



## WEEKEND READING

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

### Get a Job Edition

Help Wanted Board – entrance Thrifty Foods, Duncan, BC Oct 13, 2021



The Starbucks coffee shop across the parking lot is closed to walk-in traffic, drive-through only. It's not COVID worries. They don't have enough staff to man both the counter and the drive-through window. At the Hilberry Farm we have an outdoor project that's been stalled for 6-months. The supplies are in Whistler. The contractor can't get the supplier to ship the products. No drivers. Gas fitters require minimum 30-days advance appointments.

If you want a job, you got it. Anna and I have been predicting rising inflation due to product scarcity (perhaps short-term) energy scarcity (2 years?) and the Boomer exit/Millennial entrance impact on labor work force (very long term). Avoid interest sensitive sectors.

Employee career management firm, McKinsey looks at the Canadian labor market.

# 'Great Attrition or Great Attraction. The Choice is Yours' McKinsey

<https://www.mckinsey.com/business-functions/organization/our-insights/great-attrition-or-great-attraction-the-choice-is-yours?cid=soc-web>

## Amgen Corp (AMGN-NSDQ-\$207.47)

Anna and I have been adding to our AMGEN holdings recently. We like the business model, and we like the price. We think AMGEN's share price and dividends will follow the historical path upwards. The red line is the 'moving average' IE a fair price. Not great but fair.

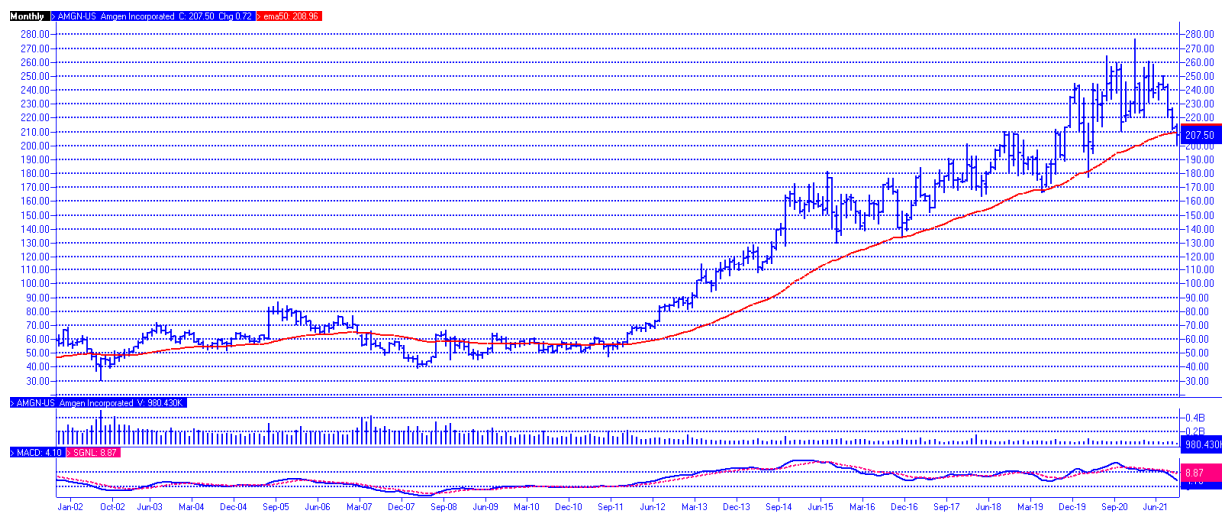
**"It is better to buy a great company at a fair price than a fair company at a great price"**

**Warren Buffet.**

### Daily ranges 12 mos.



### Monthly ranges – 20 years.



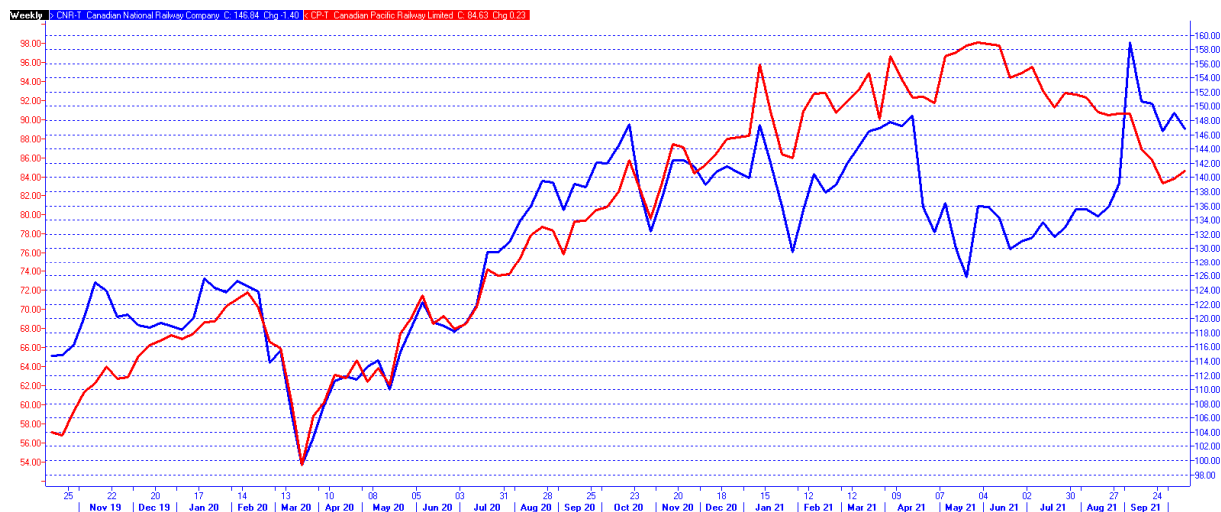
**‘Canadian Railroads: Very weak harvest will be a revenue headwind for CN and CP over next twelve months’ – NBF Sector update Sept 15, 2021**

- Western Canadian grain production down 37% y/y The latest crop production assessment for the 2021-22 crop year from Agriculture and Agri-Food Canada (AAFC) and StatsCan estimates is that the total production of major grain crops will be 49.3 million metric tonnes. This is 37.2% below the record 78.5 million metric tonnes last year with drought the major culprit. Production levels this low have not been seen in over a decade, since 2007-08.
- For CN, grain is ~15% of total revenue, of which, 72% is Canadian grain. Based on a 37% lower harvest, the potential overall revenue headwind for CN could be ~4% over the next twelve months. Keeping Sector Perform ratings on both CN and CP CN Rail (Sector Perform; \$144.00 target). We feel the KCS merger saga has potentially hurt CN’s credibility with investors, and with a shareholder-led move to replace the company’s CEO and four Board members, the stock could be in for some choppiness in the short term. As noted, CN will also face some revenue headwinds over the next twelve months from a very weak Canadian grain harvest.
- CP Rail (Sector Perform; \$97.00 target). We view a potential merger between CP and KCS very positively as we believe it will not only be accretive to the bottom line, but highly strategic. However, we expect some lingering uncertainty around full merger approval could keep CP shares in check in the medium term. CP will also face a meaningful revenue headwind from lower grain volumes.

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=c87be3a4-c9ab-4df7-99fb-b85b9ab0484e&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

Steve’s take: The corporate ego battle over acquiring Kansas City Southern Railway (KCS) didn’t help CP or CN. As we drove to/from Saskatoon last week, we saw mile after mile of oil-tanker car trains heading west and not much grain being shipped. Our Oct 8th Reading included a chart showing Canadian energy exports offsetting auto exports. Oil-by-rail has enabled Western Canadian energy producers to wriggle past pipeline politics selling more product and has helped railway revenues.

**CNR (blue – \$146.90) vs CP (red – \$84.62) weekly ranges 2 years**



Investors are worried CP overpaid for their ‘successful’ purchase of KCS. They probably did. From highs around \$100 in June, CP hit lows this week under \$83 – back to the Dec/2020 ranges. Investors have price 27% out of the stock from the highs. Both CNR & CP stocks are down this month. This could be a good time to start looking at the rails again.

**Green Impact Partners Inc. ‘Where the green grass grows’ NBF**

NBF initiates coverage of this micro-cap story this week. It doesn’t fit our risk parameters, but we’re watching from the sidelines.

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=66329346-923a-4ad0-a17e-db1761b57081&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

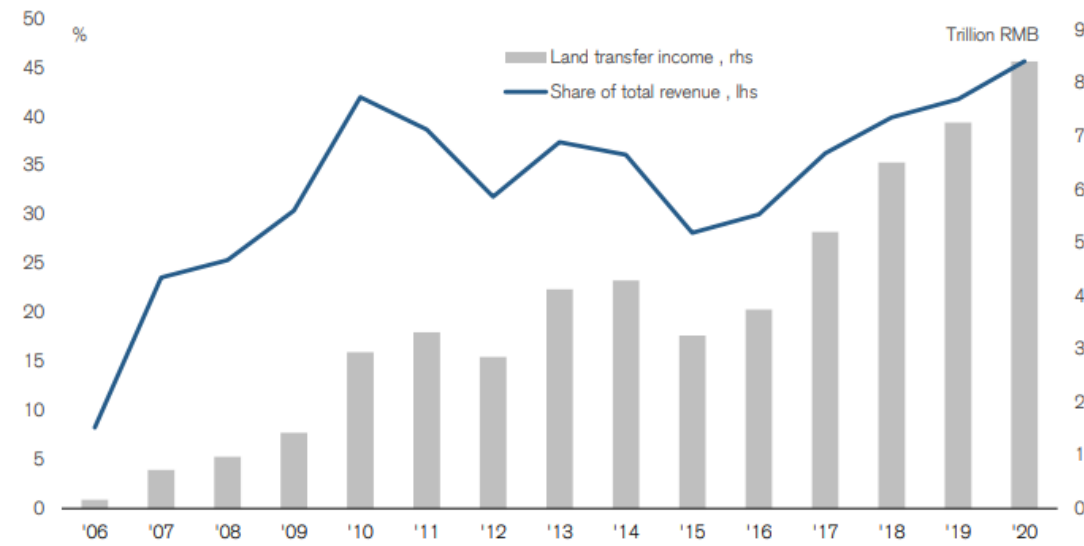
**DISCLOSURE: No position in GIP.**

**Should we pay attention to China’s property troubles?**

Yes.

**Figure 3: Land transfer as a share of total local government revenue (budgetary and ex-budgetary)**

Local governments receive income from transferring land-use rights to other sectors. Total local government revenue includes budgetary taxes and fees and ex-budgetary income, the latter of which is mostly income from land transfers.



Source: Credit Suisse, MoF, CEIC

Upheavals in China’s property development markets could have wider contagion effects.

**See Credit Suisse Global Economics Dispatch for Oct 4<sup>th</sup> and 5<sup>th</sup> in the PDF links section**

The Economist looked at the Evergrande fallout this week

***‘Sunk costs: business failures from the Titanic to Evergrande’ The Economist Oct 1, 2021***

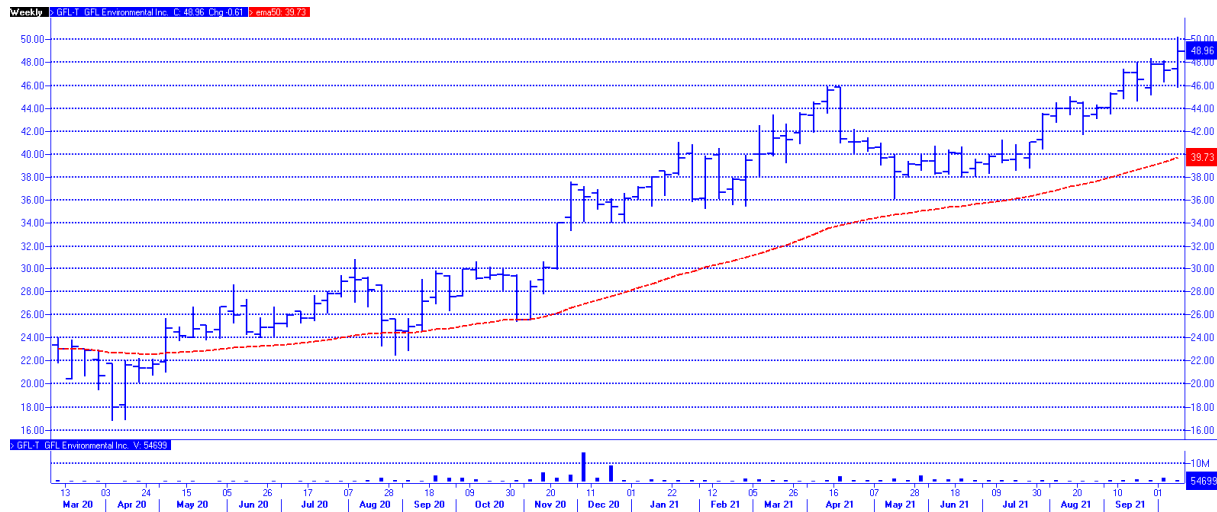
(may require subscription)

<https://www.economist.com/1843/2021/10/01/sunk-costs-business-failures-from-the-titanic-to-evergrande>



**‘GFL Environmental’ (GFL-TSX-\$48.97) – NBF Research update Oct 1, 2021**

A client with a small business noted how much he’s paying for waste removal. His bill from GFL caught his attention, noting there’s money in garbage. He decided to buy some of their stock to get his money back! That’s the way to do it. We’ve included NBF’s recent update on the company.



<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=3cbd7cad-6e18-4a7c-abf9-968cc1d7feaa&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

**DISCLOSURE: I do not hold GFL personally, for family members or in accounts over which I have trading authority. A small group of clients have traded in the security within the past 60 days.**

***‘Toronto-Dominion Bank A valuation quandary presents an opportunity. Upgrading to Outperform’ NBF Research Sept 30, 2021***

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=b42c958a-241a-496f-bb35-be820dd35446&mime=pdf&co=nbf&id=replaceme@bluematrix.com&source=mail>

**DISCLOSURE: I own TD personally, for family members and for client accounts over which I have trading authority. We’ve got lots of it! We’ve traded in the security within the past 60 days.**

**Turning to Energy:**

***In a World Fighting Climate Change, Fossil Fuels Take Revenge. Javier Blas Bloomberg Oct 10, 2021***

<https://www.bloomberg.com/news/articles/2021-10-10/in-a-world-fighting-climate-change-fossil-fuels-take-revenge>



Last week we featured the dramatic spike in energy costs, Europe in particular. Allan Brooks wades in this week. His conclusions are inconvenient for many in Canada's current political landscape. Mr. Brooks detailed commentaries are required reading for energy investors, Green or otherwise.

## ***'Europe Energy Crisis And Why Renewables Are Not At Fault' – Energy Musings Oct 12, 2021 – Allen Brooks***

*"It is inaccurate and unfair to explain these high energy prices as a result of clean energy transition policies. This is wrong." That was told to Reuters by International Energy Agency Executive Director Dr. Fatih Birol. He also used the interview to take a stab at Russia for supposedly failing to send more natural gas to Europe to ease the crisis. Like many others driving the global move away from fossil fuels, Birol said that the embrace of renewable energy should not be targeted as contributing to the sky-high natural gas and electricity prices. Others suggest the current European energy crisis was created by embracing intermittent electricity sources such as wind and solar. Who is right?*

<https://energy-musings.com/energy-musings-october-12-2021/>

### **Canadian energy in the global context:**

Canadian crude oil exports value

- 1990 crude oil only \$5.4 billion = 3.6% total exports
- 2019 crude oil only \$84.3 billion = 14.1% total exports
- 2019 Oil + Gas = \$122 billion
- 2019 total energy exports (includes uranium & electricity): \$134.3 billion
- 2019 Oil & Gas % total exports: 20.9%
- Majority of 1990-2019 increase of energy exports was heavy oil. Conventional crude production has stalled since 1998. Energy now Canada's largest exports. Auto's have fallen.

<https://www.cer-rec.gc.ca/en/data-analysis/energy-commodities/crude-oil-petroleum-products/report/canadian-crude-oil-exports-30-year-review/>

### **Canada's energy exports vs. global demand**

<https://www.canadianenergycentre.ca/over-1-9-trillion-the-value-of-canadas-oil-and-gas-exports-1988-to-2019/>

- 2019 Canadian crude oil export volumes: 2.5 million barrels per day 96% to the US.
- China crude consumption: 1998 4.23 mbpd | 2020 14.23 mbpd source OPEC /Russia.
- Global crude oil daily consumption 2019 101 mbpd.

Canada's crude oil exports are important to Canada. Globally not so much.

<https://www.statista.com/statistics/265182/oil-production-in-canada-in-barrels-per-day/>

<https://www.reuters.com/article/column-russell-oil-asia/column-asia-crude-oil-imports-stay-soft-but-middle-east-is-regaining-share-idUSKBN2H208U>

## Excerpt from National Bank's Friday Oct 15 daily FOREX notes:

As we head toward the weekend, today can be summed up in two words, risk on (so far anyways) as safe haven flows get unwound. We highlighted a number of contributing factors yesterday including more stable US yields, a Fed that will be slow and steady with their taper and S&P seasonality. We also highlighted earnings and that remains a big focus today as earnings season continues to be pretty decent so far (8 S&P 500 companies reported yesterday, all beat). We also think the market is pleased with recent developments out of China. Chinese exports remain strong and point to a global economy that is still grinding higher. It also looks like China is taking steps to ring-fence Evergrande and help stave off any contagion:

- overnight there were reports that China is easing bank mortgage limits
- regulators are telling banks to accelerate loan approvals
- the PBOC listed 19 Chinese banks as systematically important
- The PBOC assured that Evergrande's risks to financial system are controllable
- President Xi stated that the Chinese government will coordinate development of property sector

All this to say we think China will make sure risk around Evergrande will be contained. Throw in news that the port of Los Angeles will be running 24/7 and no debt ceiling headlines for at least a few more weeks and you have a risk supportive backdrop. Asian equities were up across the board, European indices are all flashing green while futures point to a stronger open in North America. The US 10-year yield is a couple of bps higher and so is crude with WTI topping \$82 to start the session. The US Dollar is softer pretty much across the board on the back of better risk sentiment with only the traditional safe havens Yen and Swiss underperforming this morning.

**CAD** - The Canadian Dollar is continuing its strong run this morning on the back of higher oil and equities. You might say this move lower in USDCAD is a bit of catch up to oil and was overdue. Our view is the BOC has little to be dovish about later this month, crude is at 7-year highs, inflation is above target and will likely be stickier than previously thought, housing prices are on fire and despite what Governor Macklem might say about slack in the labour market, jobs in Canada have returned to pre-pandemic levels. The BOC is running out of reasons to be dovish, let's see if they change their timeline for slack in the economy being absorbed at the next meeting. We think the market is still long USDCAD and those positions will continue to get pared back ahead of the BOC. Watch for a close below 1.2365 today, it would pave the way for a move to 1.2280 next week. We should see offers come in ahead of **1.2400 now.** (\$USD equivalent – SH)

## Property Purchasing power revisited

### What \$2.9MM CDN buys in...Burnaby, BC

4,255 sq ft. 4 bedrooms, 5 baths (lots of bathrooms for a typical 3 person family)



<https://www.realtor.ca/real-estate/23533657/7909-macpherson-avenue-burnaby>

or...

## Poitiers France:

How about a castle on 51 acres set up as an equestrian facility?



<https://www.prestigeproperty.co.uk/5-bed-french-chateau-poitiers-vienne-poitou-charentes-france-205629>

***‘The best- and worst-case scenarios for Covid-19 this winter’ Vox Oct 8, 2021***

<https://www.vox.com/22712737/covid-19-cases-deaths-2021-winter-wave>

***‘JPMorgan's Dimon blasts bitcoin as 'worthless', due for regulation’ – Reuters Oct 11, 2021***

<https://www.reuters.com/business/jpmorgans-dimon-blasts-bitcoin-worthless-due-regulation-2021-10-11/>

***IMF Global Financial Stability Report Oct/2021***

**COVID-19, CRYPTO, AND CLIMATE Navigating challenging transitions**

<https://www.imf.org/en/Publications/GFSR/Issues/2021/10/12/global-financial-stability-report-october-2021>

For those following cryptocurrencies, **Chapter 2 is required reading.** It will be on the test.

<file:///C:/Users/HILS008/Downloads/ch2.pdf>

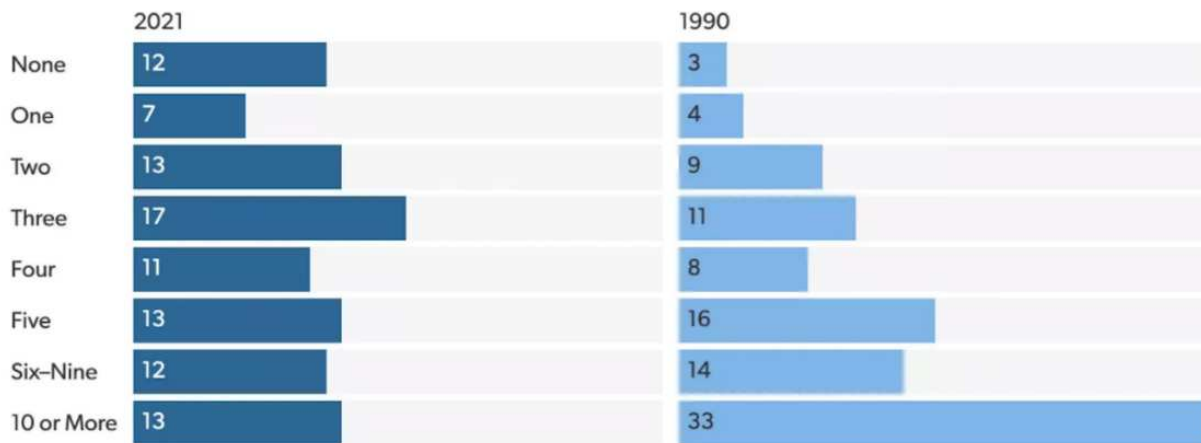




**America's "Friendscape" crisis**

**The Number of Close Friendships That Americans Have Has Declined Over the Past Several Decades**

Percentage of Americans who say they have the following number of close friends, not counting their relatives . . .



Data: 1990 findings from Gallup. The May 2021 survey included 2,019 U.S. adults on the Ipsos KnowledgePanel. (Margin of error: ±2.4 points.) Graphic: [Survey Center on American Life](#)

<https://www.axios.com/american-society-friendship-crisis-0272ba80-1967-45ee-8251-63541c48f2cb.html>

US Thanksgiving is in November. Hopefully these lonely folks can get together in the coming months.



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## How Does Inflation Work? | Inflation Explained in 2021



Watch Anna's latest video here

<https://www.youtube.com/watch?v=8X7OchJEkeg>

### Have a Great Weekend

### Steve & Anna Hilberry



#### FOR THE RECORD Oct 15, 2021

DOW INDUSTRIALS:	35,239
S&P 500:	4,467
S&P/TSX COMP:	20946
WTI:	\$82.18
LOONIE IN \$USD:	\$0.8073 \$US

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Sent by

Montreal office  
National Bank Financial  
Wealth Management  
1155 Metcalfe 5th Floor  
Montreal, Quebec H3B 4S9  
Phone: 514 879-2222

Toronto office  
National Bank Financial  
Wealth Management  
130 King Street West Suite 3200  
Toronto, Ontario M5X 1J9  
Phone: 416 869-3707



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