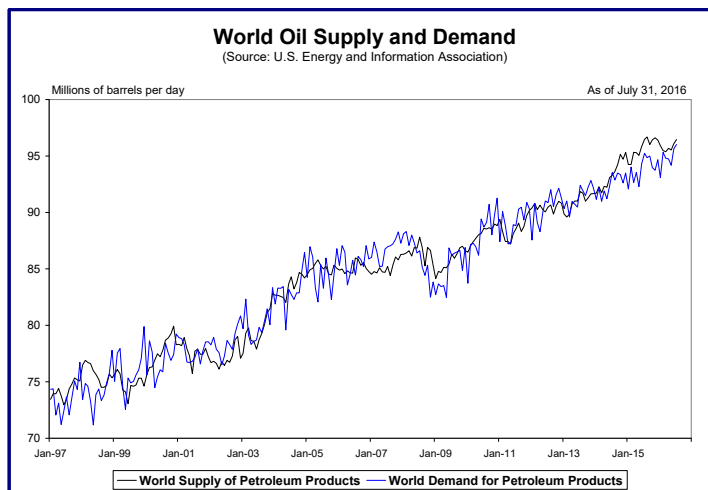
During January of this year, I advised investors to allocate a portion of their financial market assets to a couple of exchange-traded notes that hold master limited partnerships (“MLPs”) because my research indicated at that time that oil and gas prices were nearing a bottoming and because the ETNs that I recommended were paying relatively cash distributions.

Specifically, I recommended on January 29, 2016 for investors to allocate a portion of their assets to **JP Morgan Alerian MLP Index ETN (AMJ)** and **E-TRACS Alerian MLP Infrastructure ETN (MLPI)**, both of which were paying a 9.42% annualized yield at that time. Since then, the spot price of West Texas Intermediate Crude Oil has risen by 36.2%, while AMJ has returned 30.1% and MLPI has returned 32.5%, including cash distributions.

Although I advised investors over the past few months to not add any new money to AMJ or MLPI, as my research indicated that oil prices were due for a pullback, I’ll likely recommend adding to those positions within the next few days. That’s because the world demand for oil and other petroleum products is rapidly catching up to the world supply of those products; see the chart to the right. Therefore, there’s a good chance that oil prices will soon resume their February 11 to June 8, 2016 upturn.

For those of you who aren’t familiar with exchange-traded notes (“ETNs”), those securities are senior, unsecured debt securities issued by large investment banking firms. Like other debt securities, ETNs have a specific maturity date, and their interest and principal payments are backed by the credit of the issuer. Because those issuers tend to be very large, international investment banking firms, such as JPMorgan Chase & Co., Barclays and UBS, the financial backing provided by those issuers tends to be reliable during most investing environments.

Although ETNs are not equities or index funds, they share several characteristics of index funds. Similar to equities, they trade on U.S. securities exchanges and can be sold short. Similar to index funds, ETNs are linked to the return of a benchmark index. But as debt securities, they don’t actually own anything that they track.



JP Morgan Alerian MLP Index ETN

The JP Morgan Alerian MLP Index ETN tracks the investment performance of 50 mid-stream energy master limited partnerships – publicly-traded limited partnerships that invest in the processing, storage and transportation of crude oil, natural gas and natural gas liquid.

The index's top holding, Enterprise Products Partners L.P. (NYSE: EPD), is the largest energy transportation and storage company in North America, offering a range of processing, transportation, and storage services. The company's operations include natural gas processing, NGL fractionation, petrochemical services and crude oil transportation, including 50,700 miles of pipelines, 14 billion cubic feet of natural gas storage, and 190 million barrels of NGL, refined products, and crude oil storage capacity. It also owns and operates approximately 125 barges and 60 tow boats.

The underlying index's second largest holding, Sunoco Logistics Partners L.P. (NYSE: SXL), owns and operates a logistics business consisting of a geographically diverse portfolio of complementary crude oil, refined products, and natural gas liquids pipeline.

The index's other holdings include companies that operate coal mines, store propane, produce natural gas, and own natural gas storage facilities.

One of its holdings, Calumet Specialty Products Partners L.P, processes crude oil into lubricating oils, solvents, waxes, and other petroleum products that the company sells to industrial customers who use those products in the manufacture of automotive, consumer, and industrial goods. It also produces asphalt.

AMJ pays a variable quarterly coupon linked to the cash distributions paid on the MLPs in the index, less accrued tracking fees of approximately 0.85% per year. As of August 11, 2-016, AMJ was paying a 6.77% annualized yield.

UBS E-TRACS Alerian MLP Infrastructure Index ETN

The UBS E-TRACS Alerian MLP Infrastructure Index ETN is similar to the JP Morgan Alerian MLP Index ETN, with the fund tracking the same top-10 holdings of the index that AMJ tracks. However, MLPI is more concentrated than AMJ, with its underlying index, the Alerian MLP infrastructure index, composed of 25 energy-infrastructure MLPs.

Like AMJ, MLPI pays a quarterly coupon linked to the cash distributions paid on the MLPs in the ETN's underlying index, the Alerian MLP Infrastructure Index. As of August 11, 2016, MLPI was paying a 6.37% annualized yield.

Note: Unlike investing directly into MLPs, AMJ and MLPI do not require investors to file a form K-1 with the IRS. Instead, investors in those ETNs report the coupon interest that they receive as ordinary income on IRS Form 1099.
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Latest Economic Developments and Stock Market Trading Action

In regard to the latest economic developments around the globe, little has changed since last week's Commentary, with economic indicators for the United States, the Eurozone and Japan suggesting that those countries'/regions' economies will continue to grow at a slow pace over the next few months.

Meanwhile, the latest economic statistics out of Brazil and China indicate that the worst is over for those countries and that economic conditions there will improve during the months ahead.

In regard to the recent trading action on the world's major stock exchanges, the readings on several so-called "technical indicators" suggest that stock prices in general will continue to move mostly sideways during the week ahead.

However, the fact that stock market participants appear to be overvaluing U.S. stocks, in general, as measured by the S&P 500 Index, there's a good chance that U.S. stocks will pull back considerably before moving substantially higher. Therefore, I'm continuing to advise my firm's clients, and persons who subscribe to our **Free Weekly Investment Commentary**, to allocate the majority of their financial market assets to cash-like investments (i.e. money-market securities) and to a few relatively-safe, yet high-paying dividend securities, including **Gabelli Equity Trust Inc. Series H Cumulative Preferred Stock (GAB-PH)**, **Welltower Inc. (HCN)**, and **Nuveen S&P 500 Buy-Write Income Fund (BXM)**.

But, in the event that stocks were to pull back considerably and to then hold above some key price-support levels, I would likely advise financial market participants to allocate a portion of their assets to the following securities:

- Caterpillar (CAT)
- Granite Construction (GVA)
- Qantas Services (PWR)
- Cliff's Natural Resources (CLF)
- General Electric (GE)
- Packaging Corp. of America (PKG)
- Ambarella (AMBA)
- Shake Shack (SHAK)
- Qualys (QLYS)

[Click here](#) and complete the form that loads on our Internet Web site if you would like for us to tell you when our research indicates are opportune times to purchase the stocks outlined above, as well as a good time to allocate a portion of your financial market assets to JP Morgan Alerian MLP Index ETN (AMJ) and E-TRACS Alerian MLP Infrastructure ETN (MLPI).

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