



## WEEKEND READING

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

### **Sell In May and Go Away. Don't Remember 'till November**

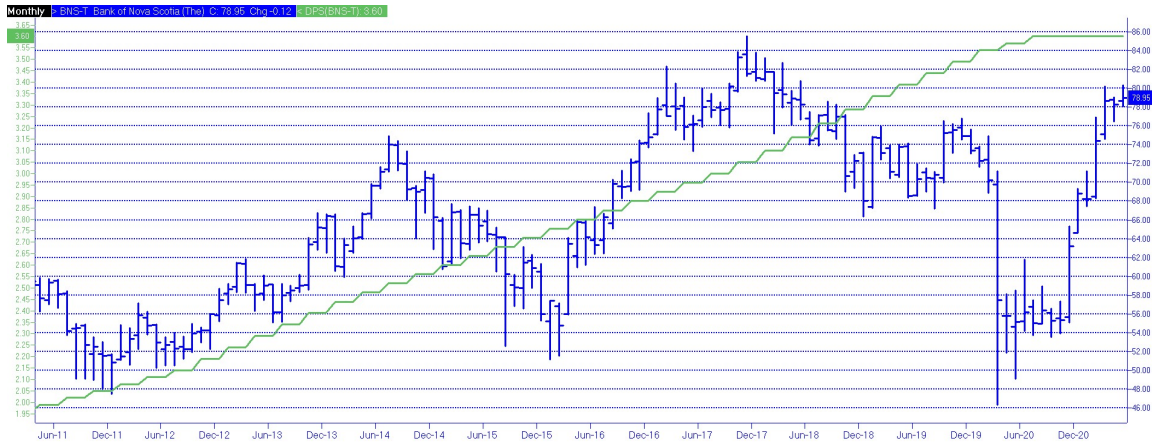
We've benefited from having this saying mounted on the wall. In Spring 2019 we did just that, raising cash levels to 30% in our equity allocations (sold stocks – held cash). That sell was driven more by the prevailing interest inverted yield curve (T-bill yields above 10-year bond yields) than a 'Sell-In-May' strategy. We also ignored Remember in November, holding the resulting cash past November and into the Feb/2020 peak (SP500 peaked Feb 19, 2020). Then the market crashed into March. We spent the cash between the middle of March and the end of April. We ignored Sell-In-May last year. It was the right thing to do.

**Sell In May:** What about now? Is it wrong to sell here? I've never met anyone who went broke making a profit. For clients advising us they want to travel this fall we're doing some selling. Those buying a car, we're doing some selling. It's reasonable to do some trimming.

**Or Stay:** I believe we're at the beginning of the next business cycle. This could mean 5-7 years of future growth ahead of us. Profitable companies will likely grow their dividends. Growing dividends tend to beget rising prices. What I sell today sacrifices that future, handing it to the buyer. If that future doesn't matter to you, or you have a need for the cash soon, selling is okay. At least you're not selling into a panic at terrible prices. Broadly though, as tempting as it can be, I am keeping hands off the SELL button.

But....are stocks REALLY expensive?

## Bank of Nova Scotia (BNS-TSX-\$79.00) – monthly ranges – 10 years.



The green line plots the per share dividend over the past 10 years. In March/2011 the annualized dividend per share was \$1.96. Responding to Govt lock-downs and restriction of dividend increases, Scotia Bank has maintained the annual \$3.60 dividend since the summer of 2020. Given their accumulating profits, when the Canadian Fed’s lift the dividend restriction, I expect to see handsome increases. That won’t drive share prices lower. The share price remains below the ranges for 2017 and is up roughly 10% from the 2014 highs. The share price relative to the dividend is a lot lower than in the past. So no, the Bank of Nova Scotia is not expensive. We see a similar pattern for many of the companies we follow.

### “Can you spot a bubble: What if Scenarios”

Anna’s latest video topic reviews the simple remedy for avoiding stock market bubbles.



Watch Anna’s latest video here

<https://www.youtube.com/watch?v=CV3bkZiUFWg>

## ***‘Home prices continued their relentless advance in April’ – National Bank Teranet Housing Price Index.***

### **Teranet-National Bank Composite HPI up strongly since June**

Seasonally adjusted Teranet-National Bank unsmoothed HPI



See the PDF link for the full report

## ***‘Base Metals Price Update’ – National Bank of Canada***

### ***Updating Commodity Price Assumptions; Equities Discounted After Sell-Off***

On top of the typical economic cycle rebound effect, copper prices have surged as investors make assumptions about increased demand for electrification of the economy. NBF updates their top picks, focusing on copper producers. As the selections have no dividends, we have no exposure to the names on their list.

See the PDF links for the full report.

## ***Turning to the energy markets - It was a busy week for energy.***

The Paris-based, and often EURO-centric Intl Energy Agency (IEA) brought out their **Road Map to Net Zero 2050** this week. Here’s their take on what’s required to be at net zero by 2050 (224 page PDF!!).

The headline grabbing statement was that getting to net-zero by 2050 means ceasing new hydro-carbon exploration and development.

<https://iea.blob.core.windows.net/assets/4719e321-6d3d-41a2-bd6b-461ad2f850a8/NetZeroBy2050-ARoadmapfortheGlobalEnergySector.pdf>

Alberta was not amused.

## ***Alberta rebuffs 'Net Zero by 2050' plan: it's 'driven by activists'***

<https://www.nationalobserver.com/2021/05/20/news/alberta-rejects-IEA-call-driven-activists-end-oil-investment>

### **OPEC weighs in**

"The claim that no new oil and gas investments are needed post-2021 ***stands in stark contrast with conclusions often expressed in other IEA reports and could be the source of potential instability in oil markets*** if followed by some investors," said the OPEC report, which was seen by S&P Global Platts on May 20.

OPEC added that "while ***the [net zero] scenario seems overly ambitious in terms of assumptions and results***, it will certainly influence investment decisions, which may curb demand (growth) for fossil fuels, such as oil and gas, as many policymakers and oil and gas companies use the IEA's scenarios for their strategic planning."

JP Morgan provided their annual Energy Outlook this week with a sobering look at many of the same issues.

### **2021 Annual Energy Paper JP Morgan Asset and Wealth Management – May/2021**

Web-page for podcast & PDF download.

<https://am.jpmorgan.com/us/en/asset-management/institutional/insights/market-insights/eye-on-the-market/annual-energy-outlook/>

<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/eye-on-the-market/future-shock-amv.pdf>

Oil industry commentators brought their reply, summarized here.

### ***'The U.S. Is Not Ready For An All-Electric Future'***

<https://oilprice.com/Energy/Energy-General/The-US-Is-Not-Ready-For-An-All-Electric-Future.html>

AND...we had Ford Motor Co reveal their new all-battery powered electric drive 'F-150 Lightning'. This could be a game-changer, mind you I've heard that phrase often.

### ***'Motor Mouth: What Ford is not telling you about its new all-electric F-150' – Driving.Ca May 21, 2021***

<https://driving.ca/column/motor-mouth/motor-mouth-breaking-down-the-numbers-on-fords-new-all-electric-f-150>



Another big story was the collapse in crypto-currencies carrying over from last week.

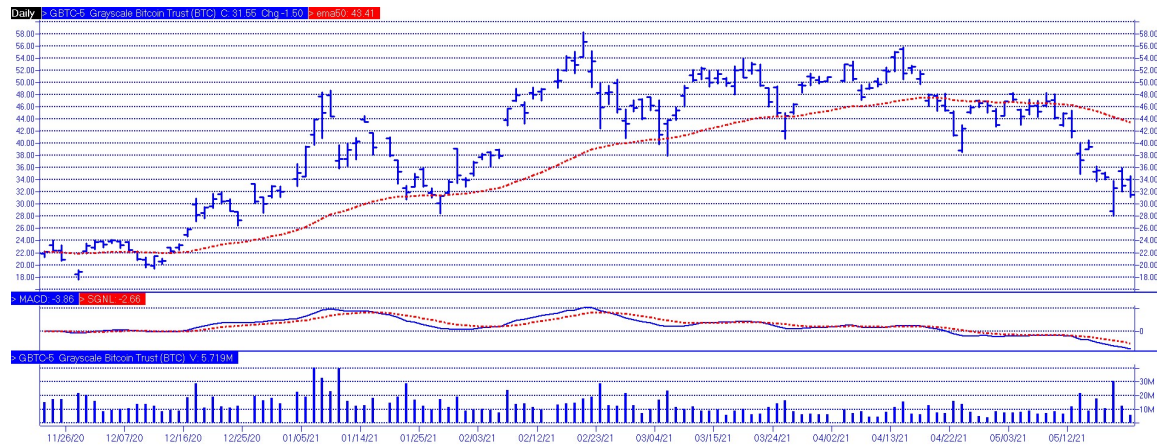
***‘BUZZ-Bitcoin slump puts the "cry" in crypto for Tesla, Coinbase, other holders’ - Reuters 12:50 PM Eastern Daylight Time May 19, 2021***

**Updates**

\*\* Shares of Tesla, Square, Coinbase and other companies with bitcoin on their balance sheets, as well as blockchain-related firms down following a plunge in prices of the cryptocurrency

In late Feb/2021 we noted a rash of crypto-IPOs as a cautionary sign. Note To Self: My industry will feed investor hunger until satiated. Since Feb 19, 2021 **the Grayscale Bitcoin Trust (GBTC)** is down 44% in US dollars. For the Canadian speculator, the 10% rise in the Loonie over this same period takes the loss to **-55%**.

**Grayscale Bitcoin Trust (GBTC) – daily ranges – 6 months**



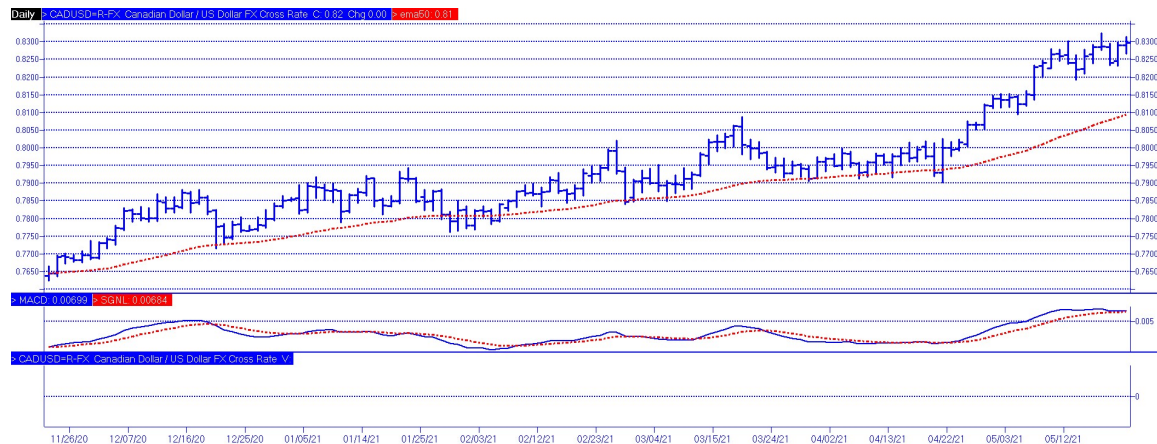
I'll play elsewhere thank you.

**DISCLOSURE: No position in Purpose Bitcoin ETF personally, for family or for accounts over which I have trading authority.**

Staying with trends, the Loonie continues its march higher, breaking 83 cents this week.



## \$1 Canadian dollar in US funds – daily ranges – 6 months.



On the global financial landscape, Canada is a teeny-tiny currency. When the international money falls in love with Canada, that love can drive the Loonie up dramatically. In 2019 and early 2020, we were overweight Canada/underweight US and international. That worked. We're now pondering the opposite. While the Loonie looks a tad rich, I believe oil prices will continue to be key. In past \$100 oil = over \$1 US to buy \$1 Canada. Hold on to your hat!

### ***'Following in the footsteps of Japan'* – Joachim Klement May 11, 2021**

As we noted last week, Canada benefits from and needs immigrants. Mr. Klement points us to Japan as an example of why. He fails to note Japan could solve its worker problem through immigrants but Japan does not welcome them.

<https://klementoninvesting.substack.com/p/following-in-the-footsteps-of-japan>

We'll close with some wisdom.

#### ***Wise Words from Lou Simpson***

*'One lesson I have learned is to make fewer decisions. Sometimes the best thing to do is to do nothing. The hardest thing to do is to sit with cash. It is very boring.'*

<https://novelinvestor.com/wise-words-from-lou-simpson/>



It looks like we're finally going to get some warmer, dryer weather. The farmers in our area have the first cut of hay on the ground, hoping to dry for bales. The swallow-tail butterflies showed up this week. Summer's coming.

**Steve & Anna Hilberry**

## Have a Great Long Weekend!



### FOR THE RECORD May 21, 2021

|                  |               |
|------------------|---------------|
| DOW INDUSTRIALS: | 34,398        |
| S&P 500:         | 4,159         |
| S&P/TSX COMP:    | 19,536        |
| WTI:             | \$63.59       |
| LOONIE IN \$USD: | \$0.8216 \$US |

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