



WEEKEND READING

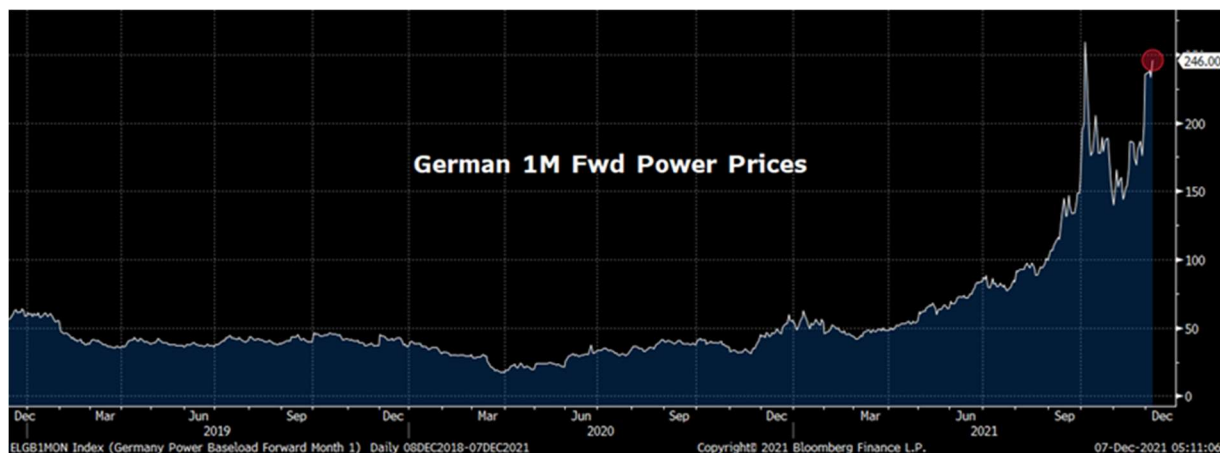
Shedding the light on what's happening - our world - our finances - our times

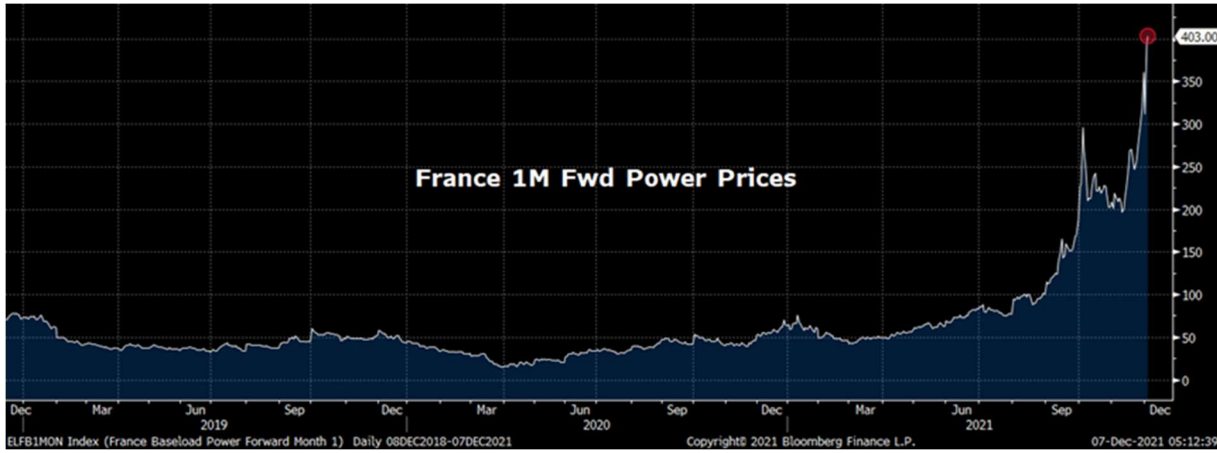
The Weather outside is Frightful.

Inside (in Europe) it's not so delightful.

Excerpt from NBF's daily energy notes Dec 7, 2021

Looking at gas and power prices in Europe. Clearly energy remains a topical conversation in Europe with natural gas and power prices generally back at record levels. A number of UK energy suppliers have collapsed with a total of over 20 since August. The largest was Bulb Energy with 1.7mm customers. The Polish grid manager had to ask neighboring countries for assistance to help meet demand. Sweden has started up a reserve oil-fired plant. Fueling the surge in energy prices is fresh talks of Russian sanctions (if Russia invades Ukraine) as well as colder condition across Europe (see weather map below). And in terms of weather, winter is just getting started





Clients following energy should bookmark Bloomberg’s Javier Blas twitter feed @JavierBlas .

Javier Blas @JavierBlas · 5h
 EUROPEAN ENERGY CRISIS: Some of the NordPool markets (Finland and Baltic) are seeing utterly crazy prices today as demand skyrockets amid frigid weather. Finland is going to endure tomorrow €469 per MWh, the 2nd highest price on record. Demand is above 10-year seasonal pattern

21 134 254

Javier Blas @JavierBlas
 Average daily electricity demand in Finland is moving well above the 10-year range as temperatures plummet well below typical levels for early December

7:39 AM · Dec 6, 2021 · Twitter Web App

Javier Blas @JavierBlas · 18m
 EUROPEAN ENERGY CRISIS: Azomures, the largest fertiliser producer in Romania, says it's preparing to halt all its output (about 50% of domestic consumption) due to high natural gas prices. Let's see how the government reacts now | Company's statement:

azomures.com
 Press release | Azomures.com
 Azomures Targu Mures, the most important producer of fertilizers for the Romanian agriculture...

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In previous Readings we’ve predicted a decline in hydrocarbon electrical generation replaced with ‘renewable power’ paired with electrical power demand would see sharp increase in prices and falling access to electrical power by consumers (who vote). I didn’t anticipate the speed this is happening. A relative in her late 70’s lives in Oslo, Norway. On a Zoom call this week, we noticed she wore a winter coat while sitting in her apartment. Like many older buildings in Europe, the apartment relies on electric radiant heat. Norwegian electricity costs are so high she’s wearing winter clothing indoors vs. having ‘room temperature’. This from a country with ample energy supplies. Perhaps last week’s section on using wood heat wasn’t so crazy after all.

Southern Norway seen tipping into power deficit by 2026, says grid operator

<https://www.reuters.com/markets/commodities/southern-norway-seen-tipping-into-power-deficit-by-2026-says-grid-operator-2021-12-10/>



Clients should recall power prices are a major factor in industrial decision making. Canada competes with the USA for new plant installations.

To participate in the power boom, we hold Western Canadian power **producer Capital Power Corp (CPX-TSX-\$38.41)**. We like the \$2.19 per share and rising dividend. At recent prices the dividend yield is 5.7%.

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

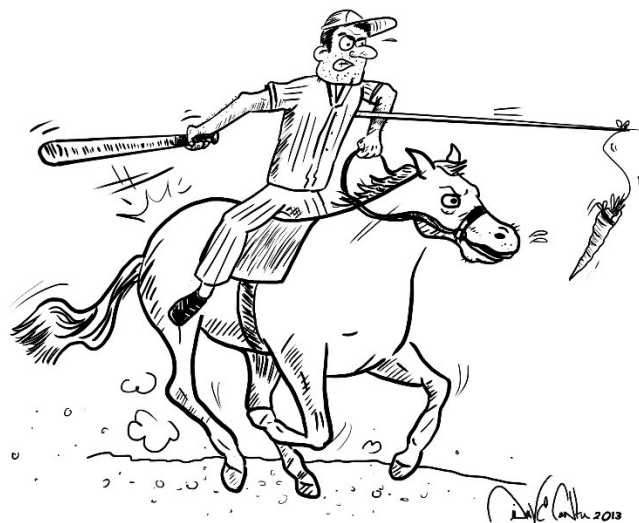
Meanwhile Canadian government policies will pile on the power demand...

Electric Vehicles (EVs) have been available to Canadian consumers for 20 years. The 2021 combined Federal and Provincial subsidy for buying an all-electric vehicle in BC tops \$14,000 on a \$55,000 new car purchase = 25% of the cost. Once that EV becomes used, the next buyer could receive an additional \$3,000 subsidy for buying the car used from the original buyer. I'm not clear on how many times the same car could qualify for an additional \$3,000 subsidy at each subsequent use car purchase. You get the idea.

EV new car purchases represented 3.5% of all Canadian new car purchases in 2020. This ratio was up in 2020. The actual number of EV's sold in 2020 declined modestly. 2020 was even worse for conventional car sales. 2021 has seen continued challenges in conventional car supply chains, limiting supplies. We probably won't have a realist picture of the car buying market until late 2022. The bottom line: After billions in tax-payer funded cumulative subsidies, Canadian's just aren't buying EV's anywhere near the pace Governments 'demand'.

The solution?

If the donkey won't take the carrot....



'Mandate to enforce EV sales quotas needed by end of next year: environment minister' – CTV News Dec 10, 2021

- OTTAWA -- Environment Minister Steven Guilbeault says he wants a national mandate that would force auto dealers to sell a certain number of electric vehicles to be in place by the end of next year.
- The federal government wants half of all new passenger cars sold in Canada to be zero-emission vehicles by 2030, and reach 100 per cent by 2035.

<https://www.ctvnews.ca/climate-and-environment/mandate-to-enforce-ev-sales-quotas-needed-by-end-of-next-year-environment-minister-1.5701813>

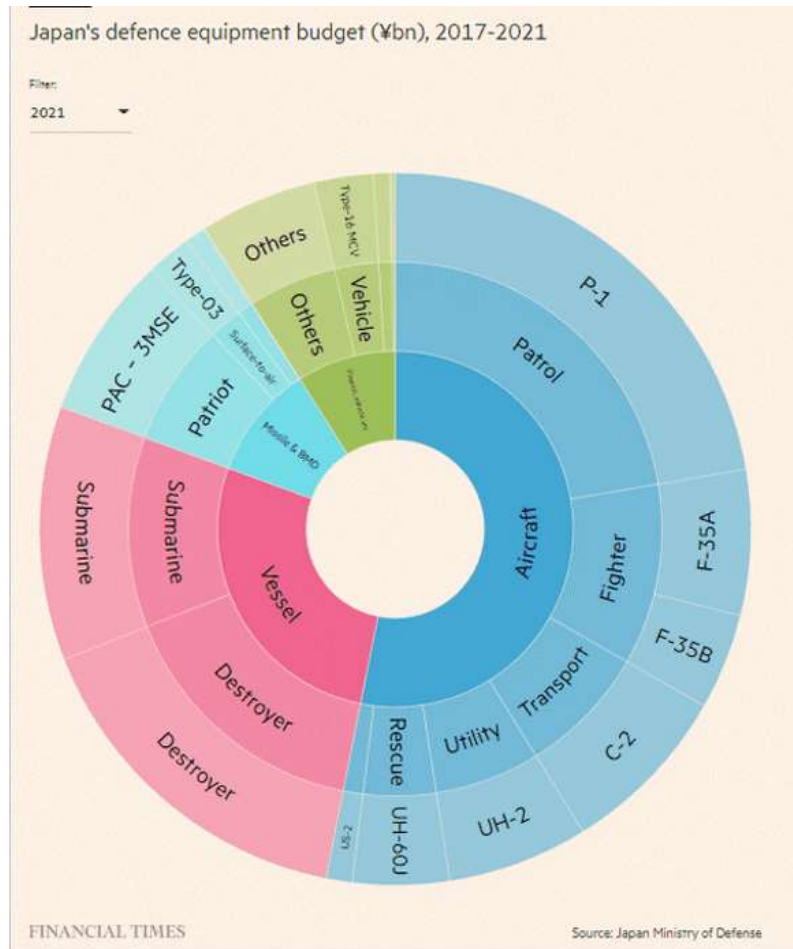
Who's on Japan's radar?

Japanese Defense spending is surging past the long-standing limit of 1.5% GDP. The top chart spans from 1960 to date. Current spending vs. GDP is at a 60-year high and climbing. US Defense spending is roughly 3.2% of GDP.



The next pie chart tells us over 50% of spending is on military aircraft. 2/3rds of that on offense-capable aircraft. Another 1/3rd total is on submarines and destroyers. Note the entry on missile spending. US military defense technology companies could benefit. We own aerospace/defense contractor **Raytheon Technologies Corp (RTX-NYSE-\$85.01)**.

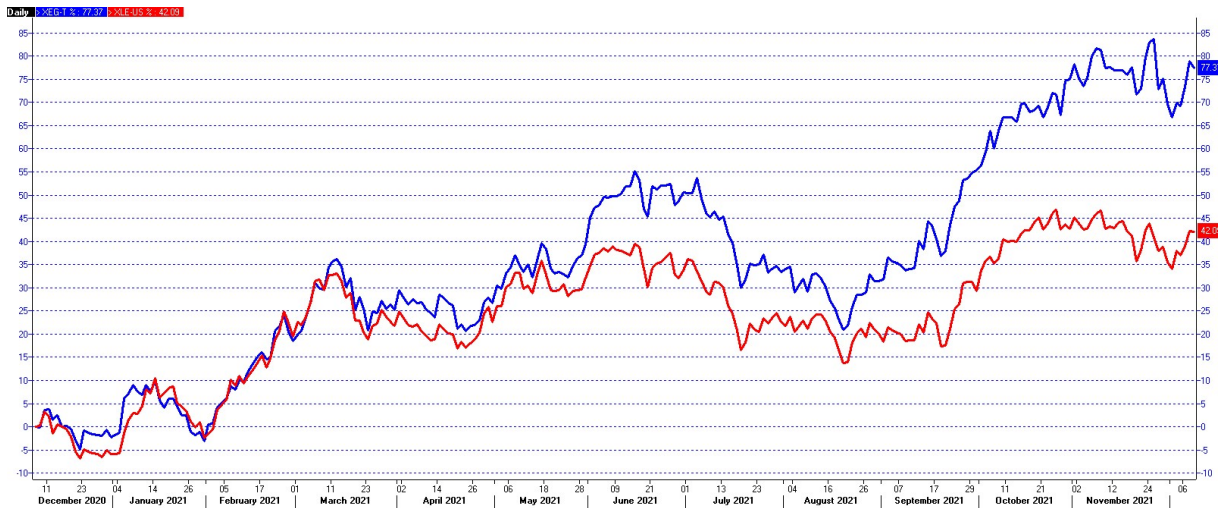
DISCLOSURE: I hold Raytheon personally, for family members and for client accounts over which I have trading authority. We've traded the security within the past 60 days.



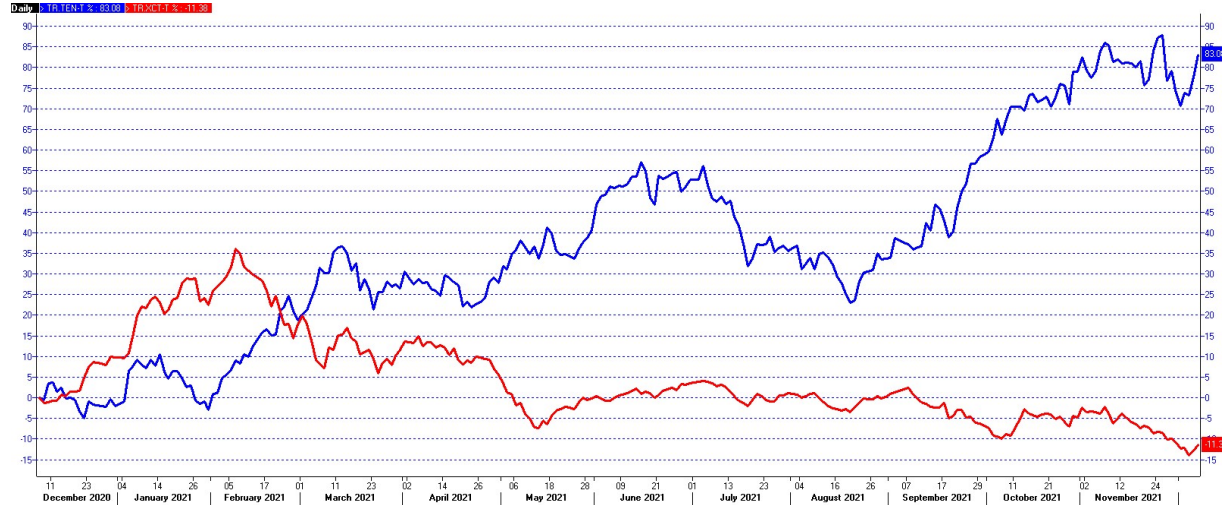
Is Canadian Energy Finally Back?

Canadian iShares S&P/TSX Capped Energy Index ETF (XEG-blue- $\$$ CDN +77.3%) vs USA SSGA-Energy Select-SPDR ETF (XLE-Red- $\$$ USD +42.2%) – Percent Change 12 months

Canadian Oil & Gas outperforms their US peers.



**S&P TSX Capped CDN Energy Total Return Index \$CDN (TR.TEN– blue +83%) vs S&P/TSX
CDN Renewable & Clean Technology Total Return Index \$CDN (TR.XCT-red -11.3%)**



Canadian forest products company, **Canfor (CFP-TSX-\$29.80)** is one of the 17 constituents in the **TSX Clean Tech Index**. CFP is one of the 4 names in the black year to date.

<https://www.theglobeandmail.com/investing/markets/indices/TXCT/>

Canada’s Ballard Power (BLDP-T-\$18.34) is down -32.2% year to date and down -65% from the 12 mos. high of \$52.62 Feb 10, 2021. Despite millions in Federal and Provincial subsidies and grants, the stock has been a disappointment for most of my career, peaking at \$179.75 21 years ago in Sept/2000. At least the company is now selling some products.

The biggest gain in the Clean Tech index is **Global Atomic Corp (GLO-TSX-\$3.93)**. Trading since the Nov/1998 IPO of \$8.25, the stock price hit lows of 5 cents in Dec/2008. Nov/2020 the stock closed at 68 cents.

Global Atomic Corp (GLO-TSX-\$3.96) monthly Nov/1998-Dec/2021



Global Atomic is engaged in Uranium mining in Niger and has an interest in Turkish Zinc production. This week, the company announced the conclusion of a private placement of \$35 million Canadian.

<http://www.globalatomiccorp.com>

DISCLOSURE: We have no position in Global Atomic on our books. We have not traded in the company personally or for clients.

Another Clean Tech Index constituent is Loop Energy (LPEN-TDC-\$3.98)

NBF’s Renewable’s analyst Rupert Merer covers the name. Initiating coverage in April/2021 with a ‘BUY’ rating and target of \$20, at his latest up his revised price target is \$12.00. With no dividend and a volatile history, Loop doesn’t fit our value or risk screens. If you’ve got a bad case of *Clean Tech Itch-itis*, **for the very brave at heart willing to lose all their investment**, the current price MIGHT be an interesting entry point.

I am not, repeat not, recommending Loop Energy for clients.

Loop Energy (LPEN-TSX-\$3.97) daily – Since the Feb 25/2021 IPO at \$16.00 per share (NBF acted as underwriter). The stock price is down 75%.



DISCLOSURE: National Bank has acted as underwriter, banker and lender to Loop Energy. The Hilberry team has not had, and does not have a position in Loop Energy on our books. We have not traded in the security since the IPO.

We’re researching conservative plays in nuclear power. Stay tuned!



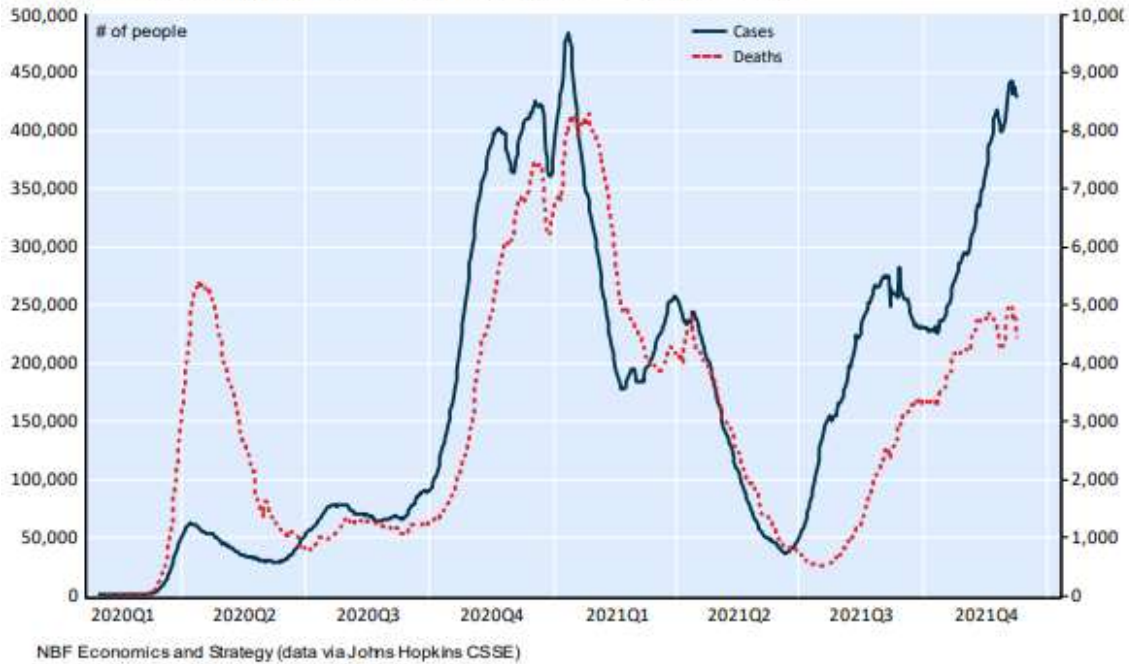
National Bank's Daily Covid-19 Monitor Dec 10, 2021

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=c775a65a-ab60-4bc0-a066-982b079a778b&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

Dec 10, 2021

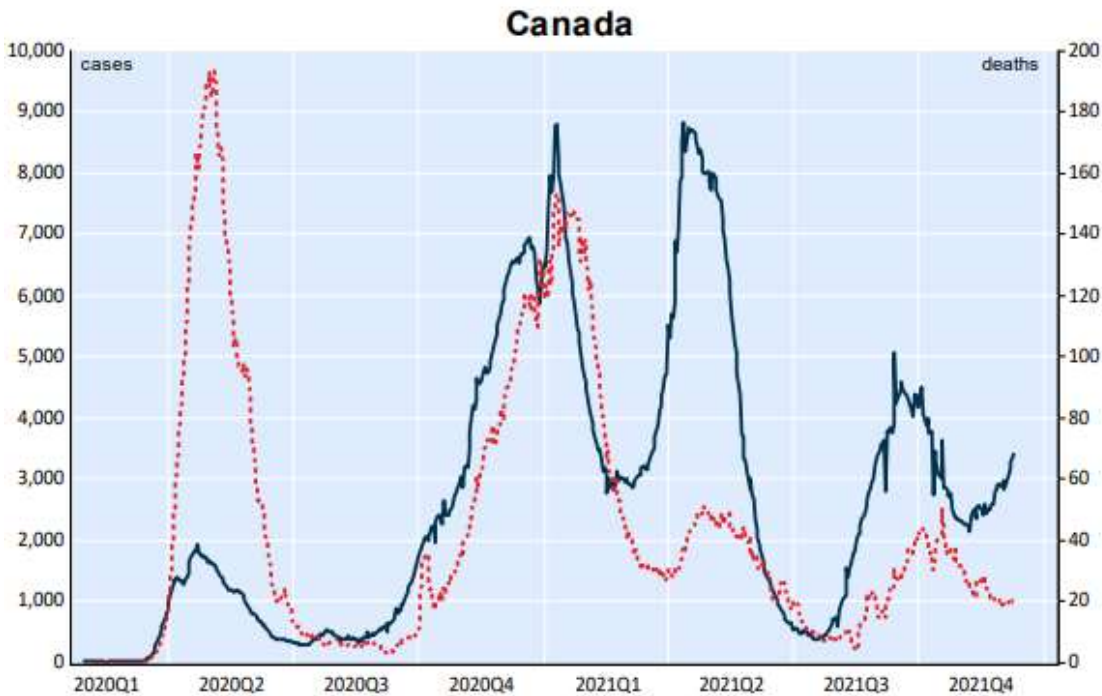
2. Developed countries: Perspective on COVID-19 cases and deaths

New cases and new deaths in Europe and North America, 7-day mov. average



In OECD countries Death as a %'g of COVID variant infections have fallen by 50%.

Canada's death ratio and rate are down 87.5%.



Anna and I believe 2022 will see improved economy, a rebalancing of the labor markets and better times ahead for investors. We believe interest rates are more likely to rise than fall, perhaps by a significant amount. Which sectors could benefit?

Figure 14: Groups and Styles Share Price Performance, Correlation to Movements in the US Yield Curve

Index	Q1 '21 Performance	Implied YC Sensitivity (% of EPS after 2023)	Correlation to 3m10y	Rank	
Banks	15%	70%	0.39	1	↑ Outperform when yield curve steepens
Energy	18%	71%	0.00	2	
Diversified Financials	9%	81%	0.37	3	
Autos	5%	78%	0.16	4	
Capital Goods	9%	84%	0.15	5	
Insurance	7%	73%	0.23	6	
Materials	6%	75%	0.08	7	
Real Estate	6%	62%	-0.33	8	
Russell Value	11%	81%	0.21	9	
Global High Dividend	6%	71%	-0.10	10	
Semis	11%	86%	0.09	11	↓ Outperform when yield curve flattens
Telecommunication Services	4%	75%	-0.07	12	
Consumer Durables & Apparel	2%	86%	0.02	13	
Div. Growers	9%	83%	0.04	14	
Media & Entertainment	7%	88%	0.02	15	
Transportation	7%	84%	0.09	16	
Consumer Services	5%	91%	-0.10	17	
Food Beverage & Tobacco	0%	83%	-0.29	18	
Health Care Equip & Svcs	2%	87%	-0.07	19	
Com & Prof Services	2%	69%	-0.28	20	
Food & Staples Retailing	0%	86%	-0.01	21	
Pharma Biotech & Life Sc	0%	83%	-0.12	22	
Utilities	1%	62%	-0.36	23	
HM & Personal Prod	-2%	88%	-0.20	24	
Tech Hardware & Equipment	-2%	85%	0.04	25	
Retailing	1%	69%	-0.03	26	
Fintech	3%	89%	-0.15	27	
Software & Services	0%	91%	-0.17	28	
Russell Growth	1%	90%	-0.09	29	
Clean energy	-14%	88%	-0.07	30	

Source: FactSet as of September 29, 2021. Note: Semis are Semiconductors. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

We're staying with #'s 1 & 2 on the list, Banks and Energy stocks.

Women in Finance and Banking | Becoming a Female Investment Advisor



Watch Anna's latest video here

<https://www.youtube.com/watch?v=cy6WZO1aC6U>



Have a Great Weekend!

Steve & Anna Hilberry



FOR THE RECORD Dec 10, 2021

DOW INDUSTRIALS:	35,970
S&P 500:	4,712
S&P/TSX COMP:	20,890
WTI:	\$72.05
LOONIE IN \$USD:	\$0.7859 \$US

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