

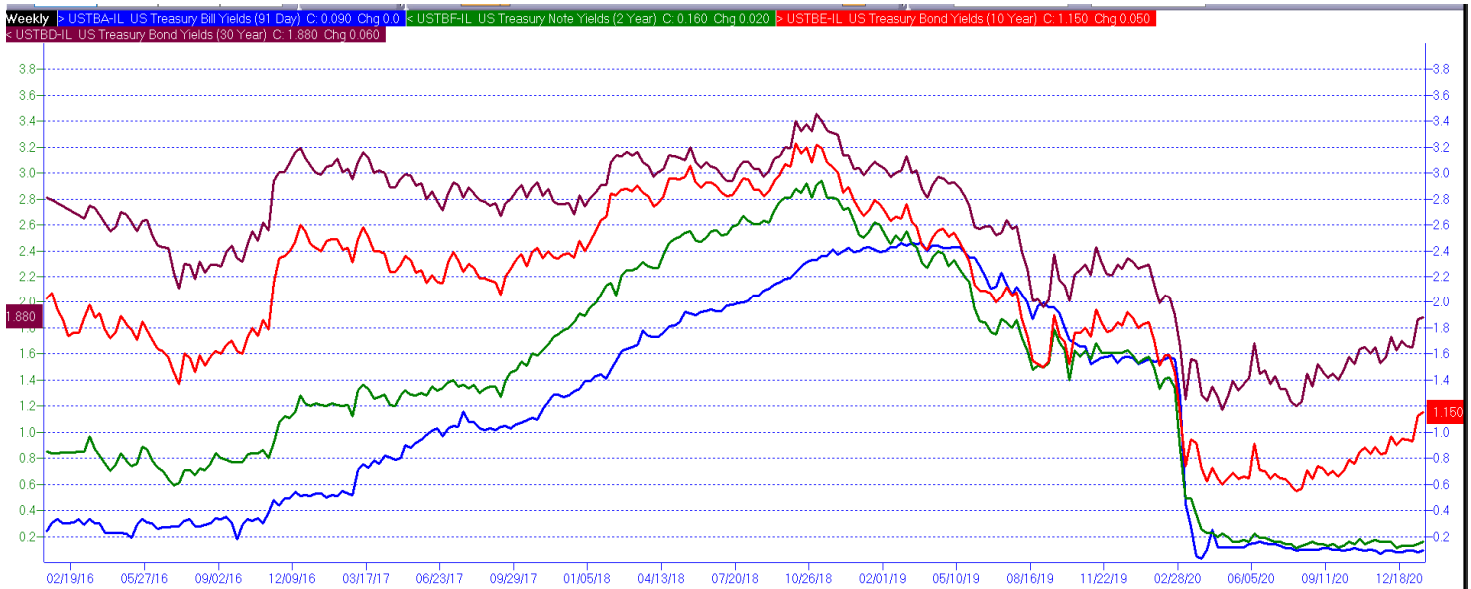


The Hilberry Weekend Reading for Friday, January 15th, 2021



The Bond market says the economy will continue expanding

90-day (blue), 2-yr (green), 10 yr (red) and 30 yr (burgundy) yields, weekly – 5 years.



30-year (burgundy) and 10-year (red) bond yields continue to climb, predicting rising demand for credit and inflation. At 1.88% (burgundy to the left) the 30-year yield is hardly screaming hyper-inflation. On the other hand it's also clearly not signaling deflation either. Neither are bonds pricing in a US Civil War. This pattern is very typical coming out of a recession. No surprises here. Recall banks are spread lenders, borrowing around 2 years and lending around 10 years. Remember all the calls for a collapse in the banks due to the zero spread between 2-year and 10-year rates? Guess what? The spread is back big time. Invest for growth. We look at banks this week.

'Two worlds – So much prosperity, so much skepticism' – Morgan Housel – Jan 7, 2021

<https://www.collaborativefund.com/blog/two-worlds>

'The Better Letter: Forecasting Follies' – The Better Letter – Dec 31, 2020

<https://betterletter.substack.com/p/the-better-letter-forecasting-follies>

IEA on Electricity:

2020 Global overview: Capacity, supply and emissions

<https://www.iea.org/reports/electricity-market-report-december-2020/2020-global-overview-capacity-supply-and-emissions#abstract>

From NBF's Energy Desk notes Jan 14, 2021

Ballard Power (BLDP; SP; US\$38T) gets a target bump and a rating downgrade. Analyst Rupert Merer increased his price target rather materially from US\$25 to US\$38. However given the strong rally in the shares (+55% YTD) as of late, Rupert is moving his rating to SP from OP. Fuel cell stocks have rallied following Plug Power's (NASDAQ: PLUG, NR) announcement of a 50-50 JV with Renault (EPA: RNO, NR) to put its fuel cells in Renault commercial vans in Europe. The 50-50 venture is slated to be operating in France by the end of 2021 alongside Renault's promise to have a pilot fleet of fuel cell vans on European roads before the year is out. This follows news from last week that South Korea's SK Group has taken a 10% stake in PLUG for a \$1.5 bln investment and plans to develop hydrogen and fuel cell markets in Asia. All that said, the tone from Rupert at current levels is more on BLDP after the recent rally in the shares. BLDP is now trading at >82x EV/sales 2021.

- BLDP announced that UK-based fuel cell company Arcola Energy is buying its 'FC move-HD fuel cell modules' to power a demonstration version of a hydrogen-powered train to be exhibited in Glasgow this coming November;
- We have not had a major update from China since last September when we first heard about a four-year program to subsidize the use of hydrogen vehicles. However, we believe that stimulus will come and BLDP is well positioned in the market;
- With BLDP trading at a strong valuation, and with the benefit of a solid balance sheet, we could see M&A activity over the next year with the target either a supplier of components used in module assembly or PEM based electrolyser product.

Figure 2: Modelling long-term growth with 15% fuel cell market share for BLDP

Period	Dec22	Dec23	Dec31	Dec41
CFO	14,164	37,973		475,467		
Investing activities	(4,079)	(4,079)		(40,000)		
Financing activities	-	-		-		
FCF	10,085	33,894		435,467		1,160,675
Terminal Val						23,677,772
Second leg of growth post 2031	10%					
Terminal Growth Rate YoY	2.0%					
Discount rate YoY	7.0%					
Discount period	0.47	1.47		9.47		19.48
Discount factor	1.03	1.10		1.90		3.74
Discounted FCF	9,772	30,694		229,433		6,648,820
Sum of FCF	9,905,239					
Net Debt (From BS)	(729,992)					
Equity Val	10,635,231					
Number of shares mln FD	280					
Target share price (\$/sh)	38.02					

Source: NBF Estimates & Analysis

See, PDF Attachment: [Industry Note – Hydrogen and Zero-Emission Vehicles – December 6, 2020 – NBF](#)

See, PDF Attachment: [Ballard Power Systems Inc. – November 27, 2020 – NBF Research](#)

**Find this pdf 'attached' in this week's newsletter email or with the 'attachments' at the end of this newsletter.*

DISCLOSURE: I do not own Ballard in my personal trading accounts, for family members nor for accounts over which I have trading authority. We hold legacy positions for a few clients. With no dividend, high P/E and uncertain future cash flows, the stock is speculative in nature and is beyond our investment mandate risk parameters. We have clients interested in the stock.

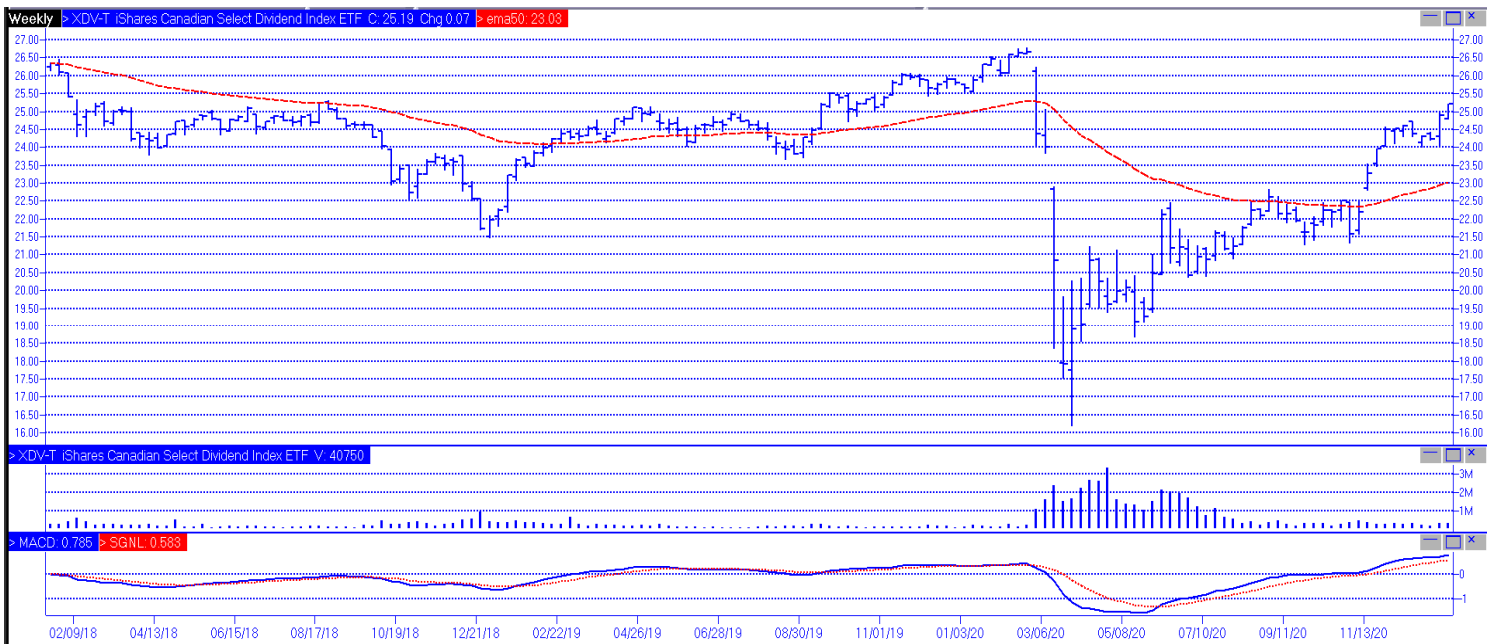
'Weekly ESG & Energy Infrastructure Review: Congress painted blue as China goes green with carbon trading scheme' – NBF Industry note – Jan 12, 2021

For the full report see,

PDF Attachment: [Weekly ESG & Energy Infrastructure Review – January 12, 2021 – NBF](#)

**Find this pdf 'attached' in this week's newsletter email or with the 'attachments' at the end of this newsletter.*

'Canadian Financial Services Weekly' – NBF Industry Note – Jan 11, 2021



Canada's Dow Jones Select Dividend Index remains below the Feb/2018 levels. The index is full of banks and energy and telecom stocks, explaining much of Canada's under-performance vs. global benchmarks, the US in particular. We were on record as buying Canadian banks at or below 1 X Book Value per share in March/2020. I expect to see 2 X a rising Book Value some time in the coming business cycle. I've walked our clients through the Book Value math in previous notes. If you'd like a reminder contact us. All of a sudden, the clouds are parting, and investors are paying up for Banks, Energy and (some) Telecoms. These three have been strong performers in the latter half of 2021. There's more room to run.

NBF's research team updates the Canadian bank sector.

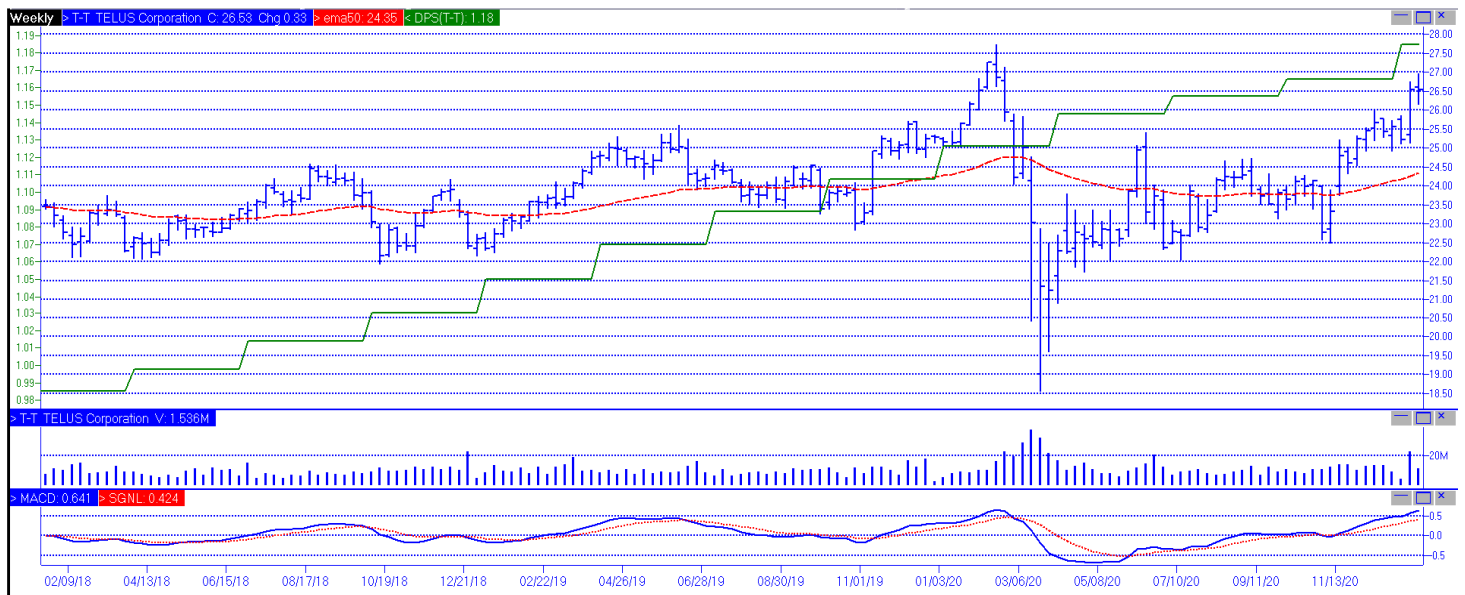
See, PDF Attachment: **Canadian Financial Services Weekly – January 11, 2021 – NBF**

**Find this pdf 'attached' in this week's newsletter email or with the 'attachments' at the end of this newsletter.*

We still like the Telecoms:

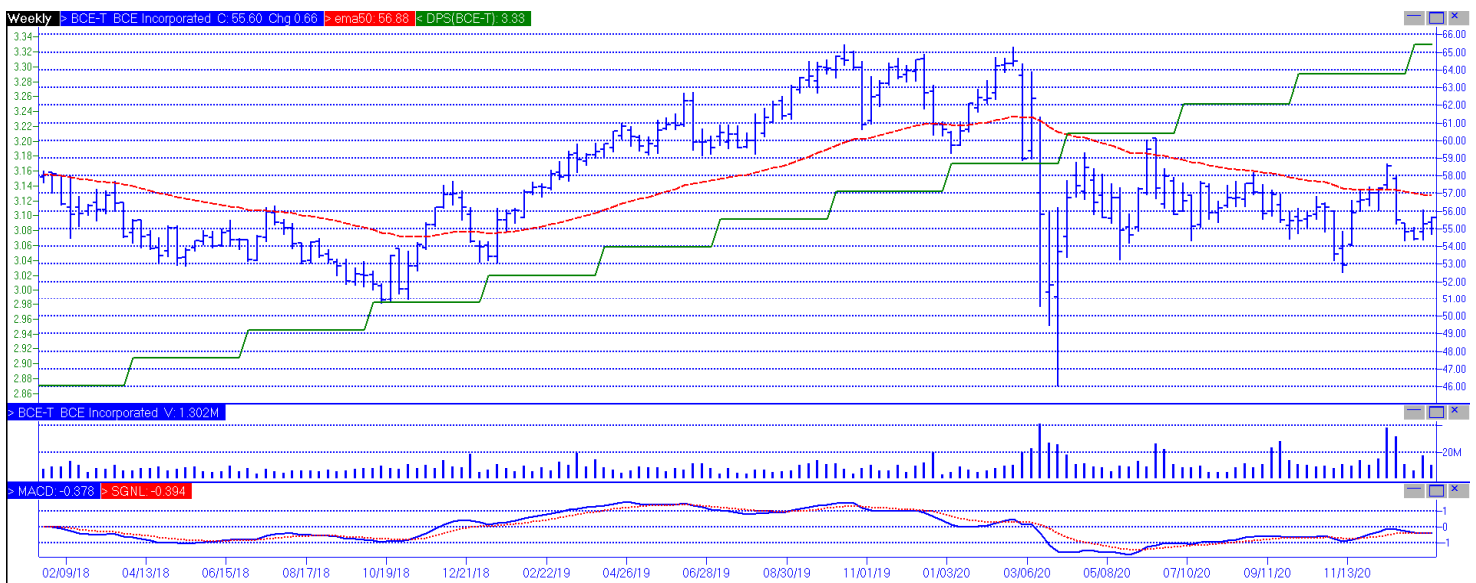
Another reason Canada's Dividend Index has been a dud is flat prices in the Telecom's over the past two years. Dividend have grown nicely. Telus Corp share prices have done a lot of nothing, yet dividends are up (green step line on the chart).

Telus (T-TSX-\$26.48) weekly



At today's price Telus dividend yield is 4.7%.

BCE Inc (BCE-TSX-\$55.85) weekly



BCE's dividend yield is 5.98%.

See, PDF Attachment: **Industry Note – Telecom Services & Media – December 2, 2020 – NBF**

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DISCLOSURE: I hold both Telus and BCE Inc personally, hold it for family members and for accounts over which I have trading authority. We have traded in both stocks within the past 60 days.

ANNA HILBERRY

INVESTED. INSPIRED.



How to Manage Your Money in Canada | Canadian Finances for Immigrants – Anna Hilberry – January 14, 2021

Recently Anna has been volunteering with the Canadian Foundation for Economic Education. If you are interested in what kind of questions newcomers to Canada have regarding finance, check out her video below:



<https://youtu.be/kX1EXQ0r2kk>

What about Bitcoin and other cryptocurrencies?

Clients have asked for our thoughts on crypto's. I believe speculators are confusing the potential efficiencies of encrypted currencies (there is much debate) with the currency unit's themselves. I don't buy the argument that government intervention in currency markets will be avoided by cryptocurrencies any more than 'gold-backed' currencies weren't manipulated by governments of their day. Fans may also be confusing Bitcoin price increases as a sign crypto currencies are being accepted. It is entirely possible, investor money is fleeing China's crack-down on Hong Kong by any method available, including crypto currencies. If your option is losing everything, only losing part of everything in crypto losses might be a small price to pay. Maybe. Do I want to speculate on that flow? No thanks.

While I often take Mr. David Rosenberg to task on his perma-bearish stance, his comments on Bitcoin this week are worth reading.

David Rosenberg: Why comparisons between bitcoin and gold are absurd

<https://financialpost.com/investing/david-rosenberg-why-comparisons-between-bitcoin-and-gold-are-absurd>

And speaking of Bitcoin, ever wonder what happens if you lose your password? You are out of luck and out of money.

New York Times: Lost Passwords Lock Millionaires out of their Bitcoin Fortunes

<https://www.nytimes.com/2021/01/12/technology/bitcoin-passwords-wallets-fortunes.html>

National Bank's Daily COVID-19 Monitor – Jan 15, 2021

See, PDF Attachment: **COVID-19 Daily Monitor – January 15, 2021 – NBF Economics and Strategy**

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Asset Allocation Strategy NBF January 2021: A Record Year: Our Top 10 Charts of 2020

See, PDF Attachment: **Asset Allocation Strategy – January 2021 – NBF**

**Find this pdf 'attached' in this week's newsletter email or with the 'attachments' at the end of this newsletter.*



Have a Great Weekend!

Steve & Anna Hilberry

FOR THE RECORD JAN 15, 2021

DOW INDUSTRIALS: 30,898)
S&P 500: 3777
S&P/TSX COMP: 17,926
WTI: \$52.29
LOONIE IN \$USD: \$0.7852 \$US

ATTACHMENTS – See the following pages for:

- **Industry Note – Hydrogen and Zero-Emission Vehicles – December 6, 2020 – NBF** *(8 pages)*
- **Ballard Power Systems Inc. – November 27, 2020 – NBF Research** *(6 pages)*
- **Weekly ESG & Energy Infrastructure Review – January 12, 2021 – NBF** *(9 pages)*
- **Canadian Financial Services Weekly – January 11, 2021 – NBF** *(37 pages)*
- **Industry Note – Telecom Services & Media – December 2, 2020 – NBF** *(7 pages)*
- **COVID-19 Daily Monitor – January 15, 2021 – NBF Economics and Strategy** *(12 pages)*
- **Asset Allocation Strategy – January 2021 – NBF** *(8 pages)*

**For better copies of the attachments, please refer to the PDFs attached in this week's newsletter email or contact our office.*



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