

THE 'DEATH OF COAL' WAS PREMATURE

President Obama promised in 2007 that his policies would “bankrupt the US coal industry.” This was one promise that was kept.

A study found the coal industry lost 50,000 jobs from 2008 to 2012. That’s a lot of misery for those families. Many leading coal companies went bankrupt.

[Dohmen Capital](#) presents the chart below for KOL, the ETF for coal companies. The ETF lost 90% of its value from the 2011 peak.



The war on coal continued during 2016. But amazingly, the bottom in the KOL ETF occurred on Jan 20, 2016, just before H. Clinton increased her attacks on the coal industry. Perhaps it was not the smartest move for a political candidate to make.

At a CNN town hall in Ohio in mid-March 2016 she said: “We’re going to put a lot of coal miners and coal companies out of business.”

Americans got their chance at retribution in November. However, the ETF rallied.

The ETF for the coal industry (KOL) gained an amazing 166% from January 2016 to the November election last year. It was a typical case of “selling on the news.” But that would suggest that the big money was betting that Clinton would lose the election. They sure didn’t tell you, did they?

As we know, the pro-coal candidate, Trump, won the presidential election. The natural reaction of the

average money manager would be to buy coal stocks on that news. But November 9th, 2016, the day after the election, was the high for KOL on huge volume. That implies that the buying spree encountered a large amount of selling. That's the smart money.

Here you can see how the bad news is not necessarily a good predictor for a decline, and good news is not necessarily the reason to buy a stock.



Contrary to all the rhetoric of information-deficient critics, coal is an amazing substance. It's carbon. All lifeforms in this world are based on carbon. We wouldn't exist without it.

It is not the "poison" that is so often depicted in the media. It just has to be used correctly. In Germany during the war, butter was not available as it was sent to the soldiers at the front. So companies with good chemists found a way to make margarine out of coal. It didn't taste very good, but we ate it.

Germany didn't have oil. The Allies bombed the oil fields in Eastern Europe, such as Baku, which supplied Germany. So German chemists found a way to make gasoline out of coal, which Germany had lots of. They used the "Fischer-Tropsch process first developed by Franz Fischer and Hans Tropsch in Germany in 1925.

You can make anything out of coal that you can make out of petrochemicals. It just may cost more depending on the price of oil. As my grade school teacher taught us, you can even make perfume out of coal.

Thus, we should always be wary of the "obvious." When Washington says they want to promote an industry, like solar, you get the huge bankruptcy of "Solindra."

And when Washington promises to destroy an industry, some of the members of the industry may survive and prosper. Many people are destroyed by governmental interference in the markets, such as the average taxpayers who foot the bill, those who lose their jobs, lose their businesses, and the small

stock buyers who owned the stocks.

CONCLUSION: Beware of following the knee-jerk reactions of the crowd. Beware of acting on news that everyone knows. If everyone knows it, the money is already committed. And it takes new money inflows to push a stock price higher.

In today's high frequency trading controlled markets, the high speed computers usually act by trading against the knee-jerk reaction of less sophisticated participants in the markets. They don't make profits by going with the crowd.

Years ago, an astute analyst we knew always said in regard to buying a stock, "if everyone knows it, it is not worth knowing." It's good to consider that.

Wishing you successful investing,

Bert Dohmen,

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