

Oil price fall effecting the Canadian \$ – Good for Canadian based miners

The fall in the price of oil is driving the US \$ higher at the expense of the oil based currencies.

Today the Russian ruble fell to an all time low v the US\$, and the Canadian \$ fell as well.

The US \$ strength continues as the oil price falls once again on the 2.5 million barrel increase in US inventories.

The Canadian \$ is at 1.39 v the US \$, a quite extraordinary rate considering how recent it was that the loonie was above par with the greenback!

The benefit of this of course is that for anyone in the mining or oil and gas industries working in Canada and exporting is being boosted by the currency fall. Costs are in Canadian \$, and revenue in US \$.

An example of this is coking coal, with an average price of US \$80 per ton if shipped from the USA, but that same coal, would be worth CAD \$112 in Canada, where the costs are in Canadian \$.

This gives Canadian based miners a huge advantage over their US counterparts, and already three major coal companies are in bankruptcy protection in the USA.

Gold is currently US \$1061, but in Canada a gold miner receives Canadian \$ 1,485! And their costs are in Cad \$! This huge advantage is not being taken into account by investors, if the price of gold was US\$1,485 it would be headline news.

The price of crude sold outside Canada attracts a CAD \$13 premium for a Canadian based producer exporting, and again this is not being taken into account in my view.

The Russian Ruble fell to 73 v the US \$ today, an all time low, and again locally produced oil is sold in US \$, whereas cost are in rubles.