



## WEEKEND READING

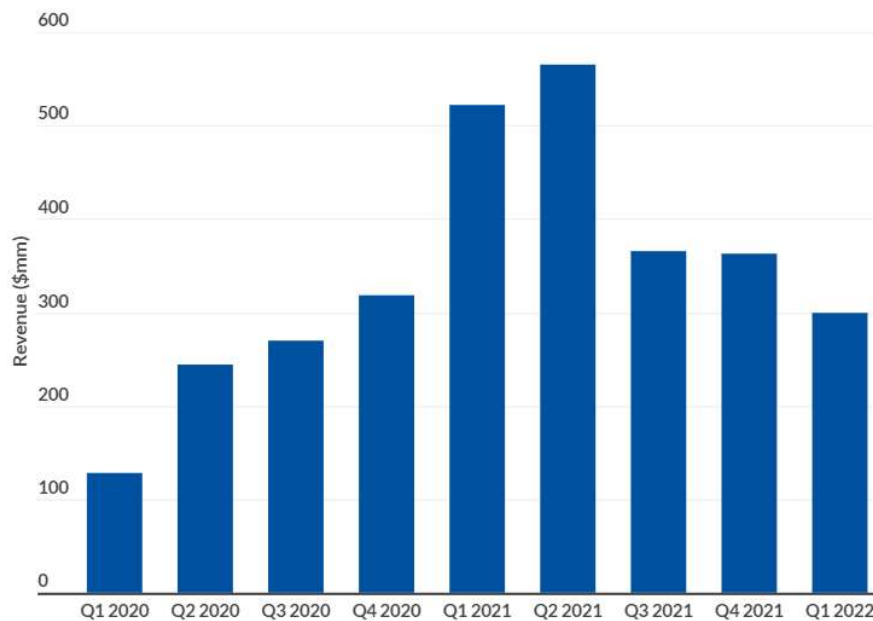
Shedding the light on what's happening - our world - our finances - our times

### Lucky Friday the 13<sup>th</sup>?

Sanity is returning to valuations.

The last two years has been a trip on the magic bus to Crazy Town. The Great Unwind of too-much money available at too-low a cost is underway. Getting paid to stay home and trade in their basements, a whole new crop of young speculators offered their cash up on the alter to the market God of Greed, squandering their COVID cheques. The average account size at Robinhood was in the \$5,000 with the average cash balance under \$300. Robinhood's revenue peaked Q2/2021 then crashed as this flood of new entrants got schooled.

**Robinhood revenue**



Source: Company data

<https://www.businessofapps.com/data/robinhood-statistics/>

Amazon's market cap peaked in Jul/2021 at \$1.88 Trillion. Mr. Bezos is no dummy. He stepped down as CEO July 5, 2021 to go play with big boats and rocket ships. On Thursday this week, Amazon's market cap closed at \$1.04 Trillion = -\$840 billion loss /-44%. That's a lot of missing money for other things including other stocks. Amazon fared better than many.

<https://companiesmarketcap.com/amazon/marketcap/>

A trillion here, a trillion there and soon you're talking real money, or maybe it was always unreal money. As Mr. Buffet advises *"When the tide goes out, we discover who's been swimming naked"*. Big declines generate margin calls and panic. The bankers to the suddenly not so crazy-rich demand repayment. Hey Icarus - gravity sucks.

I welcome the newbies to the madhouse. These early lessons will prove cheap (once they get over the losses). Like we've all had to, they will get serious, revisit the 'Okay Boomer' dismal during the Meme-stock mania and seek sage advice. They will do just fine. We've been predicting the ugly-cry for the FANGs. It is painful to watch unfold. We don't like seeing investors lose money. Schadenfreude is bad for business.

On the other hand, we're seeing companies we love at prices we like. In that sense I am in my happy place.

### Investing Lessons from the Great Depression

<https://novelinvestor.com/investing-lessons-from-the-great-depression/>

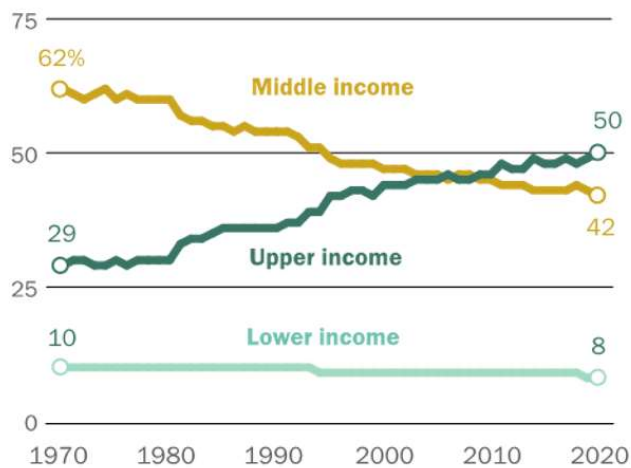
### *How the American middle class has changed in the past five decades – Pew Research April 20, 2022*

Pew Research seems to focus on complaining about the supposed woeful state of middle class citizens everywhere. This recent post is typical of this narrative, complaining that the 'share of income' attributed to middle-class citizenry has declined. The chart below looks like a 'rip-off' is going on where most of the gains in GDP are attributing to the 'wealthy. The gist is the rich "aren't paying their fair share" and should be forced to part with those ill-gotten gains. The more taken from the fat cats, the better.



## Share of aggregate income held by U.S. middle class has plunged since 1970

*% of U.S. aggregate household income held by lower-, middle- and upper-income households*



Note: Households are assigned to income tiers based on their size-adjusted income in the calendar year prior to the survey year. Their unadjusted incomes are then totaled to compute the share of U.S. aggregate household income held by each income tier. Shares may not add to 100% due to rounding.

Source: Pew Research Center analysis of the Current Population Survey, Annual Social and Economic Supplement (IPUMS).

**PEW RESEARCH CENTER**

This chart does not say the actual income of any group featured is lower than it was 50 years ago nominally or adjusted for inflation. It says the share going to the middle class has ‘plunged’ (be cautious of hyperbole) while the upper class has increased, implying that is morally wrong. During a productivity boom everyone benefits. Profits soar. A larger portion of those profits will attribute to business owners (think Jeff Bezos and Elon Musk) than their employees, as the value of their business go from zero to billions. That’s a bad thing? They will also pay outsized taxes – thank you for your service. The early 1970’s was a terrible time to be a wage earner, rich or not. High taxes and inflation gobbled up earnings at torrid pace. Drilling into these types of arguments around the uber-rich we often see data sets leap around between USA, Canada, and similar developed nations on certain points, then switch to citizens living under despots in corrupt nations for other points. Being middle-class in Canada is a very different experience than middle-class in China or Nigeria. For the proponents of this view, I have one question. If Canada’s middle class is so badly off, why are the prices of middle-class houses continuing to rise? It’s not because Elon Musk is attempting to corner the market on suburbia. Yes it’s a lack of supply but if there was not demand there wouldn’t be lack of supply. Where is that demand coming from? Increased buying power. Where is that buying power coming from? Increased earnings. The sellers attempt to gain as much value as they can. The buyers decide if they can pay the price. It’s called a market.

Consider this narrative while reading the following story about Canada's Federal Govt toying with a 'Wealth Tax'.

<https://www.pewresearch.org/fact-tank/2022/04/20/how-the-american-middle-class-has-changed-in-the-past-five-decades/>

### 'Ottawa looking at a wealth tax to pay for soaring spending' Financial Post

The good folks in Ottawa apparently haven't spent enough of your money and need help. Rising rates are making life complicated for budgets. Balanced Budget is a joke it seems.

<https://financialpost.com/opinion/jay-goldberg-ottawa-looking-at-a-wealth-tax-to-pay-for-soaring-spending>

### Energy Musings Alan Brooks May 3, 2022

<https://energy-musings.com/energy-musings-may-3-2022/>

Mr. Brooks commentaries are lengthy. I believe clients should wade through his full review. This section stood out for me.

### 'Battle Over EVs, Emissions, And Mining'

<https://energy-musings.com/energy-musings-may-3-2022/#post-9191-Battle>

Staying with energy...

### '\$180 oil is inevitable' Eric Nuttall

Mr. Nuttall has been calling for higher oil prices since 2018. He's been right on global energy prices and right on Canadian energy stocks. We're glad we've agreed with his views.

<https://financialpost.com/commodities/energy/oil-gas/180-oil-is-inevitable-eric-nuttall>

### Just in time for US November mid-term elections

**U.S. retail gasoline prices hit new record, as refiners struggle to meet demand**

**Reuters 3:35 AM Eastern Daylight Time May 10, 2022**

*By Laura Sanicola*

*May 10 (Reuters) - Retail gasoline prices in the United States rose on Tuesday and hit another all-time record, surpassing one set in March, as global refineries grappled with a bottleneck that has sent*





prices soaring ahead of driving season. The average cost of a retail gallon of gasoline hit \$4.374 early Tuesday, according to the American Automobile Association, surpassing the former record of \$4.331.

Since March 30, Brent crude futures LCOc1 have lost 7%, but gasoline futures RBC1 are up 9.4%, and hit a record on Friday of \$3.7590 per gallon before selling off on Monday. Refinery closures due to both scheduled maintenance and unplanned upsets have boosted fuel prices even as the United States and other nations have taken steps to boost worldwide crude supply. Global fuel stockpiles are dwindling as demand has rebounded to pre-pandemic levels. Supplies tightened further following the invasion of Ukraine and subsequent sanctions on Russia from the United States and allies.

The world has lost 1 million barrels of refining capacity and 1.5 million barrels of oil supply since the pandemic, estimated Mike Jennings, chief executive officer at HF Sinclair Corp DINO.K in an earnings call on Monday. "That's 2.5% of world consumption...it's a big number," said Jennings.

In the spring, refiners prioritize gasoline output ahead of warmer weather when driving picks up. But in recent weeks, they have increased distillate output to meet jet fuel and diesel demand in Europe, Latin America and the United States, as Western sanctions on Moscow curtailed Russia's exports.

"On the refinery earnings calls, they're talking about making sure they run at full steam - refinery utilization is going to stay very high throughout the year," said Gary Cunningham, director of market research at Tradition Energy. Diesel fuel reached a record of \$5.45 per gallon at the pump this week.

Voters don't like rising fuel prices.

I filled the Hilberry farm truck tank with diesel on the weekend. \$2.20 CDN per litre at the Glenora Country Store. 3.785 litres per US gallon at today's FOREX of \$0.767 US per \$CDN = a US dollar equivalent of \$6.39 US per US gallon of diesel. That's 17% above the US Average. That 17% higher price may deter US diesel powered RV'ers Canada-bound visits this summer. Canadian's planning a road trip would find it cheaper to head south.

For a view on Global Gasoline prices go here

[https://www.globalpetrolprices.com/gasoline\\_prices/](https://www.globalpetrolprices.com/gasoline_prices/)

NOTE: The data explainer in Global Petrol Prices states that as all countries have access to the same basic oil commodity and refining oil into gasoline has similar costs, any difference between the average global cost to produce a litre of gasoline and the local price is the result of subsidies (if lower) or taxes (if higher). The 'lower' part (local subsidies for fuel to shield citizenry) is where the 'Billions in subsidies paid to the Oil Industry' notion comes from. This point often a talking point by activists. While technically correct, the are indeed billions paid as subsidies globally, the majority are paid in developing nations by despotic governments anxious to curtail unrest. This argument does hold water in Canada.

## Vehicle Sales Mix and Heavy Trucks – Calculated Risk May 6, 2022

We're watching the trend in vehicle sales by type

<https://www.calculatedriskblog.com/2022/05/vehicle-sales-mix-and-heavy-trucks.html>

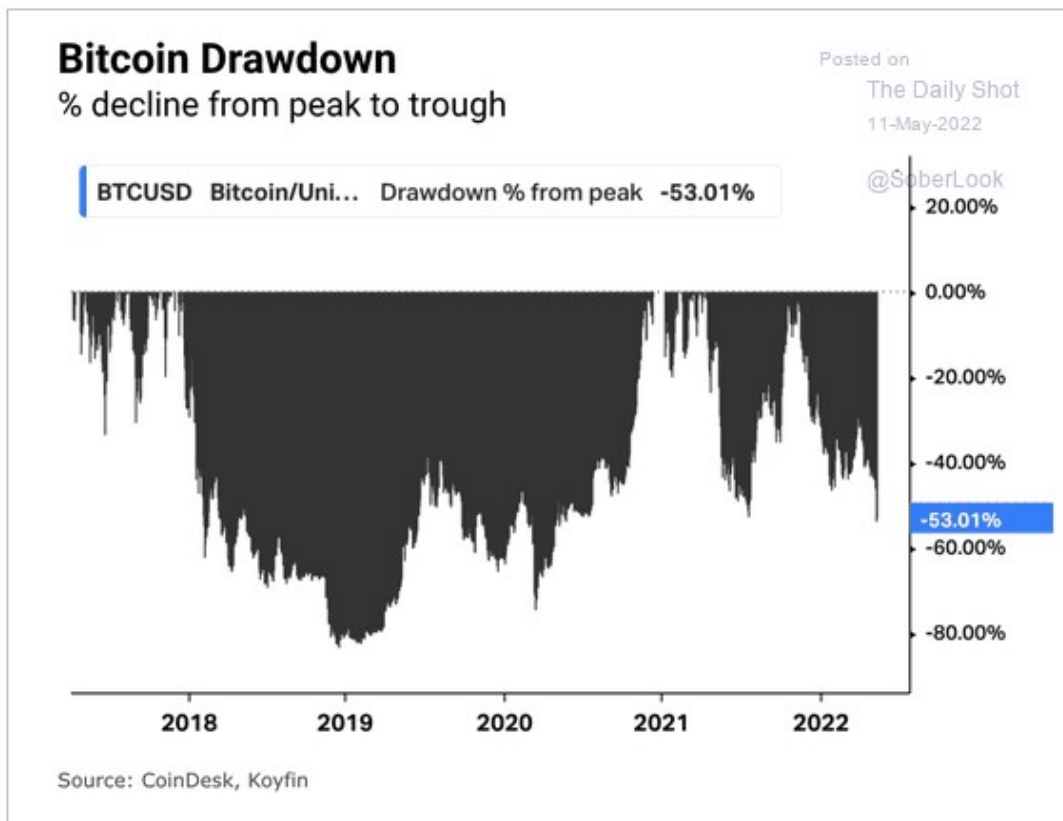


## Crypto's continue to sag. It may get worse

*"What you need to know about the rout that just wiped \$200 billion off the cryptocurrency market in one day" -*

<https://financialpost.com/fp-finance/cryptocurrency/what-you-need-to-know-about-the-rout-that-just-wiped-200-billion-off-the-cryptocurrency-market-in-one-day>

**Cryptocurrency:** Bitcoin is roughly 53% below its all-time high near \$69K reached in November of last year.



We are on record advising against crypto-currency speculation. We've advised the potential downside loss was 100%. A poor risk/reward profile. Our view hasn't changed. We weren't alone. Feb/2021 Ex-Georg Bush aid & political commentator David Frum (IE an old Boomer) predicted crypto's would crash if interest rates went up. Crypto bugs and insiders in the industry were quick to vilify him. Some simply replied "Okay Boomer". Bitcoin traded around \$56K per coin at the time. Bitcoin hit a new 52 week low on Thursday of \$26K. Okay Boomer indeed.

<https://u.today/as-bitcoin-nears-58k-ex-bush-aide-predicts-fast-and-deep-crash>

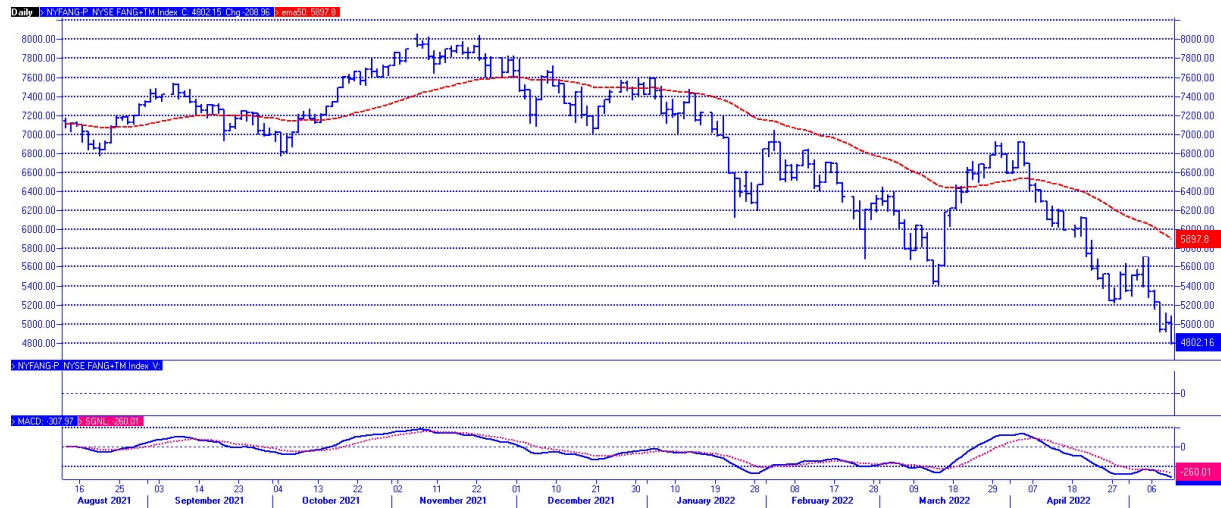
May 13, 2022

HILBERRY GROUP



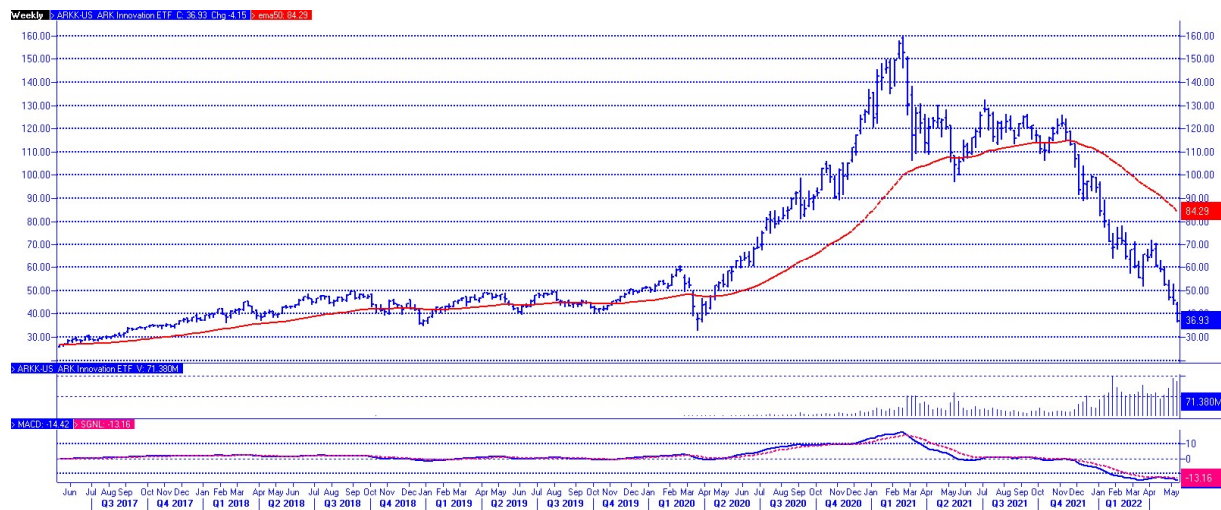
**The FANGS continued their dental work**

**NYSE FANG+TM Index (last 4802 | Peak 8,062 Nov 5/2021) daily ranges – 9 months.**



**Cathie Wood’s ARK Innovation is handed yet another hiding this week.**

**ARK Innovation ETF (ARKK-US-\$36.82 | High \$159.70 Feb 19,2021) weekly – 5 years**



**Has Shopify dropped enough? CEO Tobi Lutke thinks so.**

SHOPIFY INC CEO TOBI LUTKE SAYS "I JUST PLACED A \$10 MLN ORDER FOR SHOP STOCK MYSELF" - TWEET - Reuters - 12:23 PM Eastern Daylight Time May 11, 2022

**And then on Friday...**

May 13, 2022

HILBERRY GROUP



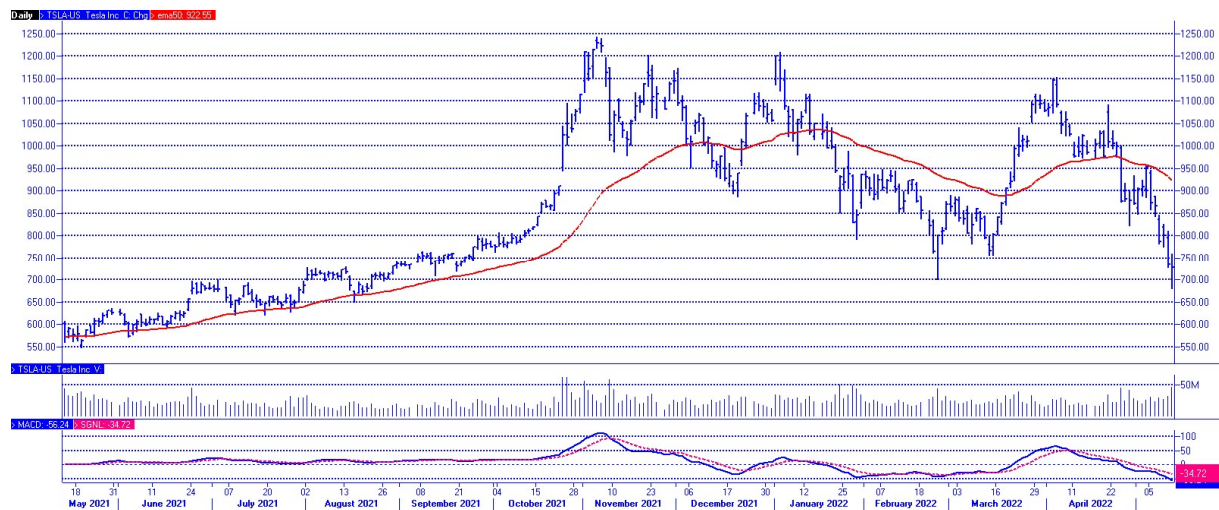
## BUSINESS – Reuters new wire May 13, 2022

*“Elon Musk put his \$44-billion deal for Twitter “temporarily on hold” while he awaits data on the proportion of its fake accounts, sending shares in the social media platform plunging. In his latest tweet, Musk referred to a Reuters story from May 2 that said Twitter had estimated that false or spam accounts represented fewer than 5% of its monetizable daily active users during the first quarter.*

*Tesla has put on hold plans to sell electric cars in India, abandoned a search for showroom space and reassigned some of its domestic team after failing to secure lower import taxes, three people familiar with the matter told Reuters”*

Hmmm...let’s see now...what would cause Mr. Musk to hit the pause button? Is it concern over false spam accounts? If that’s legit then there are much wider concerns in the entire social media advertising premise. Or could it be...we understand Musk pledged Tesla shares to cover his Twitter Buy. Ouch.

### Tesla (TSLA-\$728 - May 12, 2022) daily rangers – 12 mos



### ***‘The Ukraine War, Assassinations, and Artillery’ – Peter Zeihan***

Mr. Zeihan’s 6 mins YouTube video explains why the arrival of sophisticated Western artillery is a gamechanger in Ukraine over the next two three weeks. The ability to target command posts with aid of US satellite intelligence paired with weak Russian military command structure (see the Economist video below) could prove decisive. The West is not sending their best stuff. TUS 155MM howitzers mentioned are outdated versions of standard US field equipment. Towed artillery, their main advantage is low weight and simplicity while capable of firing modern tech munitions. While this makes them vulnerable to counter-battery fire, a tractor could easily move one. Ukraine has a lot of tractors. If the 155MM howitzer makes a





significant difference, the Russian Army surely will ponder its fate against the very latest Western firepower. Suddenly NATO matters.

<https://www.youtube.com/watch?v=NPNczJ7uTqI>.

### ***'War in Ukraine: Why is Russia's army so weak?' - The Economist May 9, 2022***

The Economist discusses how the Ukraine conflict is showing the world the weaknesses of the Russian army command structure. They predict May will be an important month in the conflict and raise the question of how will Putin react?

<https://www.youtube.com/watch?v=x8C7aMeunE0>

### ***'Putin's Victory Day Speech: The significance of what was not said' Radio Free Europe***



Put all the short generals next to the Boss

***"In politics, when you're explaining, you're losing" – Jim Moore***

<https://www.rferl.org/a/putin-victory-day-what-not-said/31841589.html>

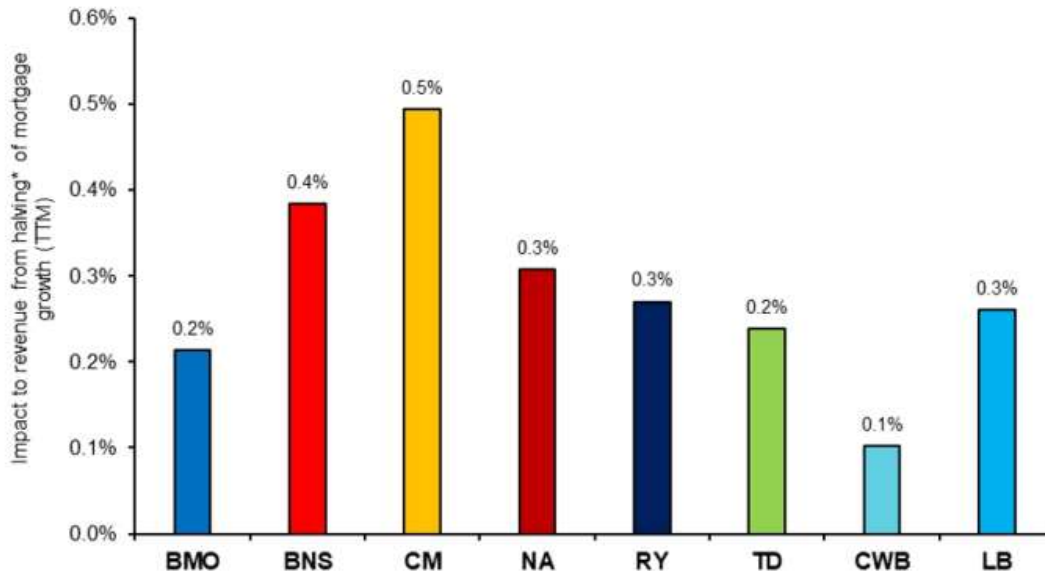
**Moving on to Canada.**

### **Canadian Banks: Is mortgage growth slowdown a big deal?**

There's been a worry-flurry over Canadian banks seeing reduced growth mortgage loans in a recession. Is this a big deal? The short answer is, 'No'. If the mortgage growth rate were cut

in half, it's 0.3% of bank revenues. A recession has more impact but even there they seem to make money. NBF's Gabriel Dechaine explains. Mr. Dechaine refers to 'multiple compression'. He means a reduction in the price-to-book-value per share ratio. IE the price falls against book values which tend not to move as much. It's an industry-speak way of saying the price is falling vs. fundamentals. As we don't expect a recession in 2022 or 2023, the banks are better value now. Scotia Bank traded under \$80 on Thursday P/E under 10 and dividend yield 5%. My happy place.

**Figure 1: If mortgage growth were cut in half, the revenue impact to banks would be ~0.3% (BNS & CM relatively more impacted)**



Source: Refinitiv; Company reports; NBF analysis

Note: We have assumed 75bps NIM on RESL loans; LB's RESL book declined by 2% Y/Y, so we have shown the incremental impact if it has declined by 4%

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=fb544ad0-2913-4351-a130-831a1a7a489c&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

## Reflecting On Competition Bureau's Application Opposing Rogers-Shaw Deal

Canada's Competition Bureau announced last Friday after the close that they were throwing a stink bomb at the Shaw/Roger's merger. Never underestimate the ability of bureaucrats to do the wrong thing, at the wrong time for the wrong reason and then dig their heels in. Industry observers scratched their head, investors were not amused (I yelled profanities in the barn, the horses looked at me sideways). As a general rout was on, the stock dropped into Wednesday then rebounded. NBF offers perspective. It seems the deal isn't dead

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=c920ab45-1133-4563-bd53-c726f9bd6245&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

**DISCLOSURE: I own Shaw Communications, hold it for family members and for client accounts over which I have trading authority. We have traded in the security within the last 60 days.**

## ***‘Terence Corcoran: Rogers trapped in the jungle of bureaucrats’ – Financial Post***

<https://financialpost.com/opinion/terence-corcoran-rogers-trapped-in-the-jungle-of-bureaucrats>

With the Canadian Conservative Party Leadership race on TV this week we’ll close with advice from Groucho Marx.

***“Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly and applying the wrong remedies.”***

### **Buy, sell, or wait? Sometimes it pays to do nothing**



Watch Anna’s latest video here

[https://www.youtube.com/watch?v=2d1a\\_RzoLtw](https://www.youtube.com/watch?v=2d1a_RzoLtw)

## **Have a Great Weekend**

**Steve & Anna Hilberry**

[Anna Hilberry’s YouTube Page](#)

[NBF – Hilberry Group website](#)



**FOR THE RECORD May 13, 2022**

DOW INDUSTRIALS:	32,196
S&P 500:	4,023
S&P/TSX COMP:	20,099
WTI:	\$110.20
LOONIE IN \$USD:	\$0.7744 \$US

© NATIONAL BANK FINANCIAL. All rights reserved 2019.

[Terms of use](#) [Confidentiality](#) [ABC's of security](#)

The information contained herein was obtained from sources we believe to be reliable, but is not guaranteed by us and may be incomplete. The opinions expressed are based on our analysis and interpretation of this information and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed herein are those of the author and do not necessarily reflect those of National Bank Financial.

The securities or investment sectors mentioned herein are not suitable for all types of investors. Please consult your investment advisor to verify whether the securities or sectors suit your investor's profile as well as to obtain complete information, including the main risk factors, regarding those securities or sectors. This document is not a research analysis produced by the Research Department of National Bank Financial.

National Bank Financial is a subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX).

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: 416 889-3707



Regulated by  
Investment Industry Regulation  
Organization of Canada

