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# Up For 2016: Tech Bust and Energy Boom

My turn for predictions. This year two major market trends should complete their current cycles: the [tech](#) boom and the [energy](#) bust. Get ready for it.

The recent tech boom built on the ashes of the dot com bust which sold us on fake companies. This cycle's offerings do things, like get us a black car ride or an overnight stay. A much more plausible approach to actually having a business, and these first moving disrupters deserve all the acclaim if not their lofty valuations.

But all successes breed copycats and with increasingly less so-called white space left to disrupt, we are sliding back into fake company territory, with ideas about doing real things again masquerading as real businesses.

Surely, basic hard research being done around driverless cars and other internet of things applications will eventually bring about a third era of technology value. But this cycle appears to be just about over. Both the IPO and the private capital markets already reflect this. Now it's just a matter of time for the listed markets to truly feel it. 2016 may be the year. Depending upon the severity of the pull back, this could also hit commercial real estate in urban centers with significant tech presence.

Meanwhile the energy sector has been battered by falling oil prices, taking down the larger market with it. This too has just about run its course.

First a word about green energy. The 2014-2015 sell off also hit alternatives such as solar. But this was ill informed. Many alternatives do not compete directly with oil so there are undervalued companies out there—equity researchers will find them.

But the big focus is on oil prices. This is pretty simple. There was a supply build up due to increased production from both unconventional and, partly in response, conventional sources at a time of slowing growth. So prices fell. No brainer, really.

A good chunk of the supply overhang will be drawn down this year, there has been a vast roll back of production capacity, and demand growth, while slow, continues. Meanwhile, there is unrest brewing around several major foreign production centers.

While it may be too soon to anticipate a spike, expect prices to start to return to the territory of fully loaded basic unconventional production costs which vary by region but let's call it around \$50 to \$60 a barrel –I don't buy the immediate price dampening potential of rapid redeployment of unconventional production infrastructure story, as these things take some time.

This price rise will also take psychological pressure off renewables. The energy sector will be staging a comeback which should come as no surprise as energy is still a fundamental real thing that remains very much in demand—you can't call for an Uber ride or book an Airbnb stay without electricity.

These are my thoughts headed into 2016. Let's watch it unfold together. Happy New Year!



*LONDON, ENGLAND – DECEMBER 22: An Uber driver poses for a photograph in an Uber t-shirt and holding a smart phone displaying the Uber app after delivering petitions to the Transport for London headquarters on December 22, 2015 in London, England. The Uber drivers formally handed in the petition, signed by over 205,000 people, to oppose proposals such as introducing minimum 5 minute waiting times. (Photo by Carl Court/Getty Images)*