

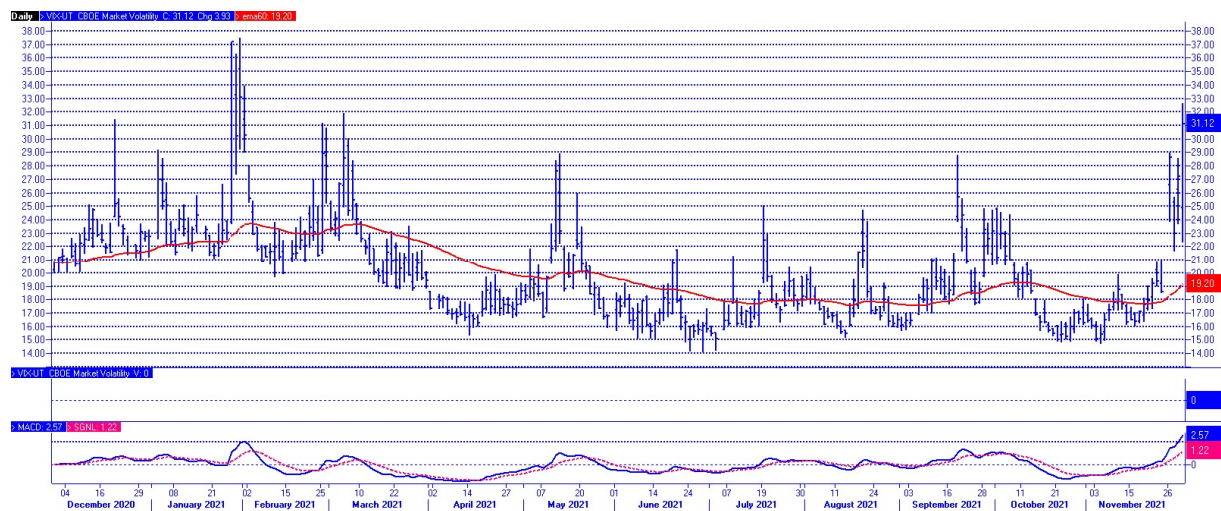


WEEKEND READING

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

Black Friday Bargains. Buy the Dips.

CBOE Volatility Index 12 mos. to Friday Dec 3, 2021



'7-Chart Sunday (11/28/21)' - Charlie Bilello

Mr. Bilello reviews last weeks 'Black Friday' selloff vs. past short-term declines in the S&P. He also reviews crude oil market prices. His Conclusion: Sharp increases in volatility (industry speak for price drops) rarely indicate sober analysis. Panic is your friend. Buy the dips. We agree.

<https://compoundadvisors.com/2021/7-chart-sunday-11-28-21>

While Mr. Bilello is relatively sanguine on recent market declines, he points out the historically high levels of S&P500 Cyclically Adjusted Price to Earnings (CAPE).

<https://www.investopedia.com/terms/c/cape-ratio.asp>. Short-hand: investors are paying too much.

I haven't found the S&P's CAPE ratio useful as a portfolio management tool. I agree with Mr. Bilello's comments on concentration risk with the top 5 holdings representing close to 25% of the S&P's market value. He cites the 2000-2010 'lost decade'. Our 2000 to 2010 experience was very different. Recall the Loonie hit a multidecade low in 2000. A combination of not over-paying in 2000, avoiding the Dot.Com's, receiving growing dividends over the next 10 years and a higher exposure to the undervalued Canadian market put us nicely ahead by the end of the decade. Tempering greed, diversification, and dividends work.

'Omicron Needs 3 Evolutionary Surprises to Wreak Havoc' – Bloomberg Nov 29, 2021

Basic principles of biology show that the worst-case scenario is possible but not probable, a fact that should help separate prudence from panic

It was all about the Omicron COVID variant this week. Suddenly everyone's an epidemiologist. Bloomberg (for once) put out a piece of reason.

<https://www.bloomberg.com/opinion/articles/2021-11-29/how-bad-is-omicron-variant-weighing-risks-of-covid-surge>

Our take: Buy the dips.

NBF will be hosting the 2nd Annual Hydrogen & CCUS Day on December 8 & 9, 2021 - VIRTUALLY.

If you have interest in joining on December 8th & 9th please let us know by responding [HERE](#). Our NBF facilitator is Susan Lerouzcic: Susan.LeRouzic@nbc.ca

'Americans load up on firewood as home-heating costs skyrocket' Financial Post Nov 21, 2020

<https://financialpost.com/commodities/energy/americans-load-up-on-firewood-as-home-heating-costs-skyrocket>

Long term readers will recall our reference to home heating with wood in our area west of Duncan (we use propane heat at the Hilberry Farm). With lots of tree, an active logging industry and familiarity with the accoutrements, wood fired home heating is still popular

here. Suddenly old-school is new-cool, or at least less-cold?



For those unfamiliar with wood fired home heating, the following provides a primer on ordering firewood (offered only partially in jest). A 4' X 4' X 8' stack or 'cord' (NOT chord) is the standard measurement.

<https://www.firewood-for-life.com/cord-of-firewood.html>

On Vancouver Island, firewood is now going for \$250 per pickup load delivered. A stacked pickup load is usually just under ½ cord of wood implying a full cord of properly seasoned firewood, cut to useful heating lengths is going for around \$500+ per cord delivered. \$350 is average. Loose loaded is much less (rip-off). Up in the central-northern BC interior with large tracts of standing 'bug wood' dead tree stands, a full cord goes for \$250 delivered, which is still above the long-term average.

Is the truck a ½, ¾ or full 1 ton? Does it have a short or long box? Are there wooden sides in the box above the truck bed (more capacity)? Is the load stacked in the truck or tossed in loose? Stacking provides a lot more wood per load but takes a lot more time to stack. Is the wood 'seasoned (cut in the summer and held through the seasons into the winter) or is it fresh, wet and worthless? Savvy buyers will visit the wood-yard and watch their cord(s) being loaded. Like all else, rising transportation fuel prices often result in higher firewood prices. A typical country home will consume roughly 3 cords of wood per 1,000 sq ft per winter. Consuming 4 cords per winter on Vancouver Island isn't unusual. A winter's heat costs around \$1,200 in a typical year. This year it looks more like \$2,000+. Maybe the simple life isn't so simple

Sheltered wood doesn't go bad. Having excess is common. 5 cords = 640 cubic feet of wood in a dry environment, meaning a big woodshed with room to split up kindling. If you've got the truck and tools, collecting one's own wood from the bush is 'free' bearing in mind the old saying "Wood makes heat twice". It's a long way from a Tesla model 3.

'U.S. gasoline barges head to Western Canada after flood damage cuts off supplies'

The recent weather events have clarified in real time BC's energy 'supply chain' infrastructure.





A gas station in Victoria, B.C. Gasoline is in short supply in parts of British Columbia. PHOTO BY JAMES MACDONALD/BLOOMBERG

<https://financialpost.com/news/economy/u-s-gasoline-barges-head-to-western-canada-after-flood-damage>

CALGARY, AB, Nov. 22, 2021 /PRNewswire/ - Parkland Corporation ("Parkland", "we", the "Company", or "our") (TSX: PKI), announced today, that in response to the ongoing crisis in British Columbia that resulted in the shutdown of the Trans Mountain Pipeline on November 14, it has initiated steps to pause refinery processing operations at the Burnaby Refinery ("the refinery") and maintain the refinery in ready-mode. The Trans Mountain Pipeline is the primary source of crude oil feedstock to the refinery.

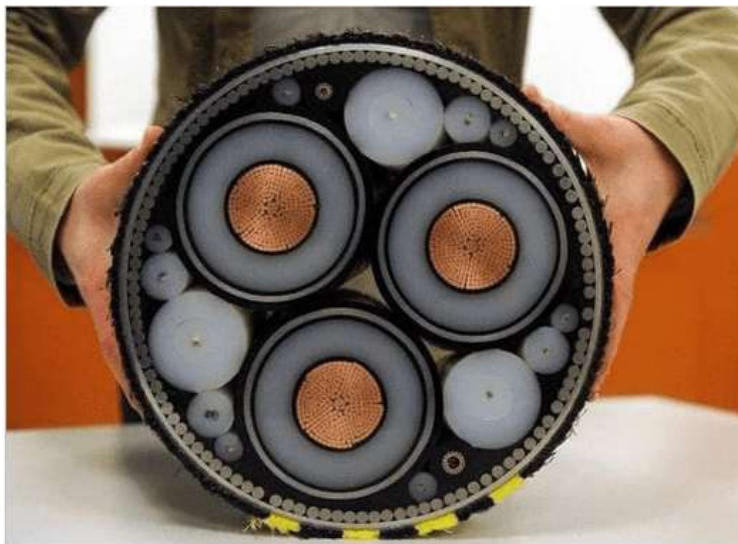
"Due to a lack of crude oil supply from the Trans Mountain Pipeline, we are maintaining the refinery in ready-mode," said Ryan Krogmeier, SVP Supply, Trading and Refining. "Ready-mode, is a state of operational readiness which positions us to recommence processing once sufficient crude oil feedstocks become available."

Time to load up on copper?

Metals used in current technology renewable energy.

Offshore windfarm power cable:





A 630 mm (24.8") offshore wind farm power cable.

I see a lot of copper and plastic. We understand the white stuff to be stiffeners/sealants.

'New cable designs are critical for floating wind turbines' – Wind Power Engineering.com Dec 28, 2020

This article notes the first floating power wind farm was installed by Norwegian energy operator Equinor (originally know as Statoil). The wind farm requires 30 kilometers of cable. It's a small one.

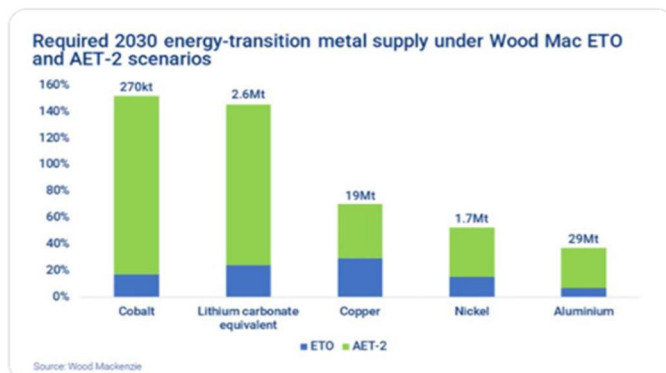
<https://www.windpowerengineering.com/new-cable-designs-are-critical-for-floating-wind-turbines/>

Where do we get these metals from?



Ed Crooks
@Ed_Crooks

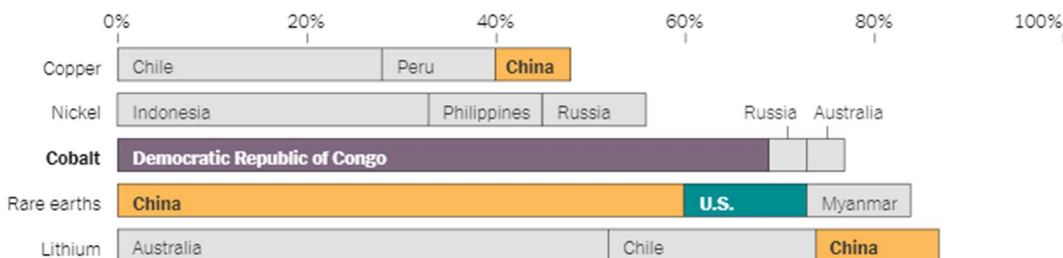
These are our latest forecasts for metals demand in two scenarios: our base case forecast, in blue, and a Paris-aligned scenario on track to limit global warming to less than 2C, in green. The difference is enormous. (2/n)



Where do Clean Energy Metals come from?

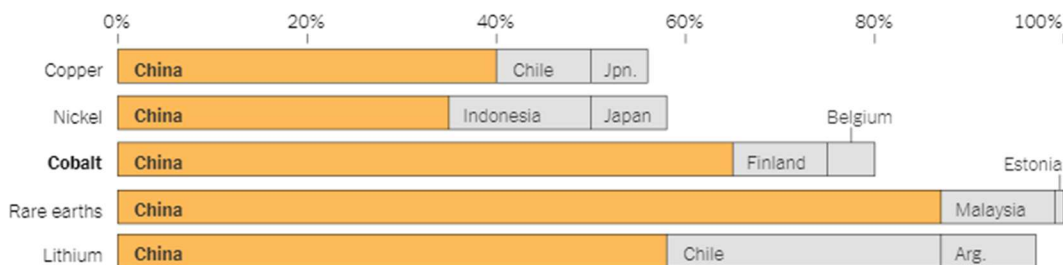
Where Clean Energy Metals Are Produced

Production of key resources is highly concentrated today. Charts show the top three producers.



And Where They Are Processed

China dominates the refining and processing of key metals.



Source: International Energy Agency • By The New York Times

Military defense contractors have raised vulnerability worries of these supply systems. Markets in everything including worry.

Above chart Source New York Times: <https://www.nytimes.com/2021/11/20/world/china-congo-cobalt.html>

Copper: Canada not in the top 10. We could be. Lots of copper here.

<https://www.nrcan.gc.ca/our-natural-resources/minerals-mining/minerals-metals-facts/copper-facts/20506>

Cobalt: Canada was number 8 (in 2019 our production fell 15%).

Canada could be a major player but there's that 'endless licensing' thing. We're up against the Congo. Guess who has stricter standards?

<https://www.nsenergybusiness.com/features/top-cobalt-producing-countries/>

...about those green jobs.

Hydrogen?

NBF will be hosting the 2nd Annual Hydrogen next week. December 8 & 9, 2021 - VIRTUALLY. If you have interest in joining on December 8th & 9th please let us know by responding to ... susan.lerouzig@nbc.ca



SAVE THE DATE

Green Revolution: 2nd Annual Hydrogen & CCUS Conference

Virtual Conference

 Wednesday, December 8th, 2021 – Hydrogen Focus
Thursday, December 9th, 2021 – CCUS Focus

CONFERENCE FORMAT:
This conference will be a combination of Fireside Chats and Panel Discussions. One-on-one Meetings will be available with select Presenting Companies.

Panel Discussions Include:

- 01 Hydrogen in Motive Applications?
- 02 Transporting / Infrastructure for Hydrogen
- 03 Next Unicorn in Hydrogen
- 04 Where in the World is Hydrogen?
- 05 Hydrogen Production - What is in a Colour?
- 06 Partnering to Success
- 07 Financing Projects in the Trillion Dollar Hydrogen Economy
- 08 New Energy as a Service
- 09 Nature Based Carbon Solution
- 10 Enabling the Carbon Capture Revolution
- 11 CCA A Made in Saskatchewan Success Story
- 12 Funding the Energy Transition
- 13 Carbon Utilization: Making Good from Waste
- 14 Funding the Energy Transition
- 15 Oil Sands Pathway to Net Zero

Participating Companies Include:

- 01 Ballard Power, Capital Power, CarbiCrete, Carbon Upcycling, CC&L Infrastructure, Enerflex, Evok Innovations, HTEC Hydrogen, Hydro-Quebec, IHS Markit, Imperial Oil, ITM Power, Loop Energy, McKinsey & Co, Next Hydrogen, Nutrien, Pembina, Wood Mackenzie, Whitecap Resources, Xebec Adsorption and more

 **REGISTRATION LINK WILL BE SENT OUT SHORTLY**



On Hydrogen fuel production as a transportation fuel source...

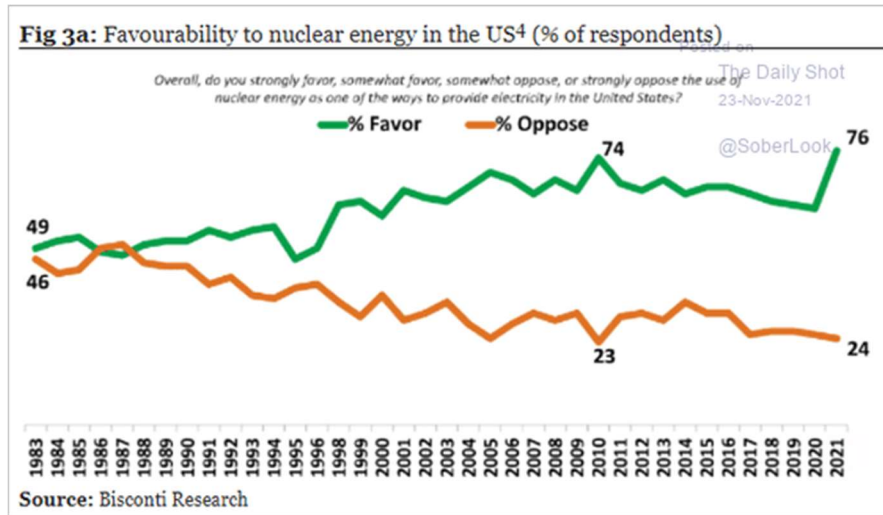
“So the key question right now is: What is the tenure of hydrocarbon production? And I think it looks a lot like it’s four to five decades, rather than one to two decades” – Mike Dilger, retiring CEO Pembina Pipelines – Calgary Herald Nov 23, 2021

<https://calgaryherald.com/opinion/columnists/varcoe-leadership-changes-trigger-pivot-period-for-canadas-energy-sector>

Oil killer? Why the race to harness the power of the sun just sped up.

<https://financialpost.com/commodities/energy/nuclear-fusion-why-the-race-to-harness-the-power-of-the-sun-just-sped-up>

We've featured the work of GoRozen in recent readings. They've pointed to nuclear as a viable solution to reducing GHG emissions. The public view may be turning in favor of nuclear again.



Source WSJ Daily Shot Nov 23, 2021

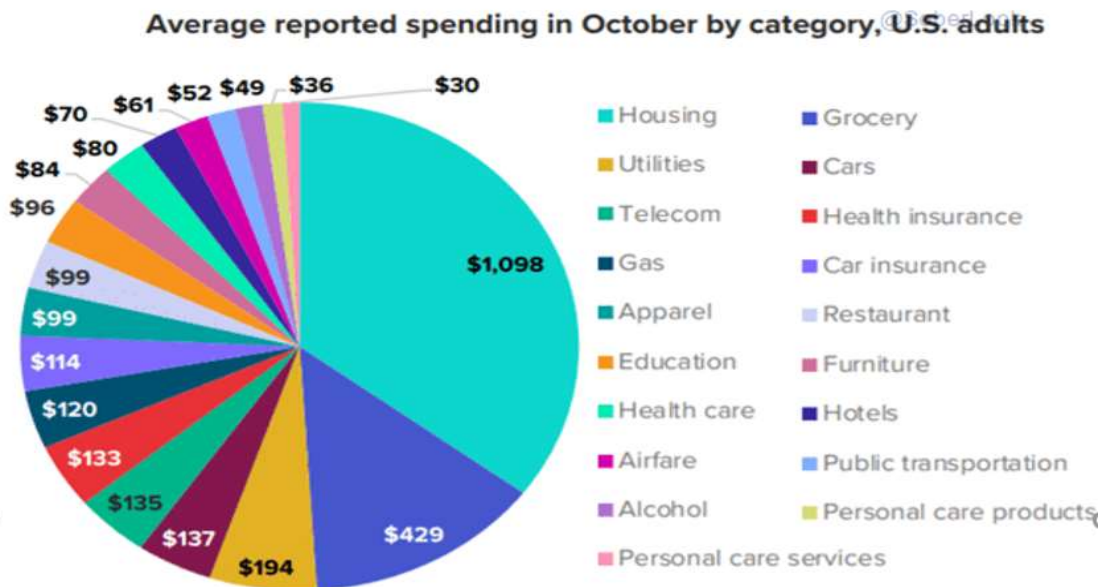
The Three Mile Island nuclear plant in Pennsylvania partial meltdown of March/1979 turned North American opinion towards coal and natural gas. Canada's CANDU reactors never recovered. Maybe the wind is changing. https://en.wikipedia.org/wiki/CANDU_reactor

Where does the money go?

Total = \$3,115

▲ \$2 from September*

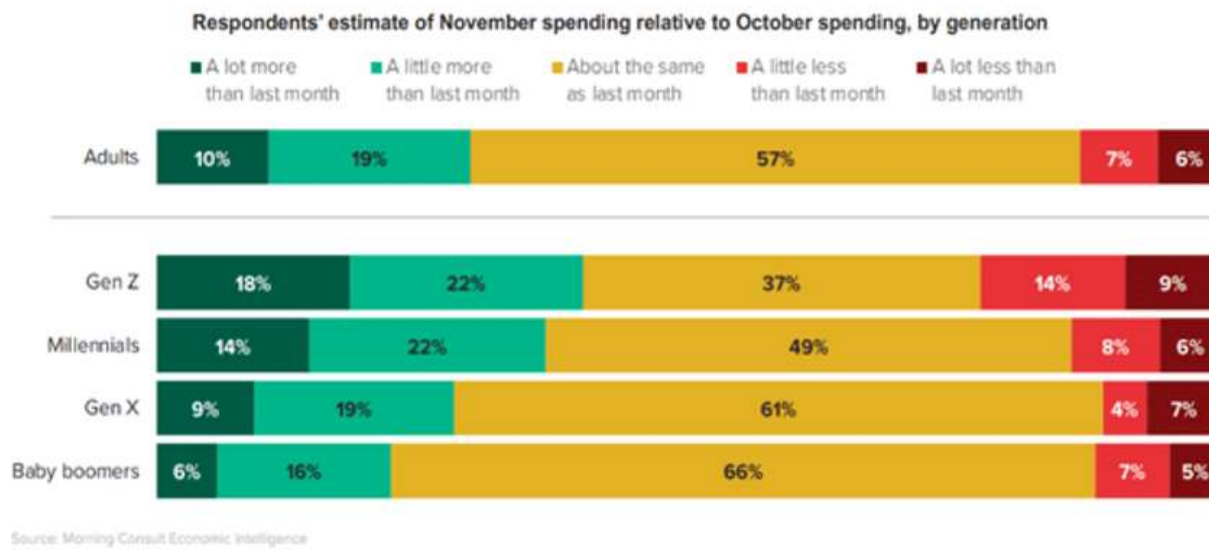
Posted on
The Daily Shot
23-Nov-2021



Source: Morning Consult Economic Intelligence

*Month over month comparison of total spending excludes personal care categories, which were added in October





Source WSJ Daily Shot Nov 23, 2021

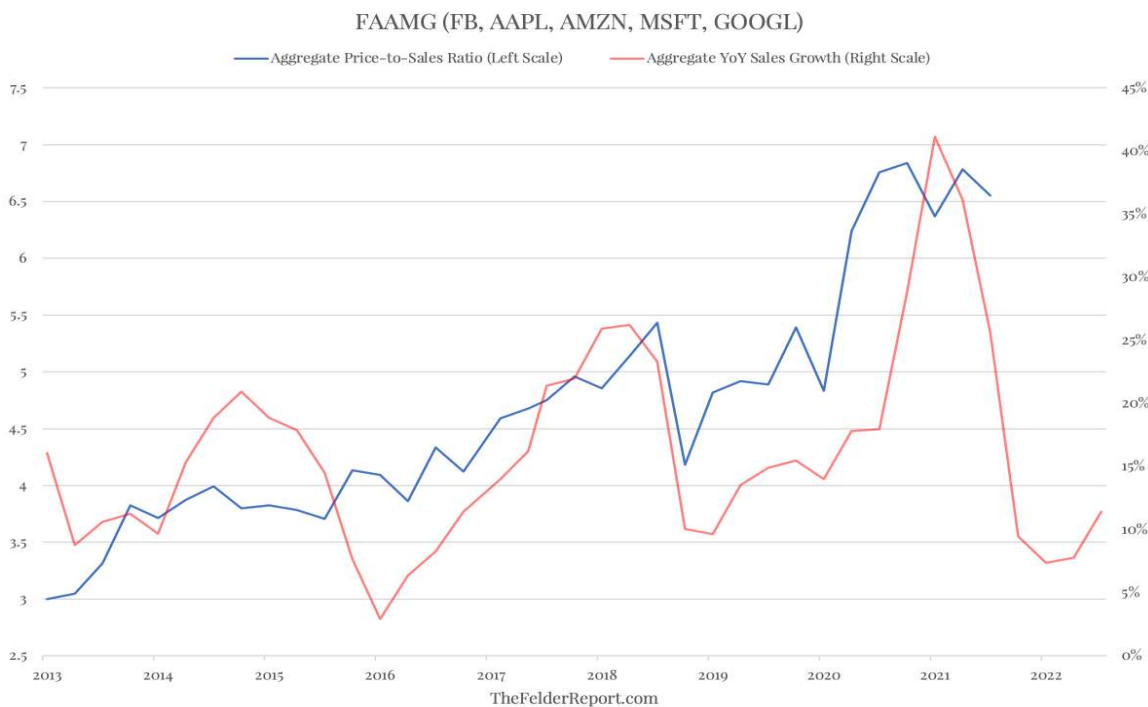
In the US, on average, 35% is spent on housing. This is within long term averages

‘What May Prove Truly ‘Transitory’ Is FAAMG’s Record Growth’ – Jesse Felder Dec 1, 2021

Mind The Gap.

Excerpt:

“The chart below plots the aggregate price-to-sales ratio for FAAMG (Facebook – now Meta, Apple, Amazon, Microsoft and Google – Now Alphabet) along with the year-over-year growth of aggregate sales. Clearly, there is some relationship here between sales growth and valuations; when the former rises the latter follows and vice versa. And over the past year, sales growth has soared leading to record valuations. However, according to analyst estimates, sales growth for this group is set to decline in a dramatic way over the next few quarters which could pressure these extreme valuations.” –



<https://thefelderreport.com/2021/12/01/what-may-prove-truly-transitory-is-faamgs-record-revenue-growth/>

‘Assured Misery’ – Morgan Housel – Nov 30, 2021

<https://www.collaborativefund.com/blog/assured-misery/>

This week we’ve had clients ask, “Should I buy crypto’s?”

We have two stories.

The 60% guaranteed return: A client said a friend has gotten onto a cryptocurrency trading platform. As I got this story 2nd hand I can’t vouch for the accuracy. The client says his friend, who is worldly and wealthy, has a 60% guaranteed rate of return (red flag). The guarantee bit wasn’t clarified. The friend started with \$10,000 on the ‘platform’. That grew to \$50,000. The friend drew the money out. He then decided to put back in \$225,000 of new money, his, the wife’s and kids money (red flag). The friend has been drawing regular income with no hassles (red flag). To access the cash, he places a ‘SELL’ order on the trading system. It executes via an account registered in Luxembourg (red flag). He then draws the proceeds out as cash from an ATM here on the Island (red flag). While I don’t have the details, and it isn’t my client who’s exposed, this story is very familiar to one we shared earlier, also focused on cryptocurrency trading by a friend of another client that proved to be a Ponzi scheme. The previous story ended in complete loss of assets.

Buying Crypto ETFs:

In the second case a family member of a client had taken a small speculative position in Ethereum crypto currency platform via a CDN listed ETF. This one is legit but still has issues. In my reply to 2nd client the names have been changed.

Susan & Jane

Jane graciously shared that she has acquired a small position in the '**CI Galaxy Ethereum ETF**' **CDN\$ (ETHX.B-TSX \$20.73 – green line on the first chart below)**

I'll refer to the ETF by its exchange symbol ETHX. Jane says she acquired these units and holds them with another firm. This Exchange Trade Fund (ETF) is 'sponsored' (created) by CI Global Asset Management, a Canadian based mutual fund provider, one of the Big 3 still standing here in Canada.

<https://www.cifinancial.com/ci-gam/ca/en/investment-solutions/cryptocurrency.html?>

The details of their ETF are here:

<https://www.firstasset.com/solutions/overview/?fund=CI+Galaxy+Ethereum+ETF+%28US%24+Series%29>

The ETHX inception date was April 20, 2021 at \$10.00 CDN per unit. **The CI Galaxy Ethereum ETF CDN\$ has an internal management expense ratio (MER) of 0.95%.**

This ETF is structured to provide a Canadian dollar (unhedged) price mirroring that of the \$USD market price of the **Grayscale Ethereum Trust ETH (ETHE-US-\$43.515 – blue line on the first chart below)**. **Here are the details of the Grayscale ETHE.**

<https://grayscale.com/products/grayscale-ethereum-trust/>

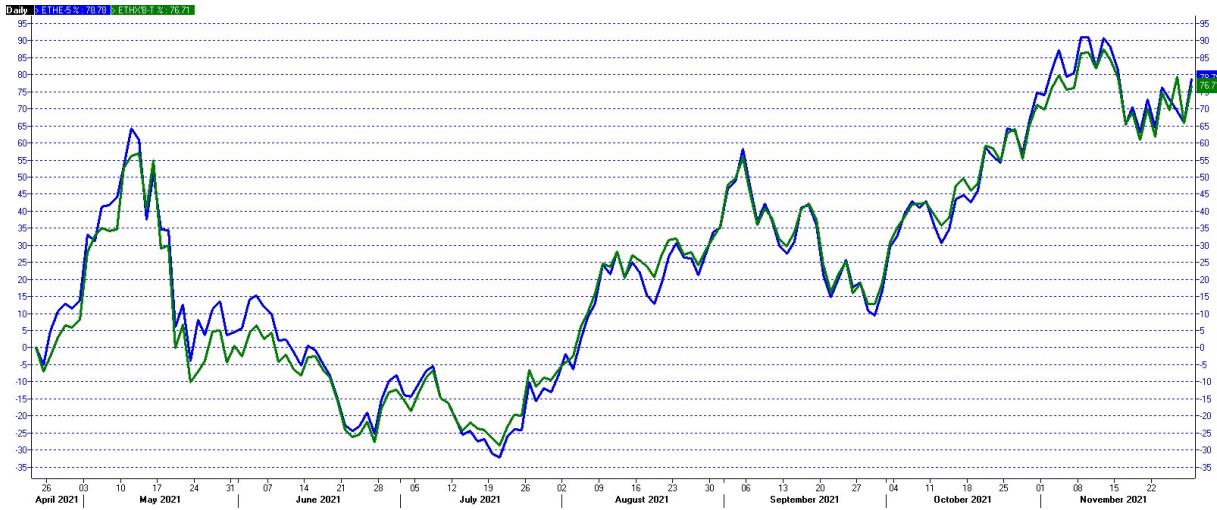
The Grayscale Ethereum Trust ETF is designed to represent the 'CoinDesk Ether Price Index' a synthetic index representing the market price of Ether crypto currency units.

The Grayscale Ethereum ETF has an internal annual fee (not described as a management fee perhaps because as there is no management?) of 2.5%

<https://www.coindesk.com/price/ethereum/>

The CoinDesk website has lots of engaging charts designed for smart phone viewing. Wonder who the target market is?

The first chart plots the cumulative % change of the two instruments since the CI Galaxy Ethereum ETF (ETHX green) IPO in April 20, 2021. Prices are up 78% in 6 months.



The next chart plots the GrayScale Ethereum Trust since it's creation in Dec 14, 2017. At inception the value was \$7.97 per unit.

I believe Ether originally traded only in an informal market. CoinDesk was created to permit easier trading (for a fee). Eventually the major stock exchanges got involved with a listing on the NYSE. Note the initial surge from \$34 to \$65 when it started trading on the NYSE in mid-2019. The price hasn't seen that high since.



Let's review the management cost structure of these two instruments. Recall CI ETHX owns Grayscale ETH that represents the CoinDesk Ether Index that represents Ether currency.



The CI ETHX ETF charges 0.95% to represent the Grayscale ETH that charges 2.5% to represent the CoinDesk Ether Index. I'm not clear what – if any – fees CoinDesk charges to represent Ether but it's probably not zero.

This implies \$100 nominal value of Ether 'coin' trading on the CoinDesk Ether Index at minimum incurs -2.5% fee at the Grayscale ETH to equal \$97.50. CI ETHX then represents that ETH incurring their 0.95% fee leaving \$96.57 = -3.42% annual erosion in CoinDesk Ether Index value before any price movement at the CI ETHX level. Given the price gains lately, who cares about an annual -3.43% cost drag rate?

According to Grayscale, their ETF had a market value at the close of trading today of approximately \$13.558 billion USD. At the current market value, based on their 2.5% cost, Grayscale is taking in \$338.95 million USD per year in fees (I'm guessing these are charged in US dollars). The CI ETHX website showed a total value of \$1.44 Billion Canadian at today's close. At the current value, based on the CI's ETHX 0.95% fee, CI Global would extract \$14.03 MCDN million in annual fees. Little wonder the sponsors have such glossy marketing and nifty charts! Canada's population is 1/10th that of the US. The CI ETHX units are worth roughly 1/10th the Grayscale ones. Is a similar % of both population playing this game?

While we will support any ideas our clients pursue, I cannot recommend the CI ETHX nor the Grayscale ETH units. I'm not seeing the economic advantage of either of these instruments. Other than as a means to move money illicitly, I'm not seeing the problem they solve. There is strong smell of speculative fever. This and the hefty cost structure says stay away. I also accept that I'm grumpy in defending our client's savings. We miss out on hot ideas regularly.

'Canada Can't Afford to Bleed Capital Like This' – NBF Special Report

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=73a0aad0-65f6-4b67-b821-fc99f215b4e4&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

Now for some good news that we predicted.

Bank of Montreal (BMO-TSX-\$138.09) Q4 Earnings Review NBF Bank Analyst Gabriel Dechaine

Q4/21 First Look – Excellent operating performance. Securities gains could be a 2022 headwind

In a worthy effort to support employment during the 2020 COVID-19 pandemic, the Canadian Federal Govt mailed cheques to businesses. In tandem, the Fed's restricted Canadian Bank dividend hikes. The optics would have been difficult. For Canada's major banks, those cheques proved unnecessary. They faced an embarrassment of riches. In the runup to the Sept 20, 2021 Canadian Federal election this dividend restriction policy was promoted as keeping The Big Banks on a leash, the implication being banks are bad and need to be minded/managed by The Government. The initial largess was not questioned.

Over the spring/summer we've pointed to the expiry of the Canadian Federal Govt restriction on Canadian Banks dividend hikes in late 2021. We predicted once the cuff's came off, Canadian banks would hike their dividends with the Q4/2021 reporting period. The restriction was lifted Nov 4. All of the banks reported fat profits and hefty dividend hikes. So we got that right. I'll add that with the last hikes being in late 2019 on a cumulative basis these hikes remain below trend. Perhaps the banks are preparing for the unique-to-them tax on profits brought promised during the election The Feds giveth and the Feds taketh away. There is only one tax-payer. That's you and me.

BMO was the last of the Big 6 to report, coming in with stellar earnings and the highest dividend hike. Mr. Dechaine reviews the 25% hike to the quarterly per-share annualized cash dividend from \$4.24 to \$5.32. The stock price sold off on the news (management was cautious on the future) then jumped 3% the following morning. The price remains below the all-time high around \$141 two-weeks prior to the earnings announcement. Investors appear to have priced in the good news.

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=f3cc0346-f5c2-4ffc-b2b9-93199c4bef97&mime=pdf&co=nbf&id=steven.hilberr@nbc.ca&source=mail>

DISCLOSURE: I hold Bank of Montreal common shares personally, for family members and for accounts over which I have trading authority. We have traded in the security within the past 60 days. I/we also hold most of Canada's Big Six banks.

Quote of the Week:

This gem from a retired client regards long-haul holiday flight plans for he and his wife. He's always flown economy and is pondering upgrading.

"If I don't fly business class, my kids will"

How To Navigate Business Cycles | Make More Money With This Approach



Watch Anna's latest video here

<https://www.youtube.com/watch?v=7Y1-JbciFSw>

Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD Dec 3, 2021

DOW INDUSTRIALS:	34,580
S&P 500:	4,538
S&P/TSX COMP:	20633
WTI:	\$66.60
LOONIE IN \$USD:	\$0.7785 \$US

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