

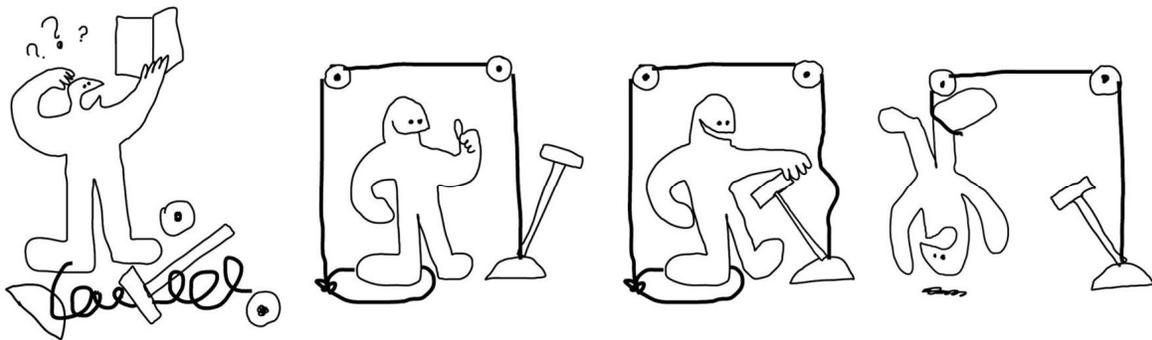


WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

The Great Expectations Edition

'Bill Hwang Had \$20 Billion, Then Lost It All in Two Days' – Bloomberg



It was a tough few weeks for Bill Hwang. These things seem to happen regularly in this business. The bigger question is who was minding the lending shop?

<https://www.bloomberg.com/news/features/2021-04-08/how-bill-hwang-of-archegos-capital-lost-20-billion-in-two-days>

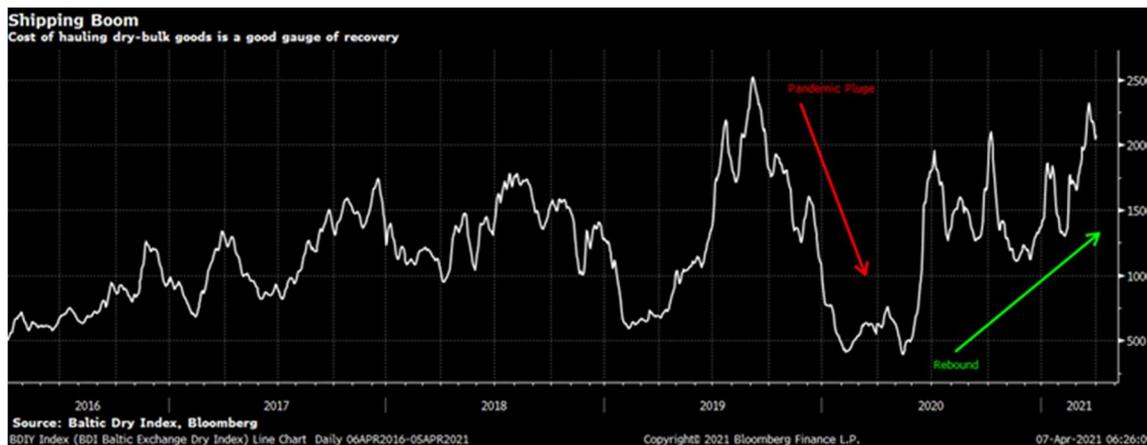
Lessons learned during 2020:

Hindsight as they say is 2020, Anna looks at lessons learned during 2020:



Watch Anna's latest video here: <https://www.youtube.com/watch?v=2HcLIEcr3NO>

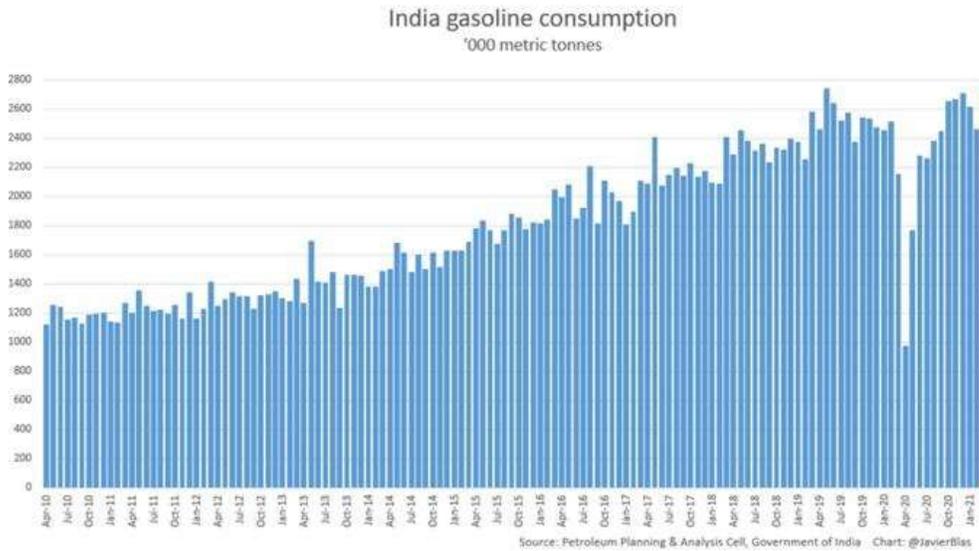
Shipping Costs are up – signals rising economic demand



This chart tells us we want to remain invested for growing demand. 'Things' vs. 'Ideas'.

Speaking of 'things'...

India: Gasoline Consumption hits record quarterly high



This chart tells us that economic activity is rebounding strongly. Unless COVID related disease pushes India back into recession, which - so far - is not happening, this is a very strong economic signal.

This chart also tells us India’s annual gasoline consumption has increased from, roughly equivalent to Canada’s in 2015, to nearly twice Canada’s in 2021. India is now the 3rd largest global consumer of petroleum products behind the US and China, and has yet to gain serious economic traction. Recall that diesel, not gasoline, is the preferred fuel in India.

Many of the arguments around Canada’s need to suppress green-house gas emissions focus on Canada’s per capita consumption. This ‘energy intensity’ stat is useful in making economic statistical analysis of our economy’s efficiency. Often neglected is the actual total metric tonnes of GHG emissions from Canada vs. other countries. We’re small potatoes. Canada is also a resource economy. Healthy, wealthier, smaller population spread out over bigger, longer, colder distances. Surprise! We consume more fuel per person than a southern European country. ‘Just sayin’.

‘Guide to the Markets’ – JP Morgan Securities

<https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>

'Analysis of a National Guaranteed Basic Income' - Cdn Fed Parliamentary Budget Office (PBO) Study Apr 7, 2021

Parliamentarians may request studies by the PBO. The degree of enthusiasm for the project and resulting publicity of the findings tells us much about the party in power’s beliefs. If the study doesn’t provide answers the government likes the results will be quietly buried in the backyard of policy discussions. A publicity rollout of ‘idea study’s by Governments tells us much of their intentions.

The media was made sure to be aware of a pending release of an analysis by the PBO on the Canadian Fed Govt. providing a **National Guaranteed Basic Income (GBI)** program released Wed Apr 7, 2021. The study was requested by ‘several Parliamentarians’.

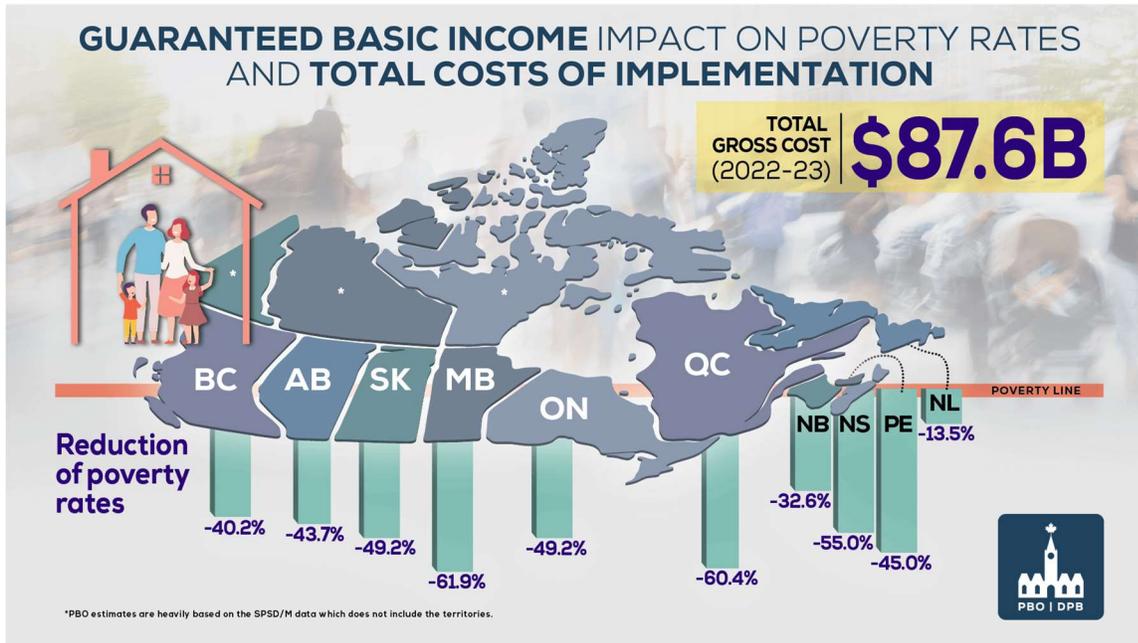
<https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-001-S--distributional-fiscal-analysis-national-guaranteed-basic-income--analyse-financiere-distributive-un-revenu-base-garanti-echelle-nationale>

A previous study on this topic was released in July/2020 requested by Senator Yuen Pau Woo. Sen. Woo was appointed to the Senate by Prime Minister Justin Trudeau in October 2016.

<https://www.pbo-dpb.gc.ca/en/blog/news/RP-2021-014-M--costing-guaranteed-basic-income-during-covid-pandemic--estimation-couts-lies-un-revenu-base-garanti-pendant-pandemie-covid-19>

Note that we anticipate a full Federal budget (finally) being released on Monday April 19, 2021. The timing release of this study is...interesting.

Following is a screen shot from the study introduction announcement page



To put this cost into perspective the Dept of National Defence is the largest single Dept cost item in the Canadian Federal Govt's budget. For 2019-20 the DND's budget was \$21.9 billion

<https://www.canada.ca/en/department-national-defence/corporate/reports-publications/transition-materials/defence-101/2020/03/defence-101/defence-budget.html>

Canada's Health Care program is the Fed Govt's largest single expenditure, consuming roughly 1/2 the annual Fed Govt expenditures. In 2019 Govt spending on Healthcare expenses was \$186 billion.

<https://www150.statcan.gc.ca/n1/daily-quotidien/201127/dq201127a-eng.htm>

Note that the Baby Boomers are on the cusp of entering their 'Golden Years' with associated health problems. Canada's health care system is about to stretched dramatically by this aging cohort, who will also live longer than their parents.

<https://www.fraserinstitute.org/studies/government-spending-taxes>

In 2018-19 the Canadian Fed, Govt's total expenditures were \$338.5 billion \$CDN

https://en.wikipedia.org/wiki/List_of_governments_in_Canada_by_annual_expenditures

In 2018 The Province of Quebec spent \$108.6 billion, roughly equal to the combined expenditures of BC and Alberta in that year.

The 'National Guaranteed Basic Income' program cost is estimated by the PBO to be equivalent to all 2018 Fed Govt expenditures for Elderly, Unemployment and Children's Benefit in 2018.

<https://www.canada.ca/en/department-finance/services/publications/annual-financial-report/2018/report.html>

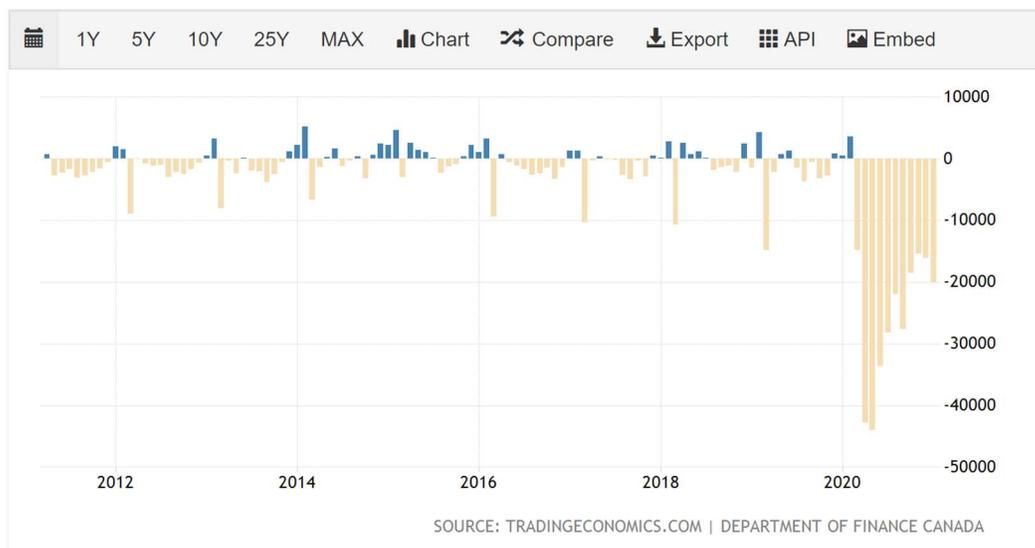
Another way of looking at this program cost: It would be like adding a Province 3rd place in cost behind Ontario and Quebec. Unlike a new Province, no tax revenues would flow in on the other side of the ledger.

Can we afford this?

The 2019-20 Budget (report is as of April 30 of each year) the budget deficit was \$39.4 billion

Here are the annual budget surplus/deficits back to 2010.

<https://tradingeconomics.com/canada/government-budget-value>



The Liberals took power in October 2015 with a tiny deficit. Previous annual budgets under the Conservative had been close to even. The Liberal's first year saw a -\$9B deficit. To be fair, oil prices flopped in 2015 dropping Federal and Provincial revenues sharply. Each following year shows progressively higher deficits. In 2019 with a record economy, Canada's budget deficit was roughly - \$15B. Deficits? What me Worry?

The 2020-21 deficit will be HUGE -again to be fair - some of it unavoidable. Given the previous record of cumulative deficits and an apparent low regard for balancing anytime soon, one wonders how the financial markets will react.

"The problem with socialism is eventually you run out of other people's money"

- Margaret Thatcher

Russel Metals (RUS - \$27.34)

Moving on to more encouraging signs, we hold Russel Metals. Our average cost for clients is in the \$18.50 range. The stock price is at a 5-year high.



One of the company’s products is rolled steel pipe used in liquid and gas pipelines. With the Canadian travails and politics of the pipeline sector, including Donald Trump’s tariffs, combined with a ‘boring’ story, Canadian investors shunned Russel’s shares. Their earnings were largely flat from 2011 to 2020. Russel hiked the quarterly dividend from 35 cents to 38 cent per quarter/\$1.52 annual in 2014, maintaining the dividend since. 2020 earnings nowhere close to covering the dividend. Cash-flow however was ample so the dividend was retained. Canadian investors may have missed Russel’s US based pipe manufacturing business. The United States has added tremendous pipeline capacity increasing that side of Russel’s business. At our average cost clients are receiving an 8.2% average cash yield on invested cost. The stock price is up 48%. We’ll take boring anytime.

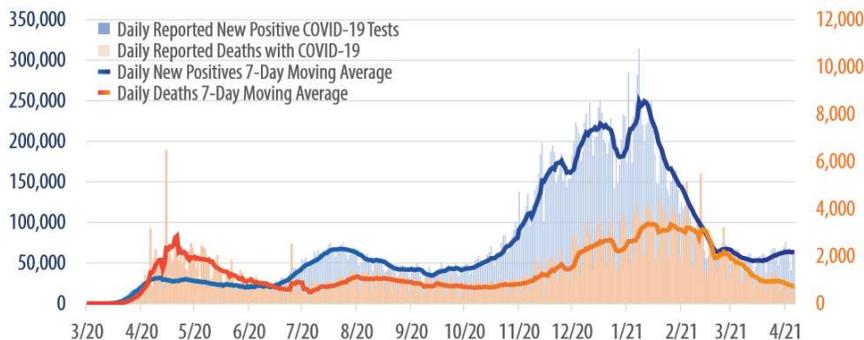
DISCLOSURE: I own Russel Metals personally, hold it for family members and for client accounts over which I have trading authority. We have traded in the security within the last 60 days. I am glad I own it.

First Trust Portfolios COVID-19 Tracker – Apr 8, 2021 (US data)

We’re seeing good news on the COVID front in the US.

Daily Reported New Positive COVID-19 Tests vs. Daily Reported Deaths with COVID-19 in the U.S.

March 1, 2020 - April 6, 2021



Sources: CDC.gov, First Trust Advisors

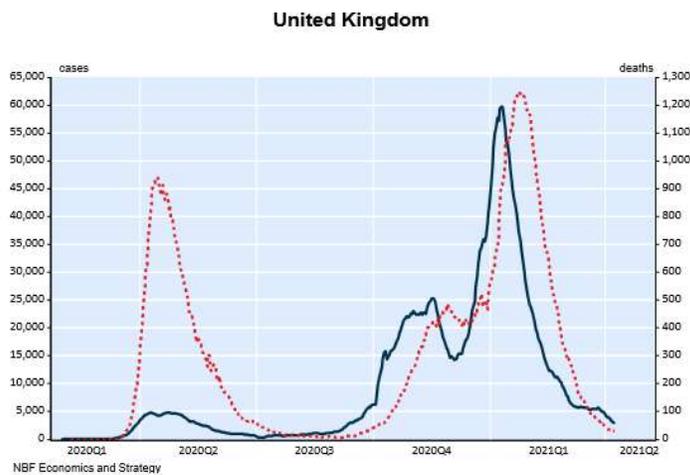
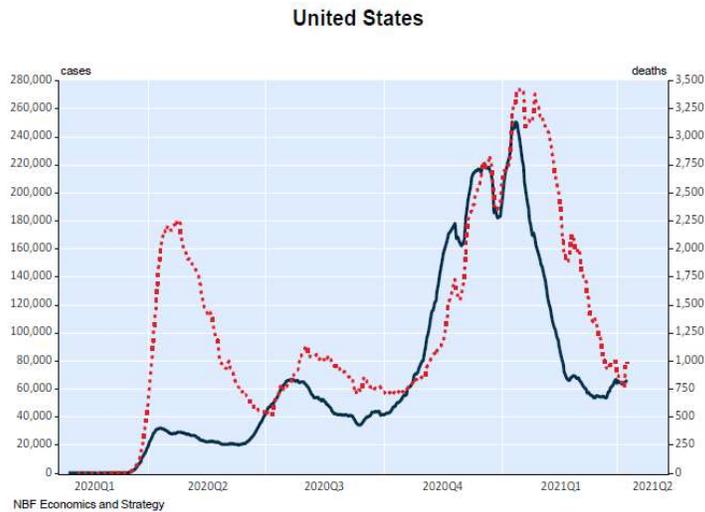


<https://www.ftportfolios.com/common/contentfileloader.aspx?contentguid=403ed092-467f-4532-904a-9bde0deceb61>

As frustrating as the Canadian COVID-19 vaccination roll-out has been, with bungling and missteps revealing some of the issues with our kind-of-centralized-but-not-really healthcare system, our experience is very likely to follow the US. That is a good thing.

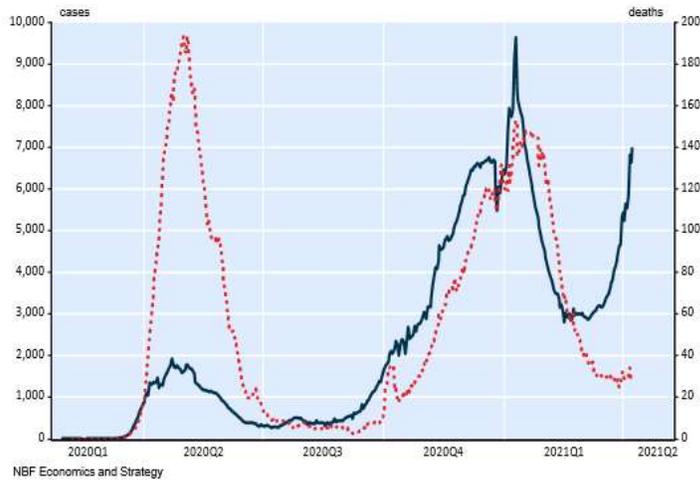
COVID-19 Daily Monitor – National Bank of Canada

New Infections (blue) vs. new deaths (red)



Those charts are where we're going. Here is where we are.

Canada



See 'COVID-19 Daily Monitor' in the PDF links.

Spring has sprung. The Daffodils are out in the yard. Better weather and better times are ahead.

Steve & Anna Hilberry

Have a Great Weekend!



FOR THE RECORD APRIL 9, 2021

DOW INDUSTRIALS:	33,654
S&P 500:	4,110
S&P/TSX COMP:	19,201
WTI:	\$59.40
LOONIE IN \$USD:	\$0.7980 \$US

Please consult your investment advisor to verify whether the securities or sectors suit your investor's profile as well as to obtain complete information, including the main risk factors, regarding those securities or sectors. This document is not a research analysis produced by the Research Department of National Bank Financial.

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