



WEEKEND READING

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

*“What The *Heck* (insert expletive) Was That About?” – Client Query*

S&P 500 Index (4,403) – 15 min. intervals – past 10 trading days July 23, 2021



So much for the *Efficient Market* theory. Clients have asked us what the Monday sell off followed by Tuesday-Friday rebound was all about. News pundits dream pithy explanations such as “**Investors sold stocks on Monday due to worries over the COVID-Delta Variant of concern** “. So...they phoned everybody up and asked them? Was that ‘the buzz’ off some trading desk? If it wasn’t big money, it would be funny. Which begs the question: “Was Monday unusual?”

S&P500 Index (4,403) daily ranges 12 months



The above chart says, “not really”. Monday’s headlines of ‘crash’ was **-2.1%**. -5% declines are as common as lawn grass in the suburbs. 10% declines may happen every year. (Sept/2020 saw -9.9% peak to trough). 30%+ declines happen at least once every business cycle.

Asset allocation (% in bonds/stocks, currency distribution, etc.), portfolio rebalancing, and security selection helps reduce downside risk. But the biggest help to avoiding downside risk is investor psychology, a fancy way of saying having a sober discussion with that person in the mirror BOTH on the way down and previously on the way up. If you want to sell when prices fall, have that discussion. Ask that person why they don’t want to BUY when prices fall and SELL when prices rise. They (you) don’t have to do either but if you’re going to do anything, at least be a contrarian.

Okay, then. But what was Monday all about? The sad truth is - simple panic. We urge clients to recall that each and every market hour somebody must sell stocks, but few must buy. Most market declines are attributed to an initial lack of buyers. It doesn’t take much of a buyers’ strike to send prices lower as the ‘have-to’ sellers panic and start to drop their prices. As prices decline, herd mentality takes over and even fewer buyers want to play. Down she goes.

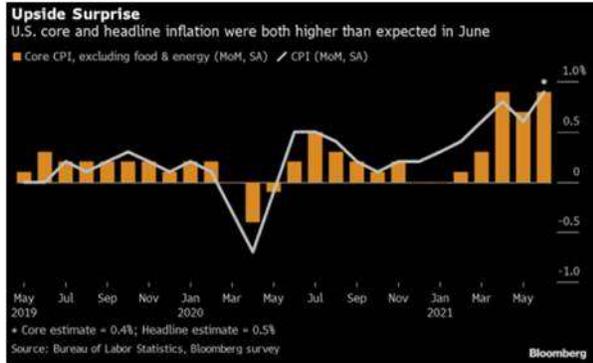
True market meltdowns happen when the previous cohort of buyers join the sellers. Oddly enough, meltdowns are often preceded by market melt-ups when the normal volume of sellers, **Fear Of Missing Out (FOMO)** takes over and they buy in a panic. Wallers were emptied on the way up, leaving little power left that’s dry. Down she goes.

The correct answer to our client’s question is not ‘more sellers than buyers’ but ‘less buyers than sellers’ and yes, the result is the same. The sequence matters.

On Inflation - From National Bank’s Daily Forex Notes - July 23, 2021

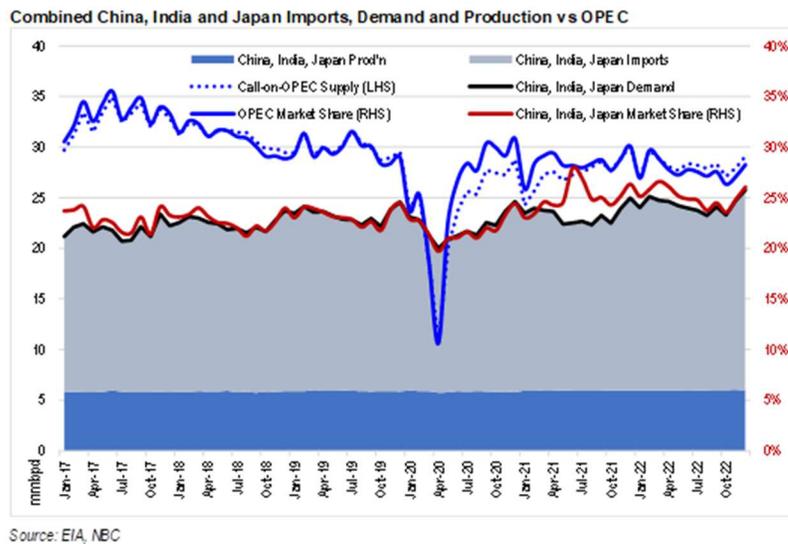
- *Inflation is developing into a more prominent systematic risk and has been front and center during this month’s earnings calls with Bloomberg highlighting that inflation is getting plenty of shout-outs on calls from a wide range of companies like Coca-Cola, coatings producer PPG Industries and Fastenal Co. While the debate around how “transitory” or “structural” inflation rages on, the key takeaway from these earnings calls is that rising input costs are attributed to both materials and a*

tightening labor market - forcing prices higher. Coke made specific reference to this “transitory” or “structural” uncertainty: **“In 2022 there are more pressures coming at us, and we are working closely with our bottling partners to mitigate some of those pressures...It’s difficult to tell how far into 2022 those pressures persist”**. This is in contrast to last week when (Fed Chair) Powell calmed the market with a “clearly temporary” message, **the recent record setting inflation data needs to course correct quickly to be “temporary”**.



- And it’s barely a leap to say that commodities have played a major part in that as a key input into packaging and energy costs. With that, it is key to recognize that manufacturing or oil importing countries including **China, India and Japan consume ~23 MMb/d combined** currently and import ~17 MMb/d - on top of all the LNG, metals and other raw materials that are used and imported in these countries’ manufacturing. The EIA projects that oil consumption and oil imports will rise by nearly ~1 MMb/d on average for next year and drives these three consumers towards a combined market share of 25% globally next year. We threw on OPEC13 production and market share by comparison because these three hardly get the airtime given that **they have almost as much market share on the consumption side as OPEC13 has on the supply side**.

- We are starting to see these countries make moves to influence prices with India consistently urging OPEC+ to raise production and has even made attempts to switch suppliers wherever possible. More recently, there are refuted reports that China released ~29.3 MMb or ~0.95 MMb/d in August from its SPR so that refiners wouldn’t have to import as much. Clearly this is a temporary measure, but **increased concentration and more market power can have just as much impact on price on either the supply side with OPEC13 or the demand side (China, Japan, India)**.



https://www.energyintel.com/pages/eig_article.aspx?DocID=1111715



'Investors Are Betting Big On The Future Of EV Efficiency' OilPrice.Com

Battery charging time, range and remote power generation used to store power onboard batteries remain significant challenges for plug-in battery-powered electric vehicles (PBEVs). This article discusses 'solid-state' batteries. IBM is featured. We hold IBM in our \$US Dividend Growth portfolios. It's been boring. That can be a good thing.

<https://oilprice.com/Energy/Energy-General/Investors-Are-Betting-Big-On-The-Future-Of-EV-Efficiency.html>

DISCLOSURE: I hold IBM personally, for family members and for client accounts over which I have trading authority. We have traded in the security within the past 60 days.

What Is The Best Investment Skill | Endure The Crashes And The Manias



Watch Anna's latest video here

<https://www.youtube.com/watch?v=Fofu0Cttqgc>

'The 12-month rise of home prices in June broke the 2017 record' – NBC Teranet House Price Index - July 20, 2021

IBM may have been boring. Canadian housing has been anything but.

<https://housepriceindex.ca/2021/07/june2021/>

If you'd prefer a PDF copy of this report let us know.

'Real Estate: Q2 preview: economic reopening, low rates should work well for REITs' NBF - July 18, 2021

NBF's property team reviews the REIT sector (60 pages!).

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=3cdd86bd-41e6-40a6-988a-36a2e607b81b&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

Before we leave the property markets...

A neighbor sold their house recently. It's a completely plain-Jane 1980's split-level entrance house, square, with basement windows at ground level. A 'BC Box'. The place sits on roughly 1 acre. Being in the country, it has a well and septic system on the property. Water is a problem in our area. Less than 10 gallons a minute flow is common. The asking price was \$940,000 CDN. It sold over asking in three weeks.



<https://listings.vireb.com/listing/Duncan-BC/5091-Indian-Rd/1pcci>

The location is on a corner opposite the Glenora country store. Logging trucks come squealing to a full halt at the corner at 5:00 AM, then gear back up again past the place. Quiet country living it's not. Nice view of a vineyard though – through high tension power lines. I'm non-plussed to put it mildly.

This Got me wondering, what could \$950,000 CDN buy?

How about this one? \$469,000 USD / \$590,000 \$CDN in Ohio.



<https://circaoldhouses.com/property/van-wert-castle/>

Or this one for \$499,000 USD / \$623,000 CDN in a rural area Upstate New York - 1 hour east of St. Catherine's Ontario. They get winter snow there. NY City is a couple hours drive east. Three car garage attached.



<https://circaoldhouses.com/property/the-porter-mansion-of-elba/>



What if you up the price range to around \$4 million. You could then afford a nice cozy place in Kitsilano. Asking price \$3.9 million Canadian.

2315 W 13TH AVENUE - MLS® # R2526498



https://www.azitaoshidary.com/Vancouver-West-Side-Homes-3-4-Million-Dollars.ubr/2315-w-13th-avenue-kitsilano-vancouver-west-mls-reg-r25264?order=listing_price+DESC&mls_number=R2526498

Or maybe this place? \$2.5 million EURO = \$3.7 million Canadian in Italy?



<https://www.lionard.com/magnificent-17th-century-castle-in-piedmont.html?keepfilter>



Or this place in Scotland...asking \$2,250,000 LB Sterling = \$3,896,000 \$CDN equivalent (\$84,000 less!!)



<https://countrylife.onthemarket.com/details/10191212/>

18 acres ocean-front property with 38 bedroom (!!) stone Castle, private jetty (stone dock), walled garden, all-weather tennis court and your own clock-tower. Mind you it's located on the western shores of Northern Scotland with the North Sea beckoning. (photos probably taken on the one sunny day of the year).

Nah. Canadian property prices aren't expensive. The rest of the world is cheap.

‘Is the pandemic over? Great, I quit’ – Advisor Analyst - July 12, 2021

We’ve fretted about labor shortages leading to inflationary pressure. RBC joins the worry-wagon

<https://www.advisor.ca/news/economic/is-the-pandemic-over-great-i-quit>

Battle for Kansas City Southern Railway (KCS): Canadian National Railway (CNR) vs. Canadian Pacific Railway (CP)

Who knew? Railways can get down and dirty, hammer and tongs and all that. The battle for KCS continues. NBF provided two recent updates on the tussle.

‘Canadian Railroads Q2 preview: keeping neutral stances on CN and CP ahead of STB decision on CN trust’ – NBF- June 29, 2021

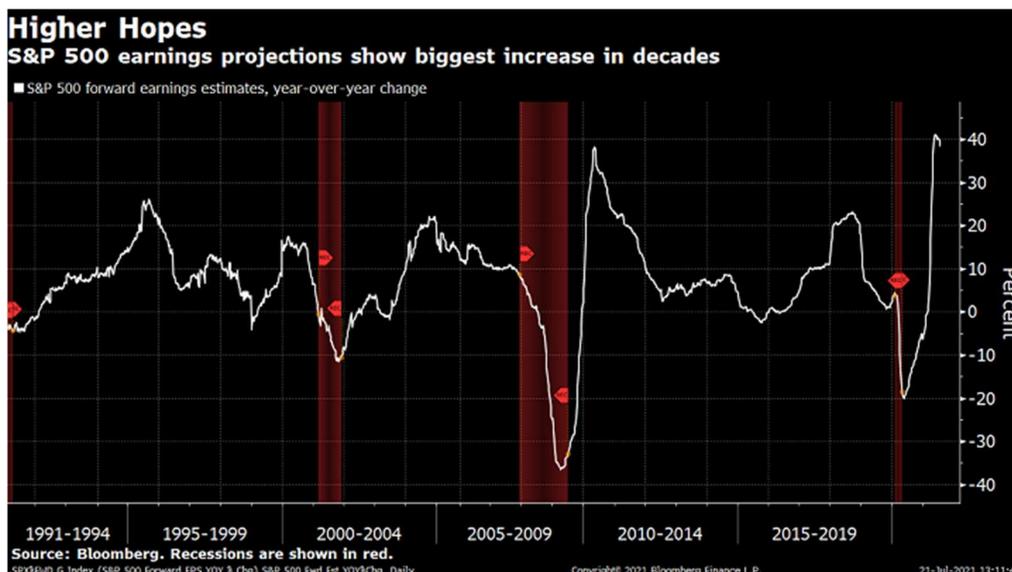
<https://nbf.bluematrix.com/sellside/EmailDocViewer?mime=pdf&co=nbf&id=replaceme@bluematrix.com&source=mail&encrypt=b78b3360-415b-4848-a914-cec7a64ab169>

‘Canadian National Railway Waiting on STB decision on voting trust’ – NBF - July 20, 2021

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=fc4d31b7-66a8-4fbb-be8a-9e18d7f45ba8&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

DISCLOSURE: I hold CNR personally, for family members and for client accounts over which I have trading authority. We have traded in the security within the past 60 days.

‘S&P 500 earnings estimates make biggest jump in decades’ David Wilson - Chart of the Day



Earnings estimates for the S&P 500 Index have surged because of a “huge explosion” in profit at economically sensitive companies, according to Michael Purves, chief executive officer at Tallbacken Capital Advisors LLC. He cited the year-to-year change in forward earnings, based on profit projections for the next 12 months, in a report Monday. S&P 500 estimate increases surpassed 40% in May for the first time since at least 1990 and then stayed around that level, according to weekly data compiled by Bloomberg. “The earnings growth story into and through 2022 will continue to be robust,” Purves wrote.

*Sincerely,
David Wilson (used with permission)*

On that good news have a great weekend!

Steve & Anna Hilberry



FOR THE RECORD July 23, 2021

DOW INDUSTRIALS:	35,035
S&P 500:	4,410
S&P/TSX COMP:	20,192
WTI:	\$71.97
LOONIE IN \$USD:	\$0.7952 \$US

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