



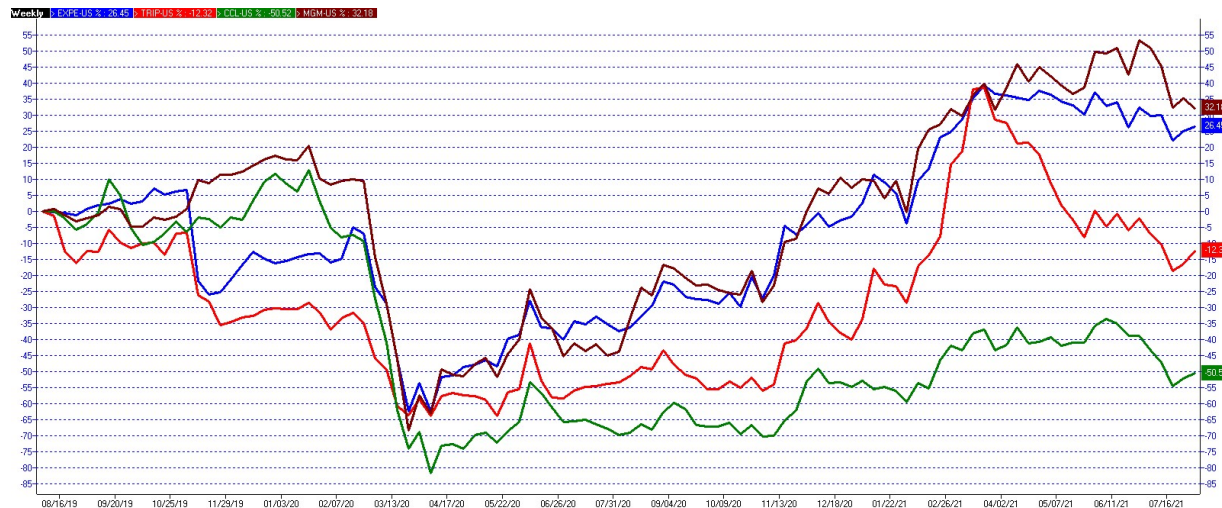
WEEKEND READING

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

On The Road Again

US Travel and Leisure Stocks price %'g change, July 2019 - July 2021

Expedia (EXPE-blue +26.4%) | Trip Advisor (TRIP-red -12.4%) | Carnival Corp (CCL-green -50.5%) | MGM Resorts (MGM-burgundy +32.2%)



Clients tell us they plan to travel. Clients have asked about travel and leisure stocks. History says summer is a good time to BUY the leisure stocks as the prices often sag while their patrons play outdoors. When the colder weather hits, it's time to hit the craps tables at Vegas and on the cruise lines. Attention turns back to the sector and stock prices often lift. It's never that simple though.

Dec/2019, in the midst of what should have been boffo times for the sector, COVID happened. It's still happening. Leisure stocks plummeted in Q1/2020. MGM dropped 80%. After an initial 're-opening rally' the sector has dropped back again from the April peaks.

The price swoon on the middle left of the chart covers the Jan-March/2020 COVID-19 travel lockdown. *Carnival Corp.*, the world's largest cruise line operator, remains 50% down from 2019. *Trip Advisor* is down -12.4% over the same period (TRIP peaked over \$110 in 2014). *Expedia* up +26.4% over the period, trading 11% off it's all-time high around \$186 in March of this year. *MGM* +32% is the best of the bunch over this period but remains well off it's Oct/2007 highs around \$100.

Do we like the stocks or the sector? With no dividends, a fickle customer base – “*should we go to Italy or Thailand this year?*” – cyclical earnings sensitivity, and now the risk of climate change regulations for the cruise lines and the hotel sector, earnings predictions are tough. For the adventuresome there could be a lot of money to be made in the sector. Still got that itch? Here is a link to ETFs for the travel sector from April of this year. Note the article was written at the April top.

<https://www.nasdaq.com/articles/travel-leisure-etfs-ready-to-bloom-in-spring-2021-04-06>

Harvest Portfolios here in Canada offers their **Travel and Leisure ETF (TRVL-TSX-\$20.80)**.



<https://harvestportfolios.com/etf/harvest-travel-and-leisure-index-etf/>

This ETF went public in January/2021 at \$20.00 with a Management Fee of 0.40%. Admin costs are added to this cost. NOTE: The majority of the holdings are denominated in US dollars. The CAD/USD FOREX could be a significant influence on future prices.

DISCLOSURE: No position in any of the travel and leisure securities mentioned. We have not traded in these names within the past 60 days.





Watch Anna's latest video here

<https://www.youtube.com/watch?v=VuB7EZEy4Y>

David Wilson's Chart of the Day July 30, 2021

What jumped out at me from the following was the statement “Both the Russell 1000 and Euro Stoxx Total Market growth indexes are valued at 31 times projected profit” (highlighting mine). 31X forward P/E (current share price vs. analyst opinion projected profit which can be a feeding-frenzy type of stat.) = 3.2% earnings yield. Seems low for risk assets. On the other hand...maybe compared to the ten year US Fed Treasury Bond yield of 1.28%, growth stocks earnings yields at 3.2% being 2.5 X higher makes sense (?). If so, heaven help us if the 10-yr T-bond packs a 3% handle $X 2.5 = 7.5$ Earnings Yield = $13 X P/E =$ a 54% contraction for growth stocks = Ouch. The European Value Index featured above implies a P/E of 12 = earnings yield of 8.3%. That's more like it. Perhaps investors are tired of European taxes, regulations and EURO Brussels bureaucrats.



Disparities between the valuation of U.S. and European stocks are more pronounced in cheaper shares than faster-growing companies, according to Drew Dickson, chief investment officer and managing director at Albert Bridge Capital LLP. Dickson cited a comparison of forward price-earnings ratios in a blog post last week. **Both the Russell 1000 and Euro Stoxx Total Market growth indexes are valued at 31 times projected profit**, according to data compiled by Bloomberg. By contrast, the Russell 1000 Value Index's forward P/E of 18 exceeds its Euro Stoxx counterpart's ratio by 48%. Investors seem to be "thoroughly discarding European value," Dickson wrote.

Sincerely,
David Wilson

(used with permission)

<https://www.albertbridgecapital.com/post/should-europe-be-cheap>

<https://www.investopedia.com/terms/f/forwardpe.asp#:~:text=Forward%20P%2FE%20is%20a,earnings%20prove%20to%20be%20different.>

Staying with the value theme...

'Margin Debt and the Market: Up 2.4% in June, Continues Record Trend' – Jill Mislinski, 7/20/21

<https://www.advisorperspectives.com/dshort/updates/2021/07/20/margin-debt-and-the-market-up-2-4-in-june-continues-record-trend>

More on risk taking.

'Shiba Inu Coin Is Absurd, Amazing and Impossible to Ignore' – Jul 22, 2021

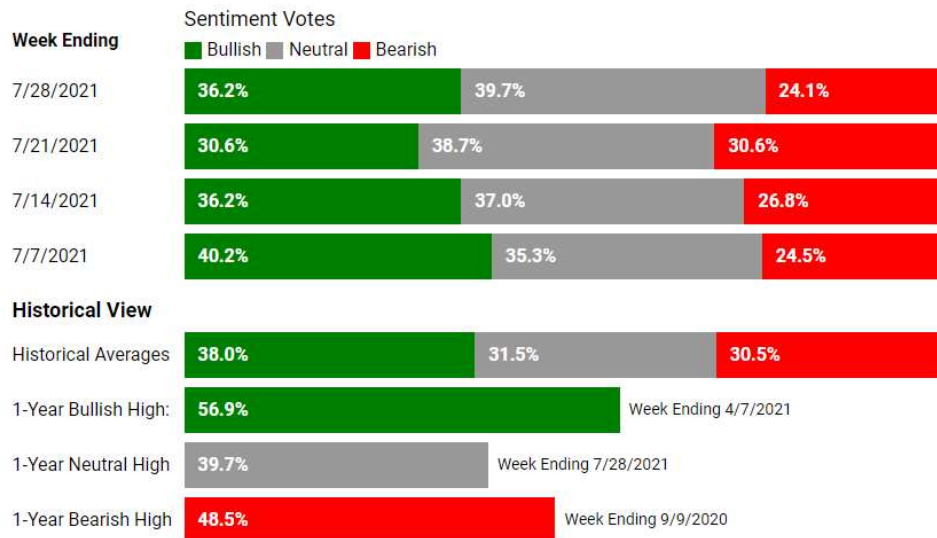
<https://www.nasdaq.com/articles/shiba-inu-coin-is-absurd-amazing-and-impossible-to-ignore-2021-07-22>

What does it all mean?

We don't want to freak our clients out, but clearly investors have a reduced sense of fear lately. While this has pushed prices up from recent lows, much of the Uber-Bear commentary uses the March/2020 lows as a starting point. *"The S&P500 is up 100% from the March/2020 lows"*. Yes, the S&P is up 100% for the few (one?) investors who bought at the March 23, 2020 trough. Good for them (we were buyers that day). A more useful comparison is the S&P current level to a longer-term moving average. The S&P monthly close vs. the 50-month moving average says the S&P is currently 39% above the moving average. Not cheap, but not nosebleed. Using 1975 as a starting base, the highest reading is +53.7% in July/1997 (S&P at 954). The premium to the moving average remained over 30% until August/2000. The subsequent trough was in Sept/2002 at -27% (S&P at 815). If one sold in July/1997 eventually the S&P traded below that exit point, but not for very long. If we include the total return of dividends, selling July/1997 meant a single week opportunity to repurchase at values below the July/1997 exit. Tentative, at best. From July 1997 into Q1/2000 the S&P Total Return index gained an additional 73%. That would have been hard to watch from the sidelines. Today the S&P trades around 4,400. 4.6 X higher than the 'nosebleed' Aug/1997 reading.

The 1997 53.7% premium was much higher than today's 39% premium to the moving average. So yes, stocks are up and yes investors are more optimistic than in 2020. The **Association of American Individual Investors (AII)** latest weekly survey shows an excess of neutrals. Both bulls and bears are modestly below average. More 'menghh' than 'whoopie!'.

<https://www.aaii.com/sentimentsurvey> - copy and paste this link into Croesus to access it.



After much chewing, we decided to do some pruning, trimming out some gains and parking the cash. It's not an easy decision as we give up dividend income for close to zilch yield on cash. We don't expect to hold onto to the cash for long. This puts us in the odd position of kinda' hoping for lower prices.

We exited our Chinese focused ETFs this week. Here's why.

Outspoken Chinese billionaire Sun Dawu sentenced to 18 years in prison

The Chinese authorities are showing increased signs of paranoia. Their clamping down must reflect a sense the public mood is shifting against them. I am reminded of the Chinese curse 'May you live in interesting times'.

<https://www.cnn.com/2021/07/29/business/sun-dawu-prison-sentence-china-intl-hnk/index.html>

We've been pondering nuclear fusion lately. This FP explainer is worth watching.

Race to create the sun's power explained - Financial Post YouTube

https://www.youtube.com/watch?v=R5DKsvNPNkY&list=PLRkPf_Z5RVh98QSOwEWXKmcUB3m6gJigO

Our fearless leaders were in Newfoundland this week bearing gifts. Expect an election soon.



Ottawa to invest billions in Newfoundland's troubled Muskrat Falls power project.

“This province has a lot of hydroelectricity potential, and the projects are part of our plan to reduce emissions in Canada and fight climate change,” Trudeau told reporters in the provincial capital of St. John’s, alongside Premier Andrew Furey.

Muskrat is a test case for those favoring Big Government projects. More than \$5.6 billion/75% over-budget and a decade behind completion, the current Federal dole thrown in, plus loan guarantees, plus price subsidies are an effort to reduce the otherwise sky-high power prices required to pay for the thing. Economically viable it never was. This means more taxes and more debt.

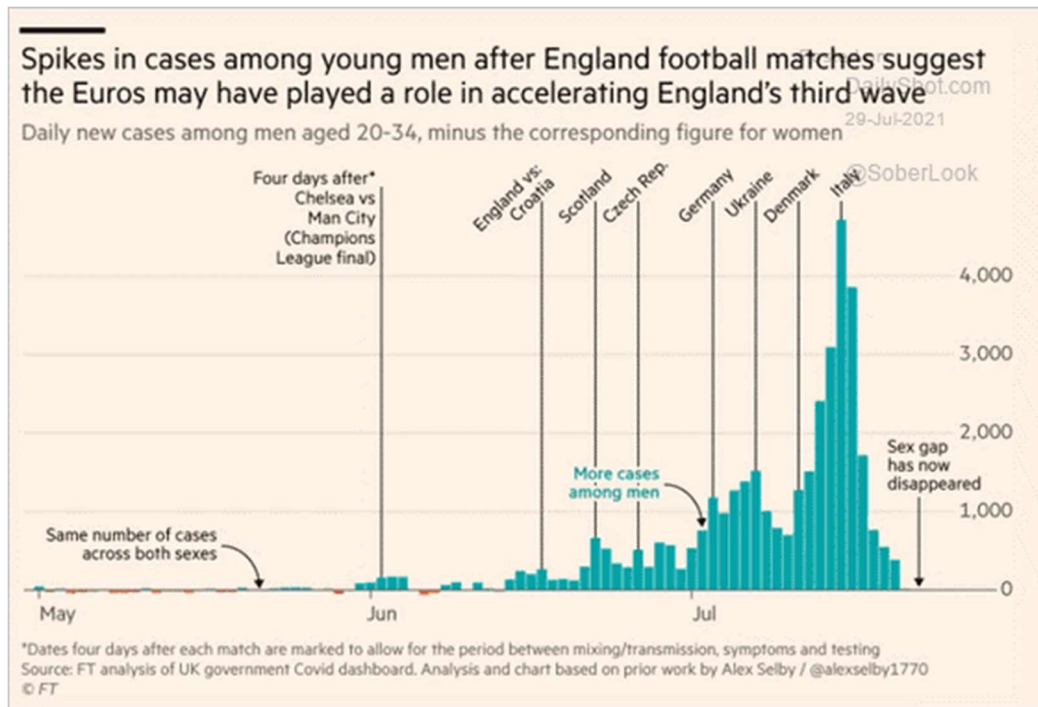
“Newfoundland and Labrador, with about 520,000 people, is Canada’s second-smallest province by population. Trudeau’s Liberal Party holds six of its seven districts in the House of Commons and wants to retain them as he seeks a path to regaining a parliamentary majority.” The Muskrat cost equates to \$25,000 for each Newfoundlander.

‘The problem with Socialism is eventually you run out of other people’s money’. Margaret Thatcher

<https://financialpost.com/commodities/energy/renewables/canada-to-invest-billions-in-newfoundlands-troubled-muskrat-falls-power-project>

The BC-based news media focused on Kelowna COVID outbreaks this week. Many of the COVID stories feature events in the UK as harbingers of what’s to come in Canada. The next chart from the WSJ Daily Shot provides perspective on UK COVID outbreaks.

United Kingdom: Did Euros matches contribute to the spike in COVID cases?



The young bloods go out to a pub to watch the game. COVID spreads. Who’d a thought?. Source: WSJ Daily Shot July 29, 2021 / Financial Times. Speaking of football (soccer) the Canadian women kicked some serious butt this week, defeating Brazil’s squad in a tough match. This is like Bermuda beating the Team Canada’s hockey team. Go Canada!

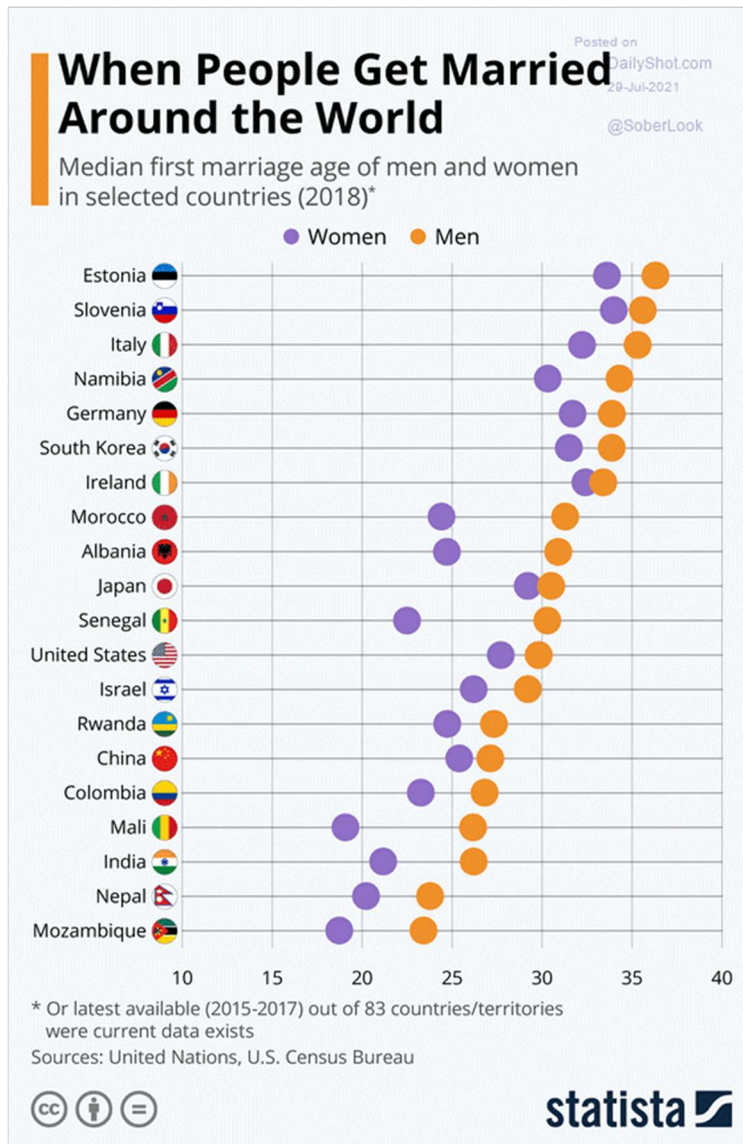


National Bank's COVID-19 update for Friday July 30, 2021

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=0ff9fbf3-358f-4afb-bd98-b76509849ff6&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

Getting Hitched.

The August long-weekend is wedding season in BC. The average age of marriage in Canada is going up. 27 years for men and 24 for women.



Credit to WSJ Daily Shot July 29, 2021

Here's hoping your long weekend is happy and healthy. We're back on Tuesday.

Steve & Anna Hilberry

Have a Great Weekend!



FOR THE RECORD July 30, 2021

DOW INDUSTRIALS:	34,956
S&P 500:	4,400
S&P/TSX COMP:	20239
WTI:	\$74.16
LOONIE IN \$USD:	\$0.8014 \$US

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