



# WEEKEND READING

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

## It's official. We were in a Bear Market for 2 hours. Still Bullish.

The broad indices from the all-time high and 12 months.

US Indices								
Index	Symbol	Index High	Date	LAST	% Chg	30-Apr-21		
						Close	% Chg	
Dow Ind Avg	.DJIA-DI	36,952.65	05-Jan-22	31,261.90	-15.40%	33874.85	-7.71%	
SP500	.SPX-UT	4818.62	04-Jan-22	3,901.36	-19.04%	4181.17	-6.69%	
SP500 GARP	ARPP/Y-CM	2197.24	30-Dec-21	1,841.48	-16.19%	1914.46	-3.81%	
NASDAQ COMP	.NCOMP-O	16212.23	22-Nov-21	11,354.62	-29.96%	13962.68	-18.68%	
NASDAQ US Div Achievers	DVG-O	4007.94	05-Jan-22	3,365.32	-16.03%	3545.43	-5.08%	
NYSE FANG+TM	NYFANG-P	8062.29	05-Nov-21	4,845.95	-39.89%	6793.37	-28.67%	
GrayScale Bitcoin Trust	GBTC-5	\$58.20	19-Feb-21	\$18.74	-67.80%	\$46.85	-60.00%	
GrayScale Ethereum Classt Trust	ETCG-5	\$96.00	06-May-21	\$8.45	-91.20%	\$29.66	-71.51%	
Grayscale Ethereum Tr ETH	ETHE-5	\$47.08	01-Dec-21	\$13.00	-72.40%	\$27.71	-53.10%	

The S&P500 fulfilled the definition of a Bear Market peak-to-last decline of -20% mid-session on Friday then rallied back hard. Some stocks have been a lot worse.

## From FAANG Darlings to toothless Dogs: All-time highs and 12 months.

Recent US Market Favorites						30-Apr-21		Trailing	Forward
Description	Index High	Date	LAST	% Chg	Close	% Chg	PE	FPE	
Alphabet Inc (Google)	GOOG-US	\$3,042.00	02-Feb-22	\$2,135.73	-29.79%	\$2,410.12	-11.38%	19.32	19.14
Amazon	AMZN-US	\$3,773.08	13-Jul-21	\$2,107.68	-44.14%	\$3,467.42	-39.21%	50.87	131.65
Apple Inc	AAPL-US	\$182.94	04-Jan-22	\$133.61	-26.97%	\$131.46	1.64%	21.69	21.73
ARK Innovation ETF (Cathie Wood)	ARKK-US	\$159.70	16-Feb-21	\$40.94	-74.36%	\$120.77	-66.10%	n/a	n/a
Block Inc (formally Square)	SQ-US	\$289.23	05-Aug-21	\$80.12	-72.30%	\$244.82	-67.27%	(-neg)	82.77
Meta Platforms (formally Facebook)	FB-US	\$383.79	10-Sep-21	\$189.89	-50.52%	\$325.08	-41.59%	14.36	15.91
Netflix Inc	NFLX-US	\$700.99	17-Nov-22	\$181.41	-74.12%	\$513.47	-64.67%	16.46	16.64
PayPal	PYPL-US	\$310.16	26-Jul-21	\$78.00	-74.85%	\$262.29	-70.26%	25.74	19.93
Shopify	SHOP-US	\$1,714.51	16-Nov-21	\$348.69	-79.66%	\$1,182.51	-70.51%	278.95	359.10
Tesla	TSLA-US	\$1,243.49	04-Nov-21	\$641.50	-48.41%	\$709.44	-9.58%	87.04	51.95
Twitter	TWTR-US	\$80.75	25-Feb-21	\$37.71	-53.30%	\$55.22	-31.71%	163.96	22.43
Walt Disney	DIS-US	\$203.02	8-Mar-2-21	\$100.52	-50.49%	\$186.02	-45.96%	69.32	25.06
Zoom Video Comm Inc	ZM-US	\$588.84	19-Oct-20	\$86.85	-85.25%	\$319.57	-72.82%	19.34	24.63

The S&P500 trades at 18.75 trailing actual earnings and 16.85 X projected earnings. A company whose P/E is close to the S&P500's is considered 'fair'. Vs the S&P, none of the above are cheap. Maybe close to fair is enough? Apple has been a least-worst darling. At 21X P/E it's still above the S&P500 avg. with a skinny dividend yield. At least Apple pays something. Depending on one's growth expectations, Meta Platforms and Netflix may (may) show reasonable entry points. With no dividends for either, investors must be confident and patient. We're inclined to look elsewhere.

### Canadian broad indices:

CDN Indices								
							30-Apr-21	
Symbol	Index High	Date	LAST	% Chg	Close	% Chg		
Symbol	Index High	Date	LAST	% Chg	Close	% Chg		
S&P/TSX Composite	.TTT-T	22213.07	05-Apr-22	20197.61	-9.07%	19108.33	5.70%	
S&P/TSX 60 Index	T.XLX-T	1344.63	05-Apr-22	1222.49	-9.08%	1138.85	7.34%	
S&P/TSX Banks	T.XBA-T	4871.53	09-Feb-22	4149.12	-14.83%	3857.37	7.56%	
DJ Cda Select Div Index	.DACSD-DI	345.42	09-Feb-22	307.57	-10.96%	301.07	2.16%	
DJ Cda Select Div Idx Total Return	.DACST-DI	885.71	04-Feb-22	807.49	-8.83%	755.79	6.84%	

Thanks to Canada's commodity exposure the TSX has (finally) handily 'outperformed' the major US markets, avoiding the 2021-22 FAANG collapse. Losing less is winning.

**How have our clients fared?** Live Hilberry dividend growth models net of fees + GST.

### US Dividend Growth:

High \$USD close date: April 20, 2022

May 20, 2022 session close change from high:

- **US dollar** change from high: **-6.41%**
- **CDN dollar** change: **-3.91%**

Apr 30, 2021 to May 20, 2022 12 mos return:

- **US dollar**: +5.14%
- **CDN dollar** change: **+9.73%**

### CDN Dividend Growth:

High \$CDN close date: April 20, 2022 (yes the same date as US)

May 20, 2022 session close change from high:

- **CDN dollar** change: **-4.06%**

Apr 30, 2021 to May 20, 2022 12 mos return:

- **CDN dollar** change: **+17.54%**

### Hilberry Dividend Growth 50/50 blend CDN/US portfolio

May 20, 2022 session close change from high:

- **CDN dollar** change: **-3.98%**

Apr 30, 2021 to May 20, 2022 12 mos return:

- **CDN dollar** change: **+13.17%**

**NOTE: We have varying mandates for our clients and each client's portfolio may carry unique attributes based on their tolerance. Client mandates with lower exposure to stocks will show lower risk (and reward). Your investment experience may vary.**

### **So far, our approach avoided most of the decline.**

Our 'downside capture rate' is under 25%, meaning for each dollar the S&P 500 lost, we lost less than \$1. No that's not fun and no it ain't over yet (we think we're close). Europe is a mess. Wars are bad and the EU is haunted by past energy policies. Certain sectors of the US economy, or more accurately of the US stock market, are experiencing a much-needed flushing of speculation (looking at you FAANGS). I'm not sure that's over with either. As we're not playing in the EU or FANG sandbox, we're avoided those dust ups. Our tilt away from social media/tech, towards basic goods, industries, energy and towards Canada has shielded us from the worst of the declines. Add in a cash dividend and playing defense becomes a good offense.

### **Why are we a buyers?**

We are not, repeat not, selling stocks. As I noted last week, when prices fall, we're in our happy place. One must be careful what one wishes for but the way to make money is buying from investors in a rush to sell. You won't pick the bottom. You don't have to. Waiting for one is fool's gold. Anna and I don't make market calls. We don't know when stocks will have bottomed until well after the fact. There are favorable signs – see below. Buying great companies at fair prices will yield tremendous results over time. When opportunity knocks, don't hide under the bed, answer the darned door! We have been buying into the recent declines. We are NOT chasing the FAANG falling knives. **Bank of Nova Scotia (BNS-TSX \$79.86)** traded at 9.6 X earnings on Friday sporting a 5% dividend yield? What's not to like??

**DISCLAIMER: I hold Bank of Nova Scotia personally, for family members and in client accounts over which I have trading authority. We have traded in the security within the past 60 days.**

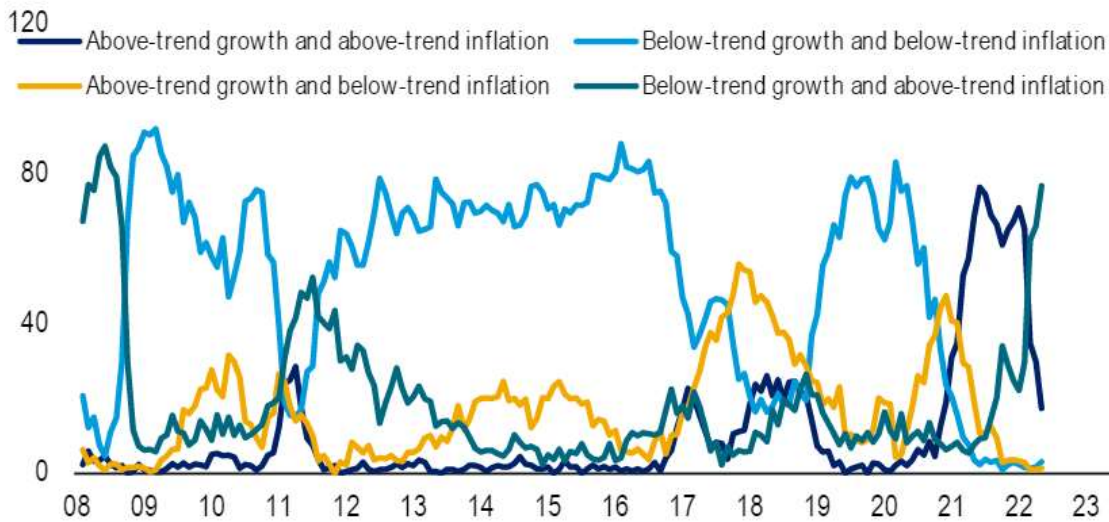
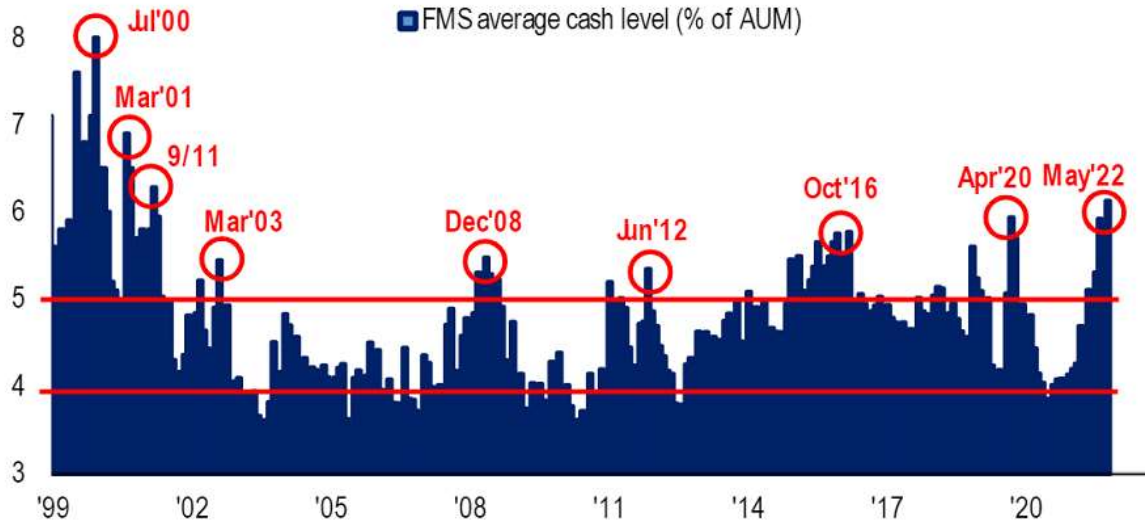
Here's another reason to buy or at least not sell.

### **'Extremely bearish' fund managers take cash to highest levels since 9/11 attacks' Bank of America Global Fund Manager Survey May/2022**

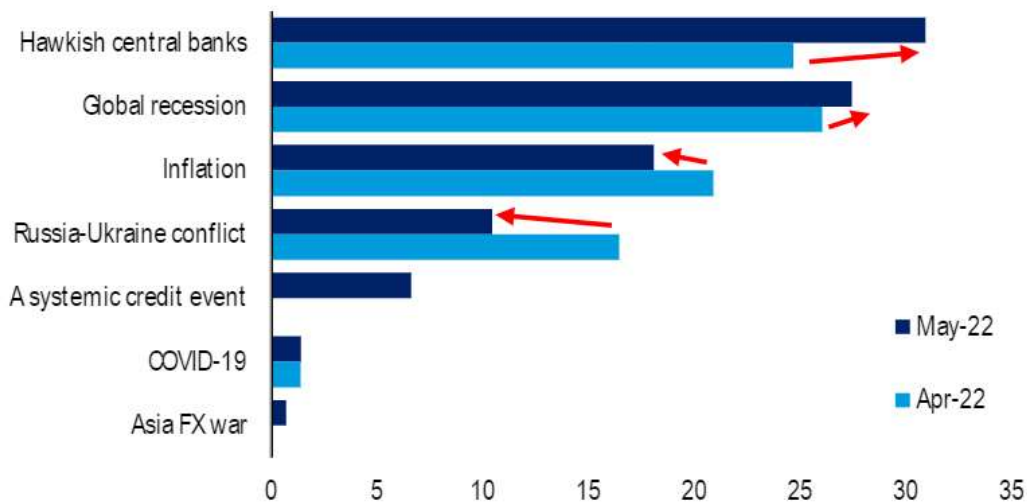
<https://www.trustnet.com/News/13302671/extremely-bearish-fund-managers-take-cash-to-highest-levels-since-911-attacks/>







### Biggest risk factors



Big Money’s Big Worry is ‘hawkish central banks’ (interest rates rising). If Big Money is worried about raising rates...

**‘How will rising rates affect consumer debt?’ - Bank of America May 13, 2022**

The Big Money survey charts seem to confirm media-floated worries of rising interest rates inducing a 2022 recession. We don’t see one in Canada. Bank of America calculates the annual average increased costs due to rising interest rates in the US is \$500 per family. For the average middle class income bracket (\$56,000 to \$156,000) \$500 bucks not a lifestyle breaker. Still, it’s \$500 that is going to lenders (banks) and not into personal goods. Eventually these costs will accumulate. BofA summarizes...

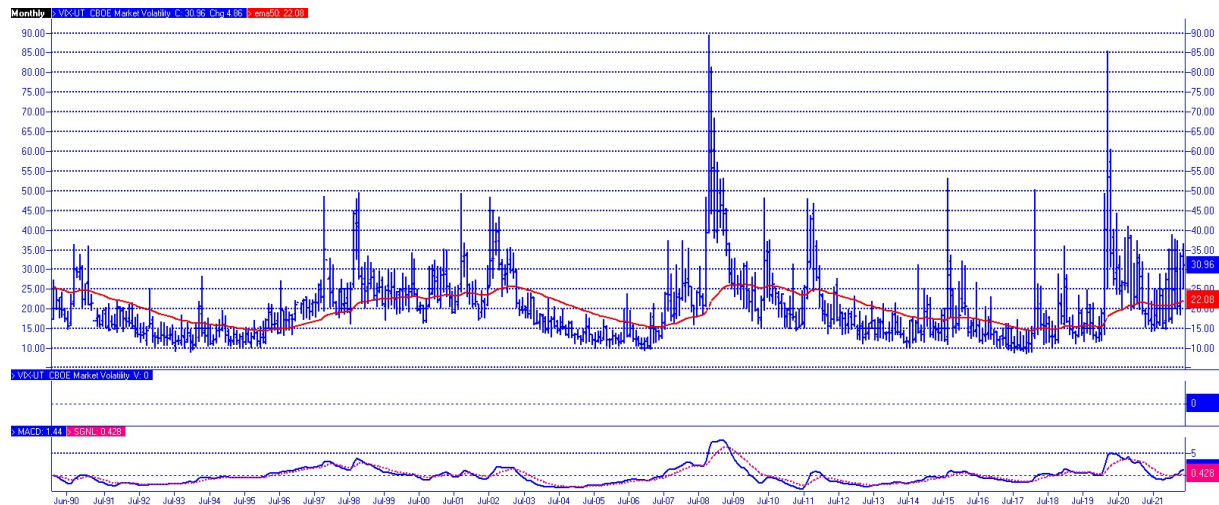
**“Bottom line: no meaningful impact this year**

*Our estimation suggest that on average, household debt repayments will increase by about \$500 (or 0.35% of disposable income) this year due to rising interest rates. Although this only creates a modest shock, consumers will eventually face stiffer headwinds as more existing loans mature and new originations take place under higher interest rates. This supports our view that the economy will gradually slow and slip below trend next year.*

<https://business.bofa.com/en-us/content/market-strategies-insights/global-economy-outlook-and-forecast.html>

**Are we there yet? Volatility spikes but it’s been higher**

**CBOE Volatility Index (VIX) 1990 – 2022**



Volatility broke above 80 Oct/2008 during the Lehman Bros. collapse and March/2020 during the COVID-19 panic. A quick check of the closing levels for major markets those months confirm that was the time to bet the farm. The ultimate lows may have followed but being a buyer into the volatility extremes – or least not a seller – was the correct stance. Waiting for those extremes meant missing out on a lot of gains. Buying when the VIX hit 50 was great timing. Buying when the VIX breaks 40 was enough of a price advantage to make some serious dough over time. I’ll add that simply buying and holding worked out...over time.



Pundits are interpreting the recent spike in the VIX to over 35 as ‘predicting a recession’. Jeremy Grantham was trotted out in the media again this week. He claims the S&P500 needs to ‘contract another 45% to match the long term (see *‘This could be a lost decade for stocks’ WSJ May 18, 2022*) Mr. Grantham’s reliably bearish presence in the news feeds has reliably coincided with past market troughs. Note the number of times volatility chart spiked above 40. Those events are:

- Oct 1997 (Black Monday Market Crash)
- Aug 1998 -Oct 1998
- Sept 2001 (9-11 World Trade Center)
- July 2022 – Oct/2002
- Sept 2008 (Bear Sterns goes under)
- Oct 2008 Apr/2009 Lehman Bros Credit Crisis to
- Nov 2008 continued Credit Crunch
- Aug – Oct 2011
- Feb – June 2020 COVID panic

Looking at stock prices during those events, other than for very short-term traders, being a seller with the VIX over 35 was usually a baaaad idea. Claiming we’re facing a ‘lost decade’ is easy. Who will remember or care 10 year’s from now? Piffle. On Friday the Dow was down over 600 pts mid-session (-2%) to rally hard to a small breakeven by the close. Somebody bought a lot of stock.

### **Ukraine update.**

#### ***‘The Ukraine War and Materiel’ – Peter Zeihan YouTube May 19, 2022***

Mr. Zeihan discusses Russia vs. Western military hardware. He believes we’ll see a lot more defense spending by the West. We hold Raytheon (RTX-NYSE-\$90.10) in our US dividend portfolio.

<https://www.youtube.com/watch?v=cTb-xgcdnUc>

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

#### **Peter Zeihan: CHINA, Depopulation, FINANCIAL Bubble (Interview Clip)**

[https://www.youtube.com/watch?v=79PJuJa\\_TFU](https://www.youtube.com/watch?v=79PJuJa_TFU)

### **Why we always doubted the Cannabis Craze...**

The Federal Govt of Canada fulfilled a Liberal campaign pledge legalizing pot in Oct/2018. The Canadian cannabis sector caught fire. Investors predicted a permanent competitive advantage for being first, driving Canadian cannabis growers to the moon.





Grower **Tilray Brands** was founded just up the road from Duncan in Nanaimo BC. We advised clients to refrain. Our views in summary:

- Cannabis use might not be as robust as predicted.
- Canada is not a natural growing environment for cannabis
- Canada has high labor costs and even higher environmental/zoning regulations
- Any eventual growth in the industry was likely to accrue to lower labor cost, tropical countries.

**Zimbabwean farmers hope for whiff of cannabis boom**



Growers like Munyaradzi Nyanungo are betting medicinal cannabis will boost their fortunes after decades of economic decline.

**Tilray Brands Inc. (TLRY-US-\$4.70) weekly ranges 5 years.**



After going public at \$20 in July/2018 (underwriters market to enthusiasm) Tilray spiked to \$300 in Sep/2018 and traded well north of \$100 most of Q4/2018. Insiders were selling with abandon. Last trade on Friday May 20 represented **-75.6%** loss from the IPO and **-98%** from the highs. Looks like we were right.

Turning to energy...

***'Eric Nuttall: Energy stocks remain woefully undervalued despite the massively bullish backdrop'* Financial Post**

<https://financialpost.com/commodities/energy/oil-gas/eric-nuttall-energy-stocks-remain-woefully-undervalued-despite-the-massively-bullish-backdrop>

***'The Dark Side of Renewable Energy'* audio pod cast Adam Rozencajg, CFA, Managing Partner at Goehring & Rozencajg**

We've followed GoRozen since 2016. They've been clear in their predictions, 180 degrees from consensus and very right. I urge clients interested in energy patch, conventional and alternative, devote 1 hour to GoRozen's latest pod cast. Their previous postings are also well worth wading through.

<https://blog.gorozen.com/blog/podcast-adam-rozencajg-the-dark-side-of-renewable-energy>

<https://blog.gorozen.com/blog>

**We'll close with this reason why we're buyers'.**

***'Recession Unlikely in 2022' – Brian Wesbury First Trust***

<https://www.ftportfolios.com/Commentary/EconomicResearch/2022/5/16/recession-unlikely-in-2022>





## Develop Confidence in Your Portfolio | Practicing Patience with Market Fluctuations



Watch Anna's latest video here

<https://www.youtube.com/watch?v=TTC2fTicI6E>

## Have a Great Weekend

Steve & Anna Hilberry



### FOR THE RECORD May 20, 2022

DOW INDUSTRIALS:	31,261
S&P 500:	3,901
S&P/TSX COMP:	20197
WTI:	\$110.63
LOONIE IN \$USD:	\$0.7787 \$US

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