



WEEKEND READING

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

Ride The Wave

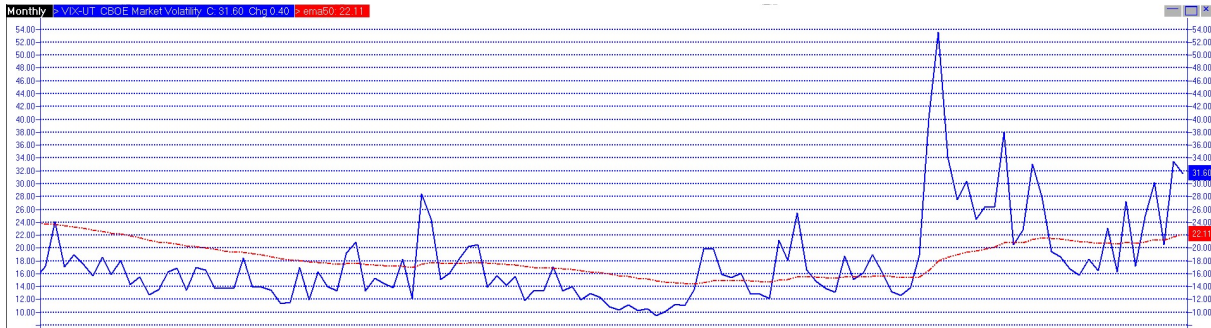
SURF's Up!



It's been a crazy week with the financial press predicting the past screaming 'Huge Crash Coming'. The moves have been outsized but not THAT bad. Of course, anything but up is no fun. Despite the doom talk, the actual 12month range for real companies priced at reasonable prices is a lot of nothing. The Dow Industrials is flat since March/2021. The one person who paid the absolute peak for the Dow to last is down -11.6%. The Darling FANGS

have bitten their owners with -36%+ losses. Cathie Wood's ARK Innovation ETF is now down 67% from the Nov/2021 highs. The market giveth and the market taketh away. That's why we like dividends.

CBOE Market Volatility Index 2012-2022 (VIX-31.64)



The best time to buy is when no one else is. Increased volatility means that less investors feel like buying. Note "feel like". They don't feel good about the market. Volatility is scary. It is also your best friend. Ride the waves of sellers, buying their panic. You will get a much better price when they are panic sellers. Or at least don't join them! Recent VIX readings are elevated. **BOTTOM LINE: It's a bad time to sell (dividend paying stocks) and a good time to buy.**

What about Tech?

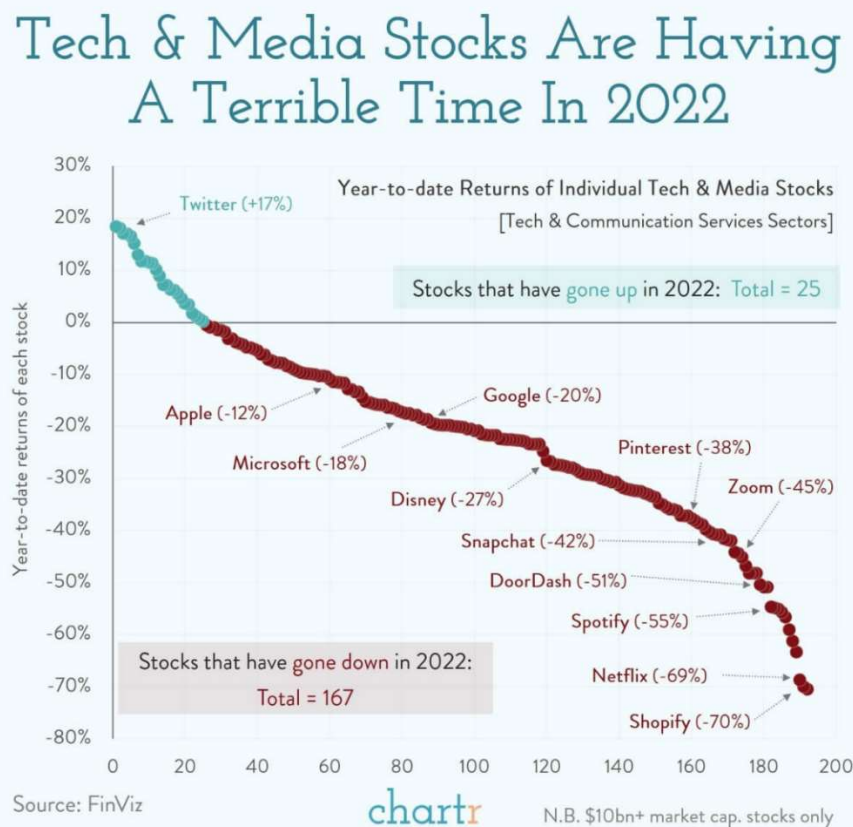


Chart Source <https://read.charttr.co/newsletters/2022/5/6/in-the-red>



‘What Happens When You Buy Stocks in a Bear Market?’ – Ben Carlson March 20, 2022

<https://awealthofcommonsense.com/2022/03/what-happens-when-you-buy-stocks-in-a-bear-market/>

Another great piece from Mr. Carlson, revisiting the basics.

‘Why Does the Stock Market Go Up Over the Long-Term?’

<https://awealthofcommonsense.com/2022/05/why-does-the-stock-market-go-up-over-the-long-term/>

Moving to the environment...

The United Nations Relief Agency (UNRA) stats show most of the famine and suffering in the developing world results from human-made wars and corrupt leadership, not the system under which human's use energy or natural resources, nor Fat Cat Capitalists pillaging the planet. Guys like Vladimir Putin are the problem, not Bill Gates. Canadians should be proud of our energy sector's leadership in CO2 reduction. Yet proximity makes for easy fund-raising and vote getting. Out-dated photos of Alberta 'Tar Sands' mining tailings ponds grabs donations faster than images of Organized Crime and activists in Nigeria wading in crude oil they are illegally collecting from vandalized pipelines.



Desperate thieves puncture pipelines with farm tools, siphon oil into boats, and take it to risky makeshift refineries. The majority of Nigeria's population lives in poverty and are forced to take desperate measures. The environmental costs are huge.

<https://www.aljazeera.com/features/2012/8/3/the-looting-and-cooking-of-nigerias-crude>





Christina Lake SAGD facility – Cenovus Energy. 2019

https://www.canadaaction.ca/what_does_the_oil_sands_look_like

‘Hauling freight trains with electric locomotives is now starting to happen’ CBC

My takeaways:

1. Canadian companies are trying ideas out. Putting Money where their Mouths are.
2. Hydrogen may yet prove viable in heavy transport.
3. Canadian needs an ESG messaging makeover.
4. We’re talking one (1) locomotive so far.
5. Rail accounts for 3.5% of transport-sector GHG emissions. While all positives are good and necessary, it’s small potatoes in the grand scheme.

<https://www.cbc.ca/news/science/freight-rail-electric-locomotives-1.6440766>

‘Ottawa must be transparent about real cost of carbon tax’ – Fraser Institute

I’ve repeatedly challenged the efficacy of carbon taxes. I’ve questioned how voters will react once they discover the true cost of various anti-carbon initiatives on their wallets. I’ve noted that if the population believes something must be done, we’re willing to pay for it. So far, on the Canadian carbon issue we seem to be willing to pay....as long as the paying is by

‘someone else’. I’ve maintained raising the cost of something as key to our economy as energy is going to transfer to all of us. Yet the narrative coming from Federal and Provincial politicians says our costs won’t go up. Polls must tell them that rising costs doom governments. They don’t seem to be listening. I’ve predicted that as energy costs rise, so would voter discontent. The Fraser Institute looks at the facts. Climate change is a problem, we should do our best for our environment. We need pragmatic, not idealistic strategy. Talking points and tax hikes won’t do it. Tremendous opportunities await those who can solve energy challenges. Those solutions must, and will, result in better, not worse productivity and lower, not higher costs, better living standards, and a cleaner environment. Solutions that attempt to punish consumers into a given behaviour didn’t work during Prohibition and won’t work now.

<https://www.fraserinstitute.org/article/ottawa-must-be-transparent-about-real-cost-of-carbon-tax>

Speaking of tax hikes....

‘What Are the Economic Costs of Raising Revenue by the Canadian Federal Government?’ – Fraser Institute

<https://www.fraserinstitute.org/studies/what-are-the-economic-costs-of-raising-revenue-by-the-canadian-federal-government>

Moving on the financial markets...

‘It’s less complicated than you think.’ - Josh Brown Apr 29, 2022

This line stands out for me.

“Who wins? The person who does the least.”

<https://thereformedbroker.com/2022/04/29/its-less-complicated-than-you-think/>

‘Bonds and the Fed are still way behind inflation’ – Scott Grannis

We’ve been advising bond yields would likely rise reflecting, taxes, inflation and demand. We’ve believe that increase means a stronger, not weaker economy...for now.

In the following article, Mr. Grannis references the US 30-year mortgage rate for 'jumbo' mortgages (IE above the equivalent of CMHC insured ones here in Canada) being now over 5%. A US Jumbo Mortgage reflects a real-world bank lending to a real-world borrower at non-subsidized rates.

<https://www.investopedia.com/terms/j/jumboloan.asp>

<http://scottgrannis.blogspot.com/2022/04/bonds-and-fed-are-still-way-behind-curve.html>

The Phillips curve, explained – and what it says about soaring inflation in the COVID economy – Jan 2, 2022 Bank Rate.com

With the US Congressional mid-term elections on this November and a Provincial election coming in Ontario this fall, you're going to hear a lot about inflation and your pocket-book. Politicians in power will duck and dive. Those seeking to replace them will name and blame. As Milton Friedman advised, "Inflation is always and everywhere a monetary phenomenon, in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output." The COVID cheques on both sides of the 49th parallel defined this 'phenomena'. Citizens received pay in exchange for zero production. Clearly the supply of money exceeded 'output. Voila! Here we are with inflation.

The relationship between employment and inflation is also important. We think money supply is more important. The Phillips curve explained.

<https://www.bankrate.com/banking/federal-reserve/what-is-the-phillips-curve>

Staying with inflation...

May 3, 2022: International container freight rates are off the highs, but we are unlikely to ever see pre-COVID levels again. -WSJ Daily Shot



It is likely to remain a lot more expensive to ship stuff overseas. Will this lead to 're-shoring'? While good for local jobs in North America, be careful what you wish for. North America includes Mexico – a signatory to the new NAFTA.



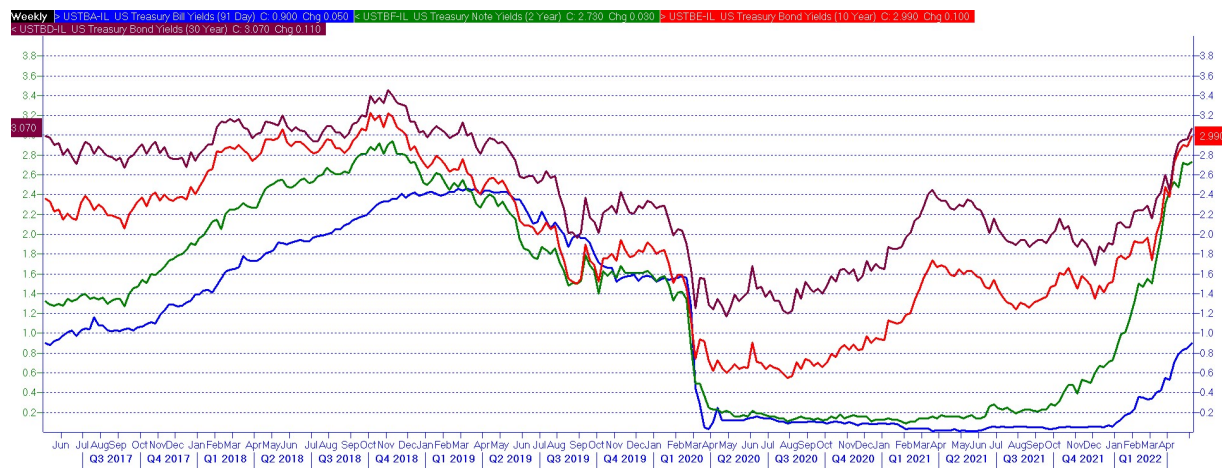
US and Canadian interest rates confirm economic expansion

We've taken the professional pouting pundits of perdition calls for recession to task. Last week we disputed those pundit's calling the recent 2-year yield 'crossing' above the 10-year rate as a recession signal. Instead, we predicted both the 10 and 30 year rates would catch up and then accelerate higher, confirming increasing demand (and inflation). That happened this week. Note the following chart's jump in the red and burgundy lines, now well above the green and blue lines.

US Fed Govt Bond yields 2017-2022.

90-day (blue), 2-years (green), 10-year (red), and 30-year (burgundy)

The 10-year yield (red) and 30-year yield (burgundy) remain below the 2018 levels. We'll probably see higher rates before this thing is done.



For a reminder why inflation matters....

50-billion dollar bill.

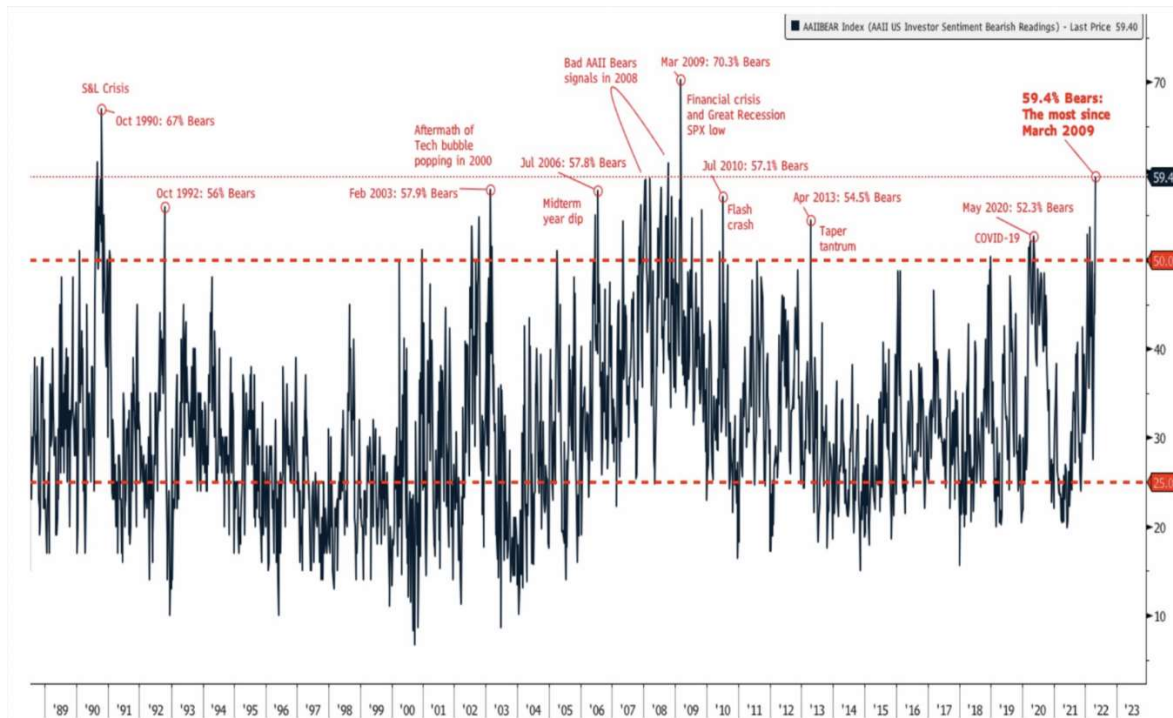


Thanks to a friend in the industry for this image. Thanks Kathy!



‘Too Many Bears’ – Barry Ritholz

Last week we talked about the American Association of Individual Investors (AAII) Bull-Bear survey reading being close to record bearishness. We advised that in the past, deeply bearish AAII readings signalled contrarian opportunity to buy. This week Barry Ritholz confirms our advice. You heard it here first!



See the website for an expanding version of this chart.

<https://ritholtz.com/2022/05/too-many-bears/>

Rogers/Shaw merger update

In response to our question, when will Shaw shareholders see dollars? NBF’s Adam Shine provided the following update this week.,

“Rogers and Shaw are still waiting for deal approvals from Industry Canada and the Competition Bureau. In parallel with these approvals is also a need for the government to sign-off on a sale of Freedom Mobile to what appears to be Xplornet as the deemed buyer of Shaw’s wireless unit. Rogers keeps saying that it still expects to close the Shaw purchase by June (outside date is June 13 after 90-day extension from mid-March), so we’ll see if regulatory approvals come during May to allow for a June closing.

After all approvals and related closings occur, then Shaw shareholders would get their cash.”

Welcome to Canada, bountiful land of many clear waters....and regulations.

Bitcoin Trailblazer Raises Capital To Create Interplanetary Cryptocurrency – Forbes May 4, 2022

The bit about flitting around in a private jet keeping time with a \$70,000 wristwatch makes me feel so plebian here on earth. Sometimes it's hard to swallow. Experience tells me these kinds of stories often mark an apex. I'll keep my Icarus wings in the closet thanks.

<https://www.forbes.com/sites/michaeldelcastillo/2022/05/04/bitcoin-trailblazer-raises-capital-to-create-interplanetary-cryptocurrency>

Hanging out with my grandkids got me a cold this week. Typical sniffles. No biggie. Despite being triple vaxed and having my annual flu shot, I tested positive for COVID-19. I've been working from home this week and hating it. Data delivery is terrible out at the farm.



*“He’s so annoying. If you know you have rabies,
just call in sick!”*

Credit to David Fingold for the cartoon link

We hear a lot about young people investing everything they have in Bitcoin. In our experience, taking a more balanced approach can help with long term success.

Strategic Cryptocurrency investing in 2022 | Bitcoin Investing Ideas for Success



Watch Anna's latest video here

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

Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD May 6, 2022

DOW INDUSTRIALS:	32,627
S&P 500:	4,098
S&P/TSX COMP:	20543
WTI:	\$109.68
LOONIE IN \$USD:	\$0.7747 \$US

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