



## The Hilberry Weekend Reading for Friday, February 5<sup>th</sup>, 2021

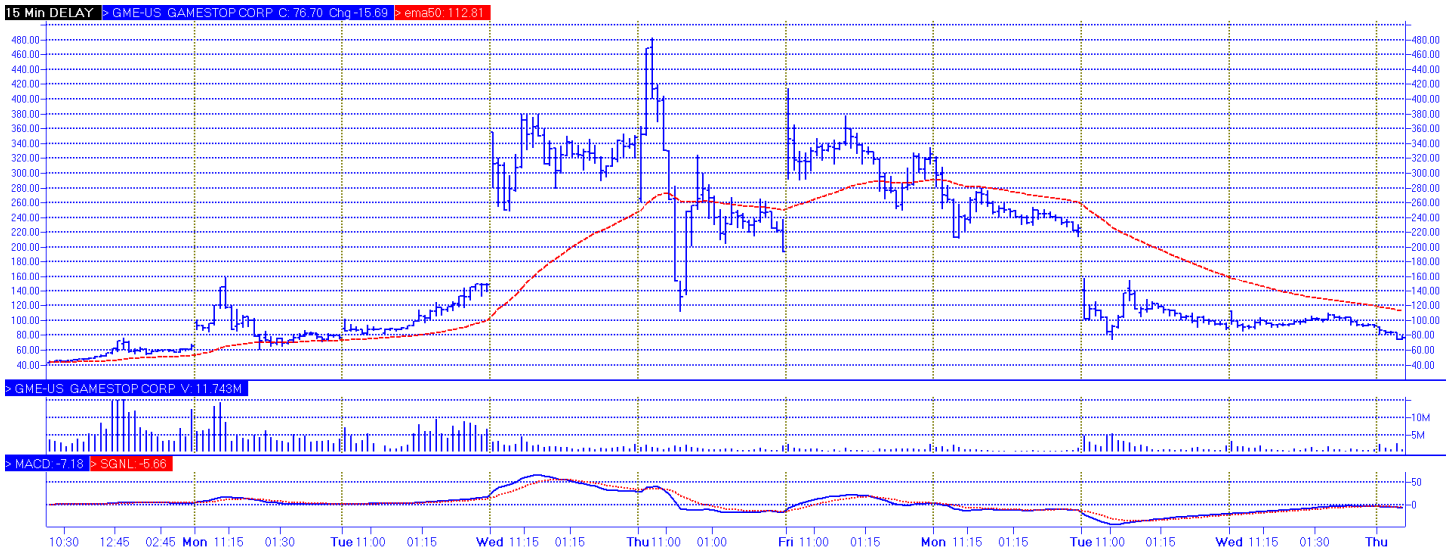


The *'We're gonna' stick it to the man!'* edition



Client's have asked for comments in GameStop. A brave new group of investors gets schooled.

### Game Stop (GME-\$60.74) two weeks – 15 min intervals Feb 5, 2021 -10:50 AM EST



GameStop share price history:

- July 31, 2020 close \$4.01. Credit-Suisse Jan 8/2021 target: \$3.50.
- Thurs. Jan 21, 2021 GME close \$39.12.
- Thurs. Jan 28, 2021 inter-day high \$483, driven up by followers of '#WallStreetBets' (WSB) Twitter posts.
- Thurs Feb 4, 2021 \$76.70

The idea that 'stonks' of Game Stop was some how punishing Wall Street is amusing. Social Justice Warriors may have confused 'takin' it to the street' with 'taken by The Street'. This whole thing smells liken an old-fashioned pump-and-dump scheme. First in, create a story, push stock up via lies and stories, sell into the mania.

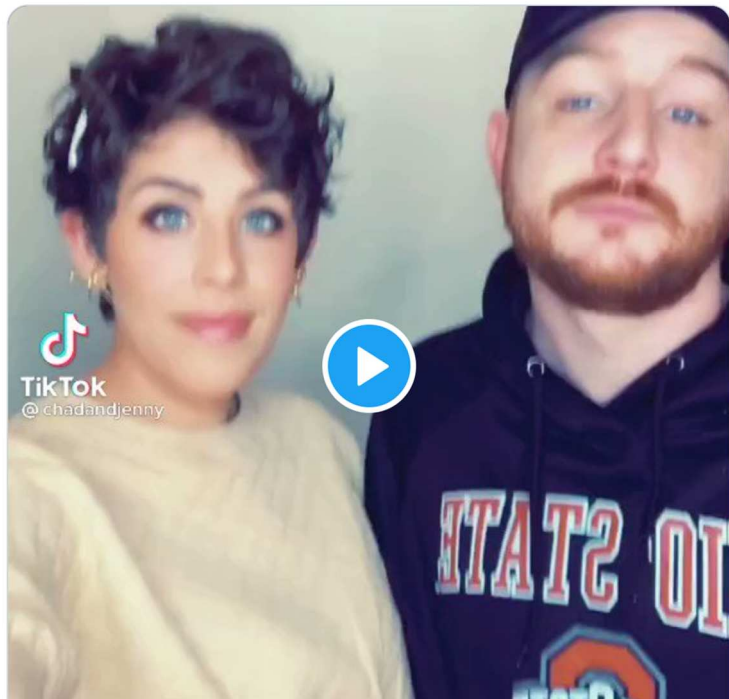
**NOTE:** 'Stonks' is WW-2 era military term for multiple mortar teams concentrating fire at the same target at the same time, combining their individual smaller exploding shell fire power to devastating area effect. It is not an abbreviation for 'stocks'.

And here is one of the sources of GME ideas....

***"Here's my strategy in a nutshell," Chad says in the video. "I see a stock going up and I buy it and I just watch it until it stops going up. And then I sell it and I do that over and over and it pays for our whole lifestyle."***

\*\*\*\*\*

A sneak peek of one of our top secret trading strategies. h/t [@ryanfeller\\_](#)



CrappyWallStreetAdvice

Note, the Twitter handle: *#CrappyWallStreetAdvice* ...no arrogance of youth there.

***'Tesla and GameStop: Pass the Dutchie?'*** – Bill and Cole Smeade – Feb 2, 2021

<https://advisoranalyst.com/2021/02/02/tesla-and-gamestop-pass-the-dutchie.html/>

***'Technology: Calendar Q4 Preview'*** – NBF Economics – Jan 25, 2021

***"Hold Off into Reporting Season"*** (IE hold off buying...)

NBF's Economics & Strategy Group previews the Canadian tech sector.

Here are their top-down industry recommendations:

*INDUSTRY RATING*

- *Software: Underweight*
- *IT Services: Underweight*
- *Communications Equipment: Underweight*
- *Aerospace & Defense: Overweight*

***'Off Wall Street and Off-Off Wall Street'*** – Epsilon Theory – Jan 22, 2021

<https://www.epsilontheory.com/off-wall-street-and-off-off-wall-street/>

***'Power Grab: Activists, Shorts & The Masses'*** – Jamie Catherwood InvestorAmnesia.Com – Jan 24, 2021

If our clients read only one article from this week's Reading, this should be it!

<https://investoramnesia.com/2021/01/24/activists-short-squeezes-the-masses>

A couple of pieces on valuation.

Josh Brown takes 'Value' investing to task. Mr. Brown is an angry commentator.

***"Here is something you can't understand"*** – Joshua Brown – Jan 25, 2021

<https://thereformedbroker.com/2021/01/25/here-is-something-you-cant-understand/>

Ben Carlson takes a softer hand.

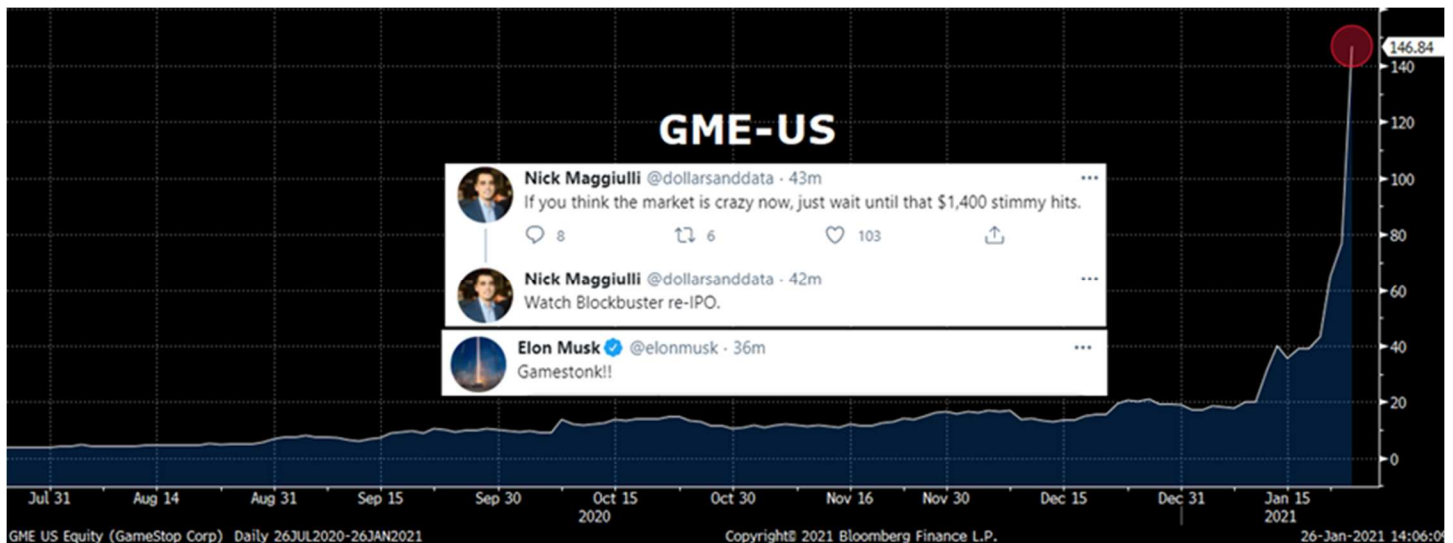
## **How Technology Ate The Stock Market Ben Carlson Jan 25, 2021**

<https://awealthofcommonsense.com/2021/01/how-technology-ate-the-stock-market/>

More on the Redditt phenomena...

## **From NBF's daily notes Jan 27, 2020**

***The GameStop (GME) story that has been playing out in the markets has managed to attract just about everyone's attention. GME is just one example of the type of market environment we are currently in, a market that is not short on stories and distractions. The quick background, GME stock was heavily shorted coming into 2021. Those short sellers included Andrew Left of Citron Research and Melvin Capital (which on Monday got a lifeline from Citadel and Point72). Melvin has now said it covered its short, while Citron has also stated it has covered the majority of its short. Earlier this year GME shares jumped after an activist joined the board. And since then, GME has turned out to be the mother of all short squeezes...but from perhaps an unlikely source. A group of retail investors on Reddit (WallStreetBets) collectively organized and went after the shorts through heavy stock and options buying driving the shares up sharply over the past couple weeks. The estimated losses on GME for short sellers has reached ~US\$5bln. And counting. After the close yesterday, shares of GME were trading up an additional 50% in after hours. And in the pre-market this morning the stock is indicated at US\$245 vs. yesterday's close of ~US\$148. Below is a collection of reactions on Twitter to GME.***



Source: Bloomberg, Twitter



**Tyler Winklevoss** @tyler · 1h  
The GameStock \$GME army is winning the war



**Morgan Housel** @morganhousel · 5h  
The Gamestop thing is a reminder that investing is not the study of finance. It's the study of how people behave with money, and sometimes those behaviors are incredible.



**Bill Gurley** @bgurley · 1h  
Question for the seasoned bankers out there. One would think \$GME board would feel obligated to take more capital here - say \$400mm-\$1B in cash. What are the options? Shelf? Overnight? ATM? Are they already shelf registered or not? Which bank mostly likely to help?



**Eric Balchunas** @EricBalchunas · 1h  
THEY DID IT: \$GME was the most traded equity on the planet today w/ \$20b in volume, more than \$SPY, \$AAPL and even the Mighty \$TSLA. Surreal.

Volume	Chg Up	Chg Down	Value	Δ AVAT	52wk Highs
Security	Last	%Chg	Value	Val	5' Ne
1) GameStop Corp	147.98	+92.71%	20.05B	143.99M	Ga
2) Tesla Inc	883.09	+0.26%	19.72B	6.43M	MU
3) Apple Inc	143.16	+0.17%	13.46B	7.32M	Ap
4) Microsoft Corp	232.33	+1.22%	10.96B	31.96M	Mi
5) Amazon.com Inc	3326.13	+0.98%	9.57B	7.32M	Te
6) Beyond Meat Inc	186.83	+17.70%	5.70B	727.95k	Be
7) Advanced Micro ...	94.71	+0.62%	5.39B	26.53M	AM
8) Facebook Inc	282.05	+1.45%	5.32B	1.24M	U.I
9) Plug Power Inc	73.18	+11.35%	4.92B	4.51M	Pl
10) Alphabet Inc	1907.95	+0.72%	2.97B	124.98k	Ou

Source: Twitter



**John Street Capital** @JohnStCapital · 1h  
At what point does \$GME do an equity issuance & use the proceeds to retire the debt & get access to some growth capital?

Rationalize the store footprint buy a few game studios, crowdsource ideas from r/WSB and make the transition to streaming coupled w/ proprietary content?



**John Street Capital** @JohnStCapital · 9h  
So far in Jan we've seen \$GME+345% \$BB+192.5% \$AMC +138%; heavily shorted active retail names +43% YTD, \$22.0B of SPAC IPO's, 7 figure NFT Deals, trading card records, a dinosaur skull offering, \$ETH +74%, \$AAVE +183% \$SUN+137%; a top HF bailout & we still have a week left.



**Long Short Value** @LSValue · 1h  
\$GME at \$233 in AH. Looking good for the infinity squeeze to \$1,000.

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**Long Short Value**  
@LSValue

Replying to @LSValue

Nvm \$247.

3:03 PM · Jan 26, 2021 · Twitter for iPhone

Source: Twitter

And it's not just GME seeing big price action. Other heavily shorted stocks this year have delivered huge gains. AMC shares for instance are up 200% in the pre-market this morning...200%!!!.



**Bespoke** @bespokeinvest · 1h

After today, these 16 stocks are now up an average of 96% YTD.



**Bespoke**  
@bespokeinvest

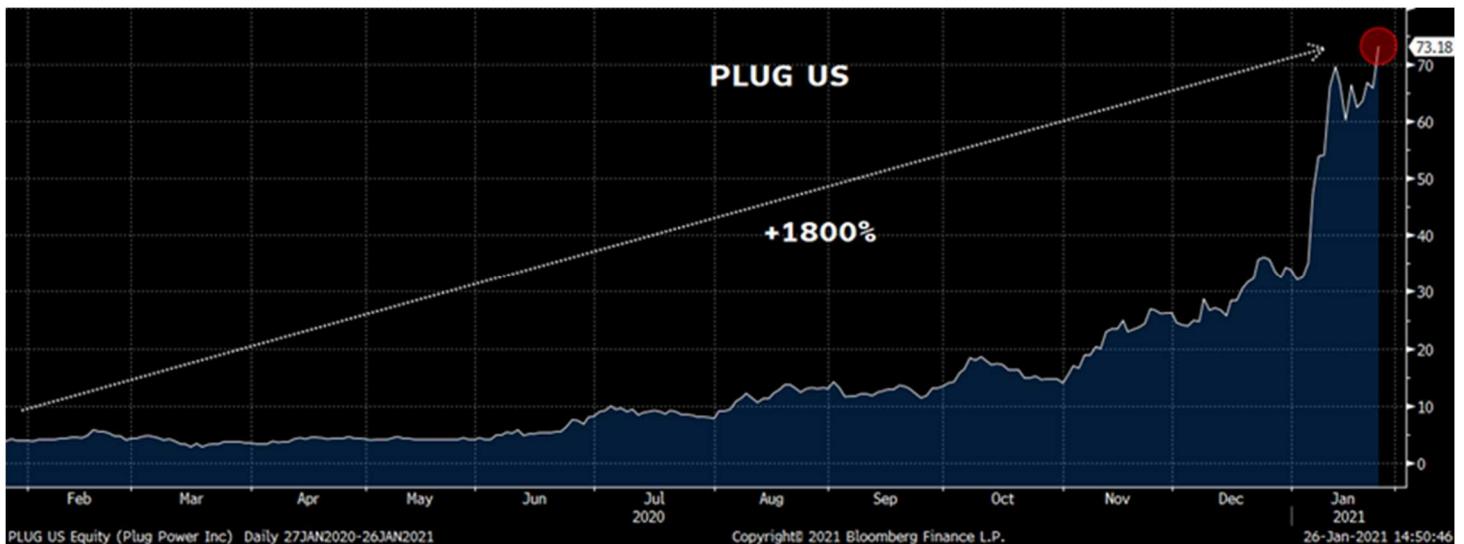
The 16 stocks that had 40%+ of their float sold short at the end of 2020 are up an AVERAGE of 59% YTD.

[bespokepremium.com/interactive/po...](https://bespokepremium.com/interactive/po...)

Russell 3000 Stocks With Highest Short Interest a/o 12/31					
Ticker	Name	Short Interest (% of Float)	Price		
			12/31/2020	1/25/2021	% Change
GME	GameStop	144.34	18.84	76.79	307.59
DDS	Dillard's	91.03	63.05	87.18	38.27
BIGC	BigCommerce	74.17	64.15	80.01	24.72
LGND	Ligand Pharma	64.61	99.45	156.01	56.87
BBBY	Bed Bath & Beyond	64.44	17.76	30.68	72.75
FIZZ	National Beverage	62.49	84.90	111.41	31.22
AMCX	AMC Networks	59.01	35.77	54.41	52.11
MAC	Macerich	58.61	10.67	17.24	61.57
ASO	Academy Sports & Outdoors	55.26	20.73	23.69	14.28
SPWR	SunPower	53.77	25.64	47.33	84.59
SKT	Tanger Factory Outlet	49.43	9.96	13.70	37.55
AXDX	Accelerate Diagnostics	48.38	7.58	12.96	70.98
SUMO	Sumo Logic	47.81	28.58	36.02	26.03

Source: Twitter

With its shares up over 1800% in the past year, fuel cell manufacturer Plug Power announced a **US\$1.5bln stock offering, subsequently upsized to US\$1.8bln, which was priced at US\$65/sh**. Shares of PLUG jumped yesterday after the company said it exceeded its gross billings target and raised targets for 2021 and 2024. Shares of BLDP also participated in fresh enthusiasm over fuel cell and hydrogen technologies as its shares hit a new 52 week high as well yesterday (still well off the late 90s/early 2000s tech boom high of >\$60/sh). *Recall PLUG was one of the participants at our Hydrogen Conference late last year.*



## Weekend homework assignment:

So, what should our clients (re-) learn from the GameStop experience?

When you see a parabolic curve soaring upward on a price chart, showing a price doubling then tripling be very, very careful. Sudden changes in share price imply investors have suddenly discovered something they were not aware of yesterday. Sometimes stocks are indeed worth significantly more today than yesterday. A surprise takeover bid, surprise cure for COVID-19, a discovery of the secret to eternal life, invention of a perpetual motion machine, could all be reasons to pay 4X last week's price.

If there are no fundamental changes, you are probably watching the fascinating process of human herd mentality. If you also see the object of investor affection featured in story after story in the media, rest assured it's a mania/panic thing. Make sure you are indeed watching...**from the sidelines**. Do NOT play either long or short.

Class dismissed.

Speaking of hydrogen, **Cummins Inc (CMI-NYSE-\$231.60)** is associated with industrial and light duty diesel engines and diesel-powered electrical generation plants. Less well known is their focus on hydrogen power. Credit Suisse reviewed Cummins' presentation at their 'Hydrogen Day' back in Nov/2020 and updated their views Feb 4, 2021 in their Cummins Q4 earnings analysis.

Feb 4<sup>th</sup> Credit Suisse' Cummins price target ranges.



Source: Bloomberg

See, PDF Attachment: **Cummins Inc. – Hydrogen Day Takeways – Credit Suisse**

See, PDF Attachment: **Cummins Inc. – Nothing to be Afright Of – Q4 Earning Review – Credit Suisse**

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

At this time our primary exposure to the hydrogen story is via **Toyota ADRs (TM-US-\$149.98)**. It has worked well for us.

**DISCLOSURES:**

**Cummins Inc:** At this writing, I do not hold Cummins Inc personally, hold it for family accounts, nor in trading accounts over which I have trading authority. We have not traded actively in the security in the past 60 days. That could change.

**Toyota Motor Corp:** I hold Toyota personally, for family members and in accounts over which I have trading authority. We have traded in the security within the last 60 days.

***Sharc Energy Reaches Landmark Deal to Power North America’s Largest District Energy Wastewater Recovery System – Global Newswire – Jan 19, 2021***

Port Coquitlam, BC-based, waste-water tech company Sharc Energy was in the news recently.

<https://www.globenewswire.com/news-release/2021/01/19/2160559/0/en/Sharc-Energy-Reaches-Landmark-Deal-to-Power-North-America-s-Largest-District-Energy-Wastewater-Recovery-System.html>

The company’s website: <https://www.sharcenergy.com/>

The company’s common shares trade under the symbol **SHRC** on the Canadian CNQ exchange (micro-cap). With a total market cap of \$30 million Sharc is a small entity, being well below our risk parameters. We don’t hold it in any of our managed accounts. The stock appears to have responded to the recent news stories. Longer-term it hasn’t been a winner yet.

**Sharc International Systems (SHRC-L-\$0.50) monthly ranges since July 2012 IPO**



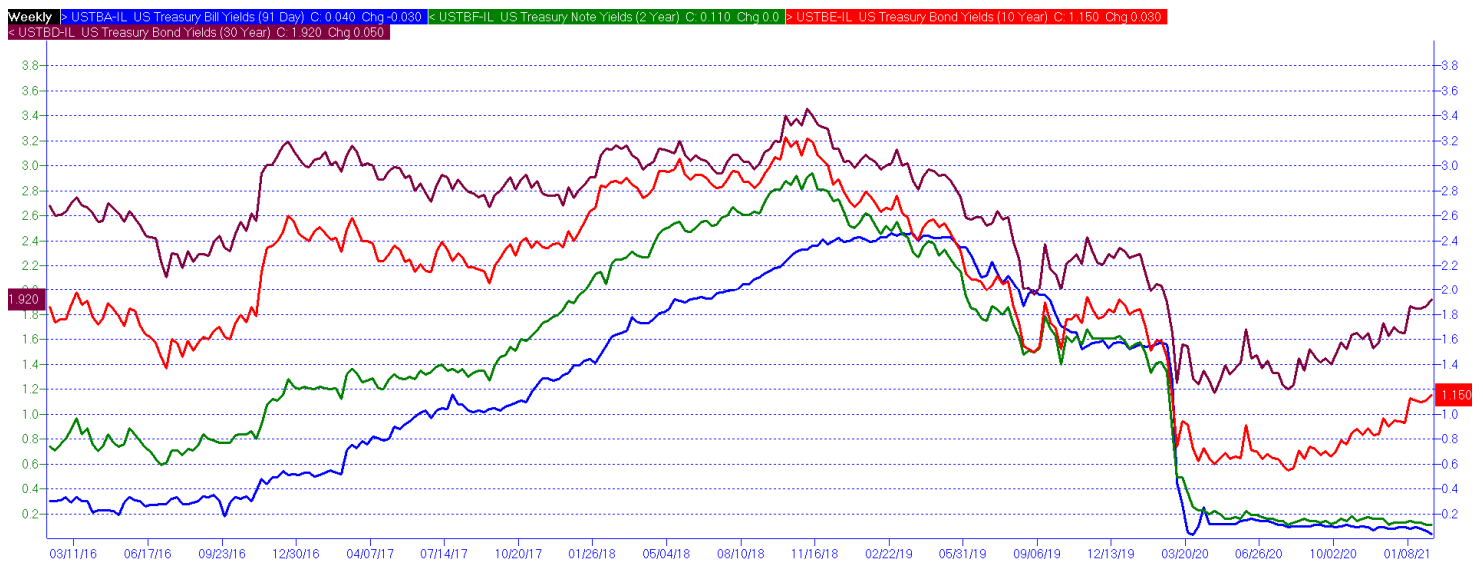
**DISCLAIMER:** I do not hold Sharc personally, for family members or for client accounts over which I have trading authority. We have no position on the books. I will continue to follow the story.



## SURF'S UP!

We've fielded client calls on inflation recently. Are we about see a wave of it?

### US Fed Govt Yields 90-days (blue) 2 yrs (green) 10 yrs (red) 30 years (burgundy) 5 years



US and Canadian longer-term bond yields started to slide from already low levels in late 2018. Yields bottomed during the March/2020 COVID-19 panic as investors sold stocks at any price to buy bonds at any price. We predicted interest rates would rise out of the late 2019 declines. We sold stocks in summer of 2019, adding a bit to our short-term bonds holding the rest in cash. We blew the cash wad on stocks in March/April 2020. We still own the stocks and are maintaining a short-maturity array in our bond/fixed income portfolios. This has proved correct.

### Who benefits from rising rates? Banks!

Recall that rising interests, up to a point, are a sign of health in the economy, reflecting increased demand. An improving economy is good for lenders. Banks are 'spread lenders' borrowing from depositors typically at sub-2 year maturities and lending those dollars to borrowers at typically closer to 10 year maturities. They work the 2 vs 10 spread to their benefit. The chart shows the compression in 2 yr (green line) vs 10 yr (red line) from June/2016 into Nov/2018. Then the whole slope tilted down. Predictably, Canadian bank shares dutifully followed the trend downwards. In March/2020 the US Fed dropped the short rate (blue plummets) blowing out the 2-vs 10 spread. Bank shares were priced below book value in March/2020. We pounded the table at the time saying buy. That has also proved correct. Rising rates confirm our belief the economy is improving.

See, PDF Attachment: **Canadian Banks: Transition Year – NBF Thematic Research**

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

When do rising rates become a problem?

## **'The Biggest Risk Is Rising Interest Rates' – interview with Howard Marks – Oak Tree Capital**

This section from the interview should be engraved into your bathroom mirror.

*"If you overestimate your intestinal strength, you could wake up and find your portfolio down substantially. In that case, you may panic and sell, crystallizing that loss. Yet, markets fluctuate around a rising trendline. If you buy at a high price and it falls, that's not the worst thing in the world, because the next high will likely be higher. So if you hold on for the long-term, you will make money. But if you buy high, the price falls and you sell, then you never get to participate in the subsequent recovery. That's the cardinal sin: selling out at the bottom. That's the reason it's so important to not overestimate your risk tolerance."*

<https://themarket.ch/interview/howard-marks-the-biggest-risk-is-rising-interest-rates-ld.3537>

Ed Yardeni takes a less preachy approach.

## **'Inflation Is Up for Discussion' – Ed Yardeni – Feb, 2021**

He agrees with Mr. Marks that at this point inflation is modest.

<http://blog.yardeni.com/2021/02/inflation-is-up-for-discussion.html>

More on inflation.

## **'An inflation revival won't look like the 1970s' – Capital Economics – Feb 1, 2021**

<https://www.capitaleconomics.com/blog/an-inflation-revival-wont-look-like-the-1970s/>

## **'Can Massive Deficits Really Be Financed?' – First Trust – Jan 25, 2021**

<https://www.ftportfolios.com/Commentary/EconomicResearch/2021/1/25/can-massive-deficits-really-be-financed>

## **'Life After Trump' – Peter Zeihan**

*(see Newsletter on the site)*

With Mr. Trump lounging in Mara-Largo, the media is adrift with nothing to talk about, for now. Peter Zeihan provides a 5-part commentary.

<https://zeihan.com/newsletter/>

## 'Investing in magic mushrooms: First psychedelic ETF debuts in Toronto' – Financial Post – Feb 2, 2021

When I was in my late twenties with a young family in Courtenay BC, we rented a farmhouse on 50 acres. Each November, as sure as the rains came, we'd see shroom stoners out in the hay fields walking backs bent at 90 looking for psychedelic mushrooms to dry and sell. They were a real pain, wrecking fences, leaving cattle gates open and dropping beer bottles to break hay equipment the following summer. Never thought I'd live to see the product traded on the Toronto Stock Exchange. Who knew?

<https://financialpost.com/investing/magic-mushrooms-investing-first-psychedelic-etf-toronto>

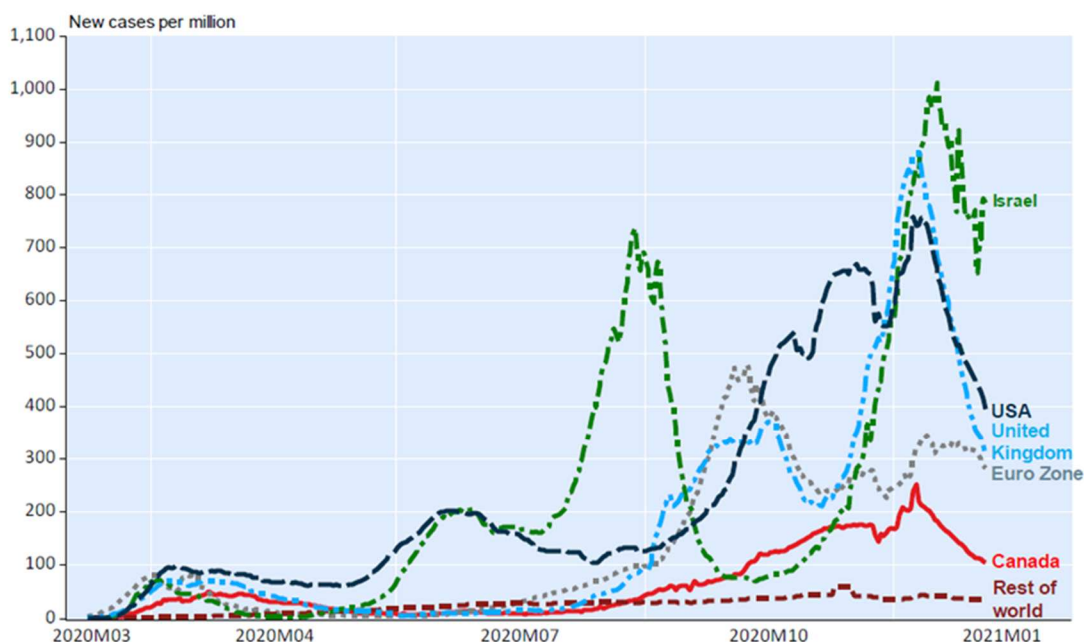
### COVID-19 updates:

My father succumbed to COVID-19 last week. In his late 80's, he had been healthy all his life. Living in Manhattan, NY, with super-vaccine centers opening in the city I hoped he would make it through unscathed. Christmas Eve he suffered a stroke, probably brought on by contracting COVID. Hospitalized on Christmas day, we were able to arrange daily Zoom calls with him, meaning we saw the decline in his health as he fought the virus. It is a terrible disease. I was there virtually at his last breath last week. While he is now a statistic, this is now personal. He believed he led a good life, saying he was very lucky. He was an example of gratefulness being a key to happiness. My father believed deeply in education, science and truth. He would want me to urge others do the same.

Life marches on. For the rest of us struggling to beat the virus, hope is near.

### 1. World: Evolution of the pandemic

Daily new cases per million population by region, 7-day moving average



NBF Economics and Strategy (data via Johns Hopkins CSSE)

See, PDF Attachment: **COVID-19 Daily Monitor – February 5, 2021 – NBF**

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My daughter is a Dr of Veterinary Medicine at University of Saskatchewan in Saskatoon. She passes along this story above a new Made-in-Canada vaccine going into clinical trials a U-Sask.

<https://news.usask.ca/articles/research/2021/usasks-vido-begins-covid-19-vaccine-clinical-trials-at-ccfv.php>

**On that sadly optimistic note, have a healthy weekend.**



**Have a Great Weekend!**

**Steve & Anna Hilberry**

### **FOR THE RECORD FEB 5, 2021**

**DOW INDUSTRIALS: 31,153 (APPROACHING THE LATE JAN HIGHS)**

**S&P 500: 3889 (52-WEEK HIGH TODAY)**

**S&P/TSX COMP: 18,135 (52-WEEK HIGH TODAY)**

**WTI: \$56.78 (52-WEEK HIGH TODAY)**

**LOONIE IN \$USD: \$0.7833 \$US (LOONIE NOT RESPONDING TO WTI GAINS...YET)**



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