



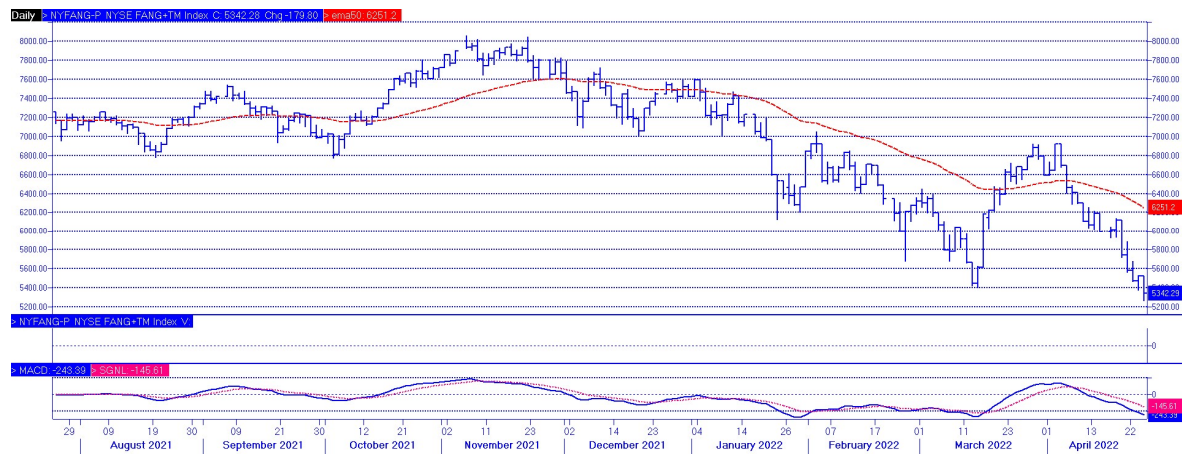
WEEKEND READING

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

The Great De-FANGING

April 26, 2022. The whole 'FANG+ Friends' thing continues to unravel.

NYSE FANG+TM Index (NYFANG-Index level 5,351) daily ranges – 9 mos.



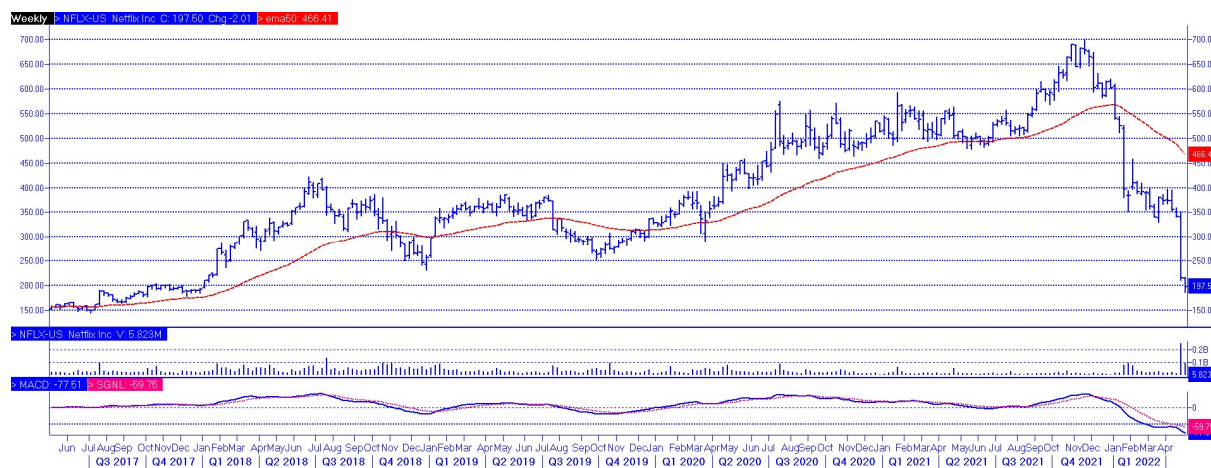
NYSE FANG+TM Index - weekly ranges - 3 years



'5 long years and I love you just the same.' – Colin James - 1988

<https://www.youtube.com/watch?v=Hl6EOp7wHxI>

The rout in Netflix continued this week (NFLX-\$197.44). The price is back to Q4/2017 range. It's been 5 long years since \$200. Do investors love Netflix the same?



The following table tracks the recent Market Darlings to date.

Description	SYMBOL	Recent		29-Apr-22	
		High	Month	LAST	% Chg
Invesco NASDAQ Tech Index	QQQ-US	408.71	Nov-21	317.64	-22.28%
FANG+TM Index	NYFANG-P	8062.29	Nov-21	5458.45	-32.30%
Greyscale Bitcoin Trust	GBTC-5	\$58.22	Feb-21	\$26.76	-54.04%
Ark Innovatitoin ETF	ARKK-US	\$159.70	Feb-21	\$48.32	-69.74%
Amazon	AMZN-US	\$3,713.46	Nov-21	\$2,473.00	-33.40%
AMC Entertainment (meme stock)	AMC-US	\$72.62	Jul-21	\$15.31	-78.92%
Apple Inc	AAPL-US	\$182.94	Jan-22	\$159.87	-12.61%
Meta Platforms (Facebook)	FB-US	\$377.55	Jul-21	\$204.94	-45.72%
Netflix Inc	NFLX-US	\$700.99	Oct-21	\$195.30	-72.14%
GameStop Corp	GME-US	\$483.00	Jan-21	\$123.15	-74.50%
Alphabet Inc (Google)	GOOG-US	\$3,042.00	Feb-21	\$2,335.97	-23.21%
NVIDIA Corp	NVDA-US	\$346.47	Nov-21	\$189.88	-45.20%
PayPal Hldgs	PYPL-US	\$310.16	Jul-21	\$89.39	-71.18%
Blocks Inc (Square)	SQ-US	\$276.14	Sep-21	\$101.65	-63.19%
TenCent Hldgs	TCEHY-US	\$99.40	Feb-21	\$47.16	-52.56%
Tesla Inc	TSLA-US	\$1,243.49	Nov-21	\$888.00	-28.59%
Twitter	TWTR-US	\$80.75	Feb-21	\$49.28	-38.97%
Shopify	SHOP-US	\$1,762.92	Nov-21	\$436.05	-75.27%
Uber Technologies Inc	UBER-US	\$64.05	Feb-21	\$31.93	-50.15%
Zoom Video Communications	ZM-US	\$588.84	Oct-20	\$101.70	-82.73%
Horizons Life Sciences Marijuana ETF	HMMJ-T	\$26.65	Sep-18	\$4.71	-82.33%
iShares Global Clean Tech ETF	ICLN-US	\$34.25	Jan-21	\$19.01	-44.50%
First Trust Global Wind Energy ETF	FAN-US	\$26.14	Jan-21	\$18.21	-30.34%
BMO Clean Energy ETF	ZCLN-T	\$31.28	Jan-21	\$18.63	-40.44%
Invesco Solar ETF	TAN-US	\$125.98	Jan-21	\$64.86	-48.52%



Note the last four names on the list all peaked in Jan/2021. Greta Thunberg made headlines at the Jan/2021 World Economic Forum at Davos Switzerland.

<https://www.weforum.org/agenda/2021/01/greta-thunberg-message-to-the-davos-agenda/>

This week, Amazon revealed higher costs were impacting their earnings. The rising cost of fuel has added to other headaches. This seemed to surprise investors on Friday with the stock down 13% on the day and -32% from the highs. Amazon earlier revealed they were going after Shopify's lunch. Shopify flopped on the news.

<https://financialpost.com/news/retail-marketing/amazon-targets-rival-shopify-with-new-buy-with-prime-service>

These names all have great stories. The end of bricks and mortar retail. Climate change driven green tech. Millennials living online. FinTech destroying conventional finance. The end of the workplace. Social media enabled small business solutions.

We all love a good story. Invest in earnings not stories. No earnings - what are you doing? Rising rates alter the discount rate used in valuing high growth stocks. (If you want an explanation let us know). If rates double the discount requirement also doubles, reducing the implied premium previously paid. That assumes one is actually doing the math and not simply chasing what has been hot. Some of this group will eventually make great investments. When a company trades over 100X their posted earnings look elsewhere.

Check your emotions at the door to the stock exchange. While obviously true during panics, being careful during heady times matters. If a quick look around you shows you low earnings quality, 'theme' stocks taking off, look elsewhere. Let your brother-in-law huff and puff about his day-trading early retirement plans. He'll soon be driving you around in his Uber ride to make car payments. UBER peaked in Feb/2021. At this writing Apr 26, Uber is at \$31.86, well below the Mar/2019 IPO of \$45.00.

Investors are glum.

Perhaps the dentistry applied to the FANGS has investors in a foul mood.

The Association of American Individual Investor (AII) provides a weekly survey:

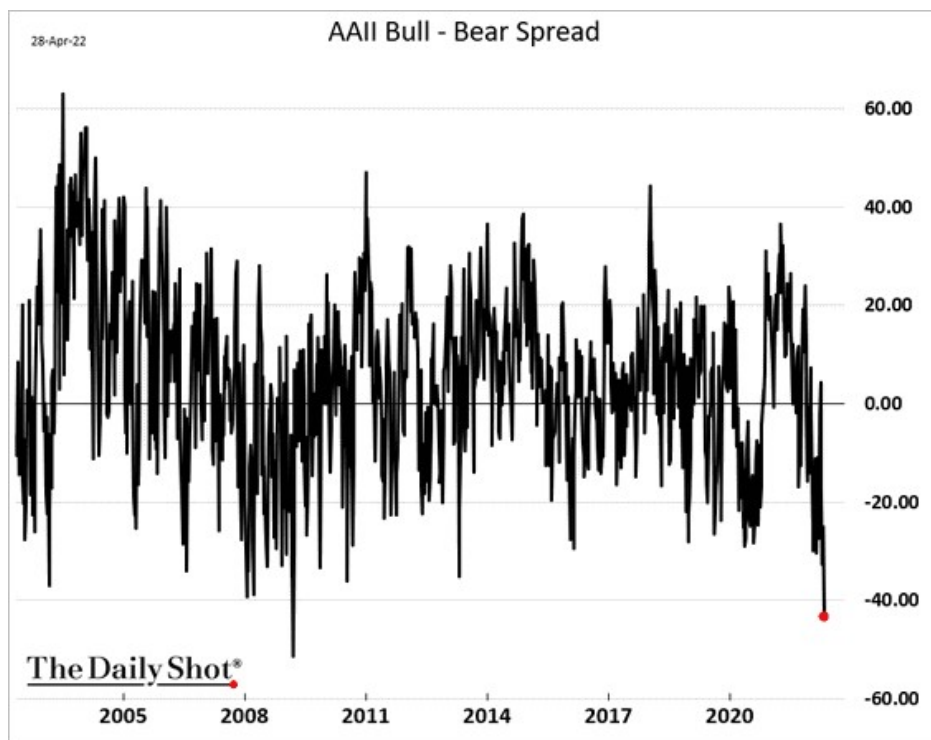
<https://www.aaii.com/sentimentsurvey>

This week's survey shows the highest level of pessimism since the depths of the Great Financial Crises in March/2009.

<https://www.aaii.com/latest/article/17120-aaii-sentiment-survey-highest-level-of-pessimism-since-march-2009>

March /2009 was a terrible time to sell stocks. It was great time to buy.





Graph source: WSJ Daily Shot. Apr 28, 2022

Reflecting their readership mood, The Financial Post trotted out their Fav perma-bear David Rosenberg this again week, just in time for the Saturday morning financial reading.

'David Rosenberg: The Fed is tightening and that usually means recession, no matter what they say' - Financial Post - Apr 29, 2022

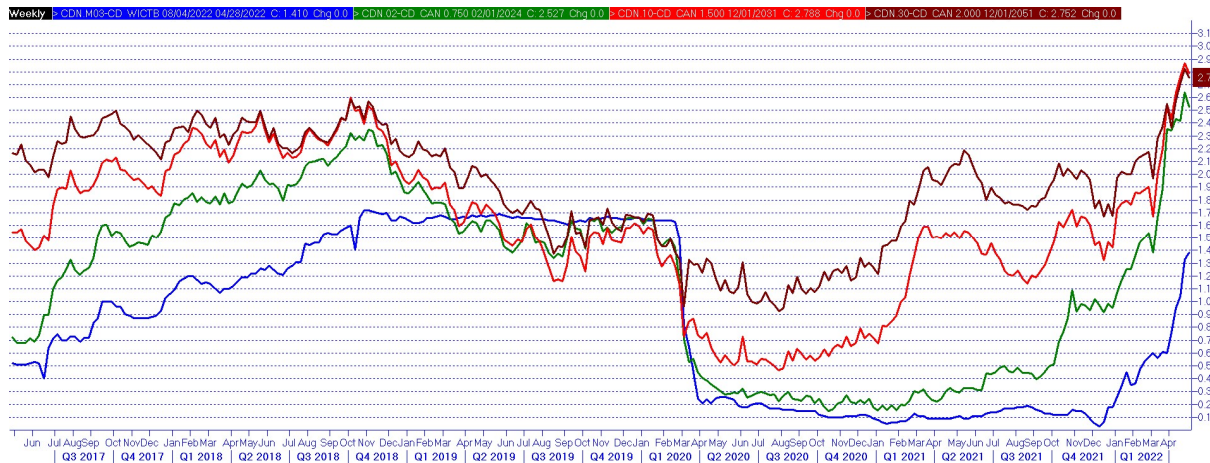
The headline implication is the Fed is saying something that isn't true. IE lying. These kinds of pithy headlines sell advertising. A careful read of Mr. Rosenberg's comment reveals that a recession is coming...sometime. We couldn't agree more. Interest rate will, eventually, rise high enough to slow the economy. See the comments on rising interest rates farther down. The question is how soon? WE don't see a recession in the next 12-months (oil prices might alter that view). We're staying with stocks for now.

<https://financialpost.com/investing/david-rosenberg-the-fed-is-tightening-and-that-usually-means-recession-no-matter-what-they-say>

Why are rates rising and is it bad?

One bear narrative is rising rates will 'crush' the economy. We've predicted the entry of the Millennials into the work force on the heels of retiring Boomers would mean rising job demand and wages. We've repeatedly advised over the past three years rising job demand = rising job wages = rising inflation = increasing lending rates. Recent interest rate trends appear to support this view. The next chart plots Canadian bond yields 2017-2022: 90-day (blue,) 2-yr (green) 10-yr (red) and 30-yr (burgundy). All the lines are going up pointing to increased demand for credit. Note the delay in the 30 yr rate increase. I suspect we'll see the

long end (30 yr) spike higher, vs the short (2 yr) end flopping lower. The 90-day to 10 year spread is still miles wide. Expansion to continue.



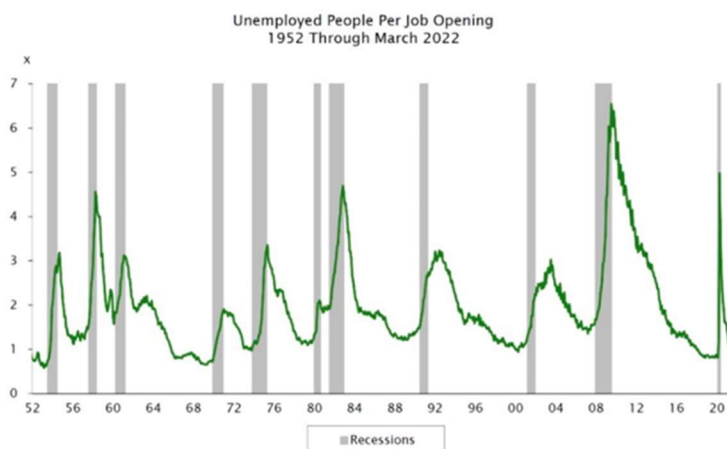
Rising rates aren't necessarily bad. Increasing job pay = increased purchasing power (and more taxes paid) = more demand for credit. Rates rise with demand. That's healthy up to a point. Excess government spending messes with natural demand. Rather than focusing on Nanny Government taking care of us, how about encouraging good paying jobs so we can take care of ourselves? Rising rates are a problem for the highly indebted. Hello Ottawa?

US jobs haven't been this plentiful since the early 1950's. Consumer sentiment benefits. The retiring Boomers/Millennials wave is happening. In the US if you don't have a job, you probably don't want one. Hopefully our Canadian governments will shift focus to job creation.

Best of the David L. Fingold Blog (#459): April 20, 2022 – April 26, 2022

Blog Entry Date April 25, 2022:

The Labor Market is Very Tight...



Source: Empirical



All those jobs have investors betting the consumer will be shopping at Costco. Yet housing is supposedly in trouble at Home Depot?

Costco Wholesale (COST- red +52) vs. Home Depot (HD-green -2.5%) 12 mos.



We like Home Depot (HD-\$311.76) at these prices.

DISCLOSURE: I own Home Depot personally, for family members and for client account over which I have trading authority. We have traded in the security within the past 60 days.

Moving on to energy...

‘The Energy Shortage is About to Get Bad . . . Shamone.’

<https://openinsights.substack.com/p/the-energy-shortage-is-about-to-get>

Suncor had a good week

Suncor Energy (US-TSX-\$46.92) daily ranges – 9 months



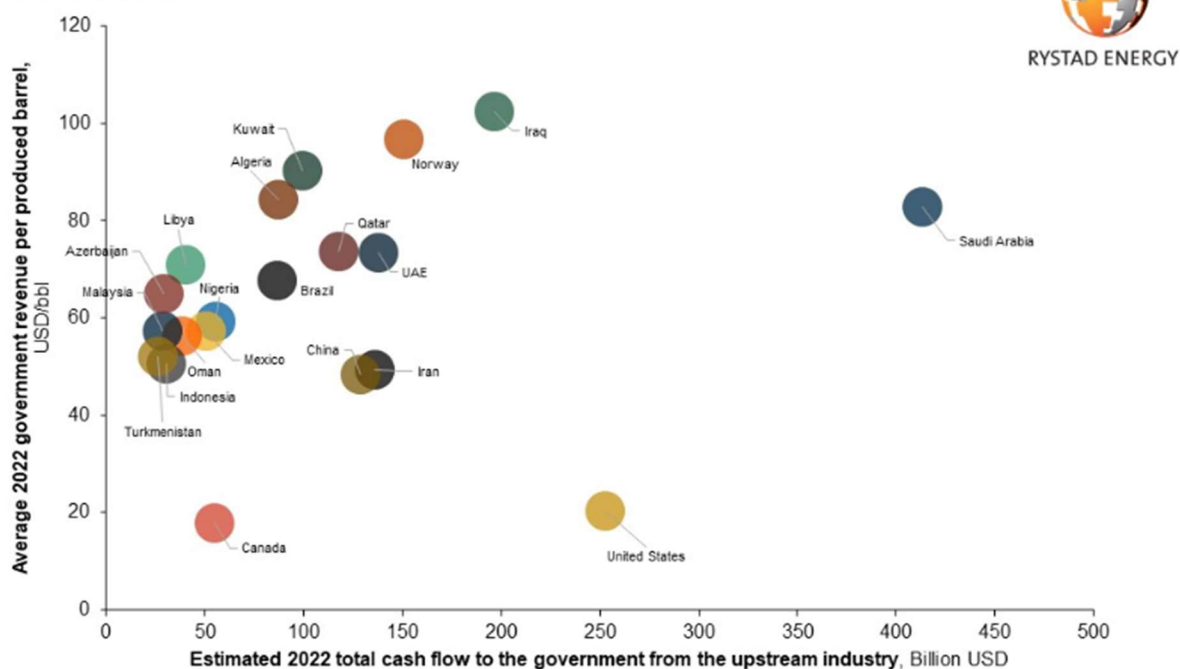
That little dip on the left -hand edge of the Suncor chart is the August/2021 lows of \$21.90. Sharp-eyed readers will note that low matched highs for a number of FANG stocks.

This week Elliot Management (3.4% interest in SU) sent a letter to the company outlining a value creation path forward that would lead to a SU share price of \$60 or \$30bln increase (+50%) in value. Elliot is calling for board enhancement, along with strategic and management review. Shares of SU went up 9% on the day. We continue to hold the stock. Haven't been selling.

DISCLOSURE: I own Suncor 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.

How Important is energy to Government revenues?

Total government income and average government take per produced barrel



Source: Rystad Energy Ucube

Excludes Russia, the number for US includes royalty payments to private landowners.

The Canadian Govt take is around \$19 per barrel and \$50 billion USD. That number is likely to go up this year. The US take is slightly higher per-barrel and around \$20 billion USD, being 5 X Canada's income. Given the US economy being 10X the size of Canada's, energy is twice as important to Canada. Canadians should be aware we will be more impacted than Americans by US-centric energy ideas. Looking at the above scatter-chart, how many of those countries have stronger environmental policies than Canada? Norway maybe? The remaining have to date largely avoided climate action let alone climate justice. Polar bears don't figure large in



Iran. Russian data is no longer being provided. Should Canada’s national policy goal be to ensure Libya, Algeria, Kuwait, Iraq, Russia and Saudi Arabia continue to have the lions-share of the market?

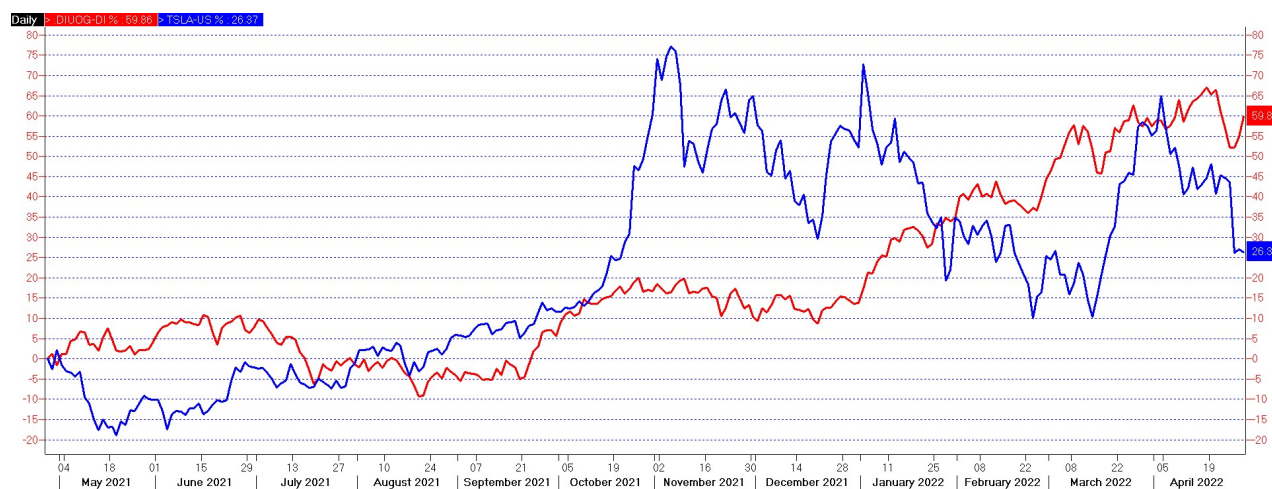
Attention Deficit?

The ever-entertaining Elon the Magnificent acquired a new plaything this week, proposing the \$44b private takeover of Twitter. The financing structure is classic leverage buyout.

<https://www.forbes.com/advisor/investing/elon-musk-to-acquire-twitter-twtr/>

One rationale was Free Speech. Maybe Mr. Musk tires of making cars? Just for fun I compare Tesla to the US oil and gas index over the past 12 months. Both are up.

Total Return 1-yr.: US Jr. Oil & Gas Index (red 59%) vs. Tesla (blue 26%)



Many of our clients have spent a life accumulating wealth exceeding their needs. They often ponder their heirs. We close with a comment on wealth by Morgan Housel.

The Rich And The Wealthy – Morgan Housel Apr 27, 2022

<https://www.collaborativefund.com/blog/the-rich-and-the-wealthy/>



Here's how you can reduce market stress, stop worrying so much and take control!



Watch Anna's latest video here

<https://www.youtube.com/watch?v=TUCV5gyI9M8>

Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD April 29, 2022

DOW INDUSTRIALS:	33,423
S&P 500:	4,198
S&P/TSX COMP:	20986
WTI:	\$106.40
LOONIE IN \$USD:	\$0.7802 \$US

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