



## WEEKEND READING

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

### **The Inflation Edition**

#### **Time is just a concept - man**

The UK is pushing ahead with a social experiment compressing the current standard 5-day work week into 4 days (at the same pay). Apparently the Government knows what's good for employers and employees. Funny thing. We just had a similar trial on a much grander scale. For much of 2020 into 2021, responding to the COVID-19 pandemic developed nation governments restricted travel to work settings. This policy will be debated in Econ 101 for years to come. To shelter unemployed workers, weekly 'COVID' cheques were provided. Money not directly earned in exchange for goods and services entered the system. In some cases, workers COVID 'benefits' surpassed their previous working wage. It was a 'progressive policy' dream come true.

And then... Milton Friedman's warning was confirmed *"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."* Worker productivity dropped. The tremendous surge in cash payments diluted the efforts who were able to (or chose to) continue to work. To the surprise of elected officials the sudden realization that 'someone' had to pay for it all hit home. Canadian left-leaning politicians continue the canard that 'the rich need to pay their fair share' and taxing the stuffing out the fat cats would make a difference.

We'll be following this story with great interest.

#### **The world's biggest four-day work week pilot begins**

<https://edition.cnn.com/2022/06/06/business/four-day-week-trial-uk/index.html>

## Why the US Dollar continues to reign supreme

These gentlemen are by no means the first to predict the demise of the dollar. But whenever I hear such arguments I am reminded of an old Larry Summers line. Speaking at Harvard's Kennedy School of Government in November 2019, the former Treasury secretary observed: "You cannot replace something with nothing." What other currency was preferable to the dollar as a reserve and trade currency, he asked, "when Europe's a museum, Japan's a nursing home, China's a jail, and Bitcoin's an experiment"?

(graphic Courtesy of David Fingold)

We believe the US dollar and the US economy will continue to be an important driver of investment returns for our clients.

### Oil and inflation

Aside from taxes, a larger driver of inflation has been rising fuel prices. While elected officials in Europe and North America are partly correct in blaming the Ukraine conflict for rising fuel prices, the previous decade of policies suppressing fossil fuel exploration and development are showing results. The alternative energy solutions have proved ineffective. We've warned of this ad nauseum over the past 3 years. I remind our clients to revisit our previous links to GoRozen's work on Energy Return On Energy Investment (EROEI).

<https://blog.gorozen.com/blog/the-oil-crisis-is-unfolding-in-slow-motion>

<https://www.youtube.com/watch?v=Jz75yScqPpQ>

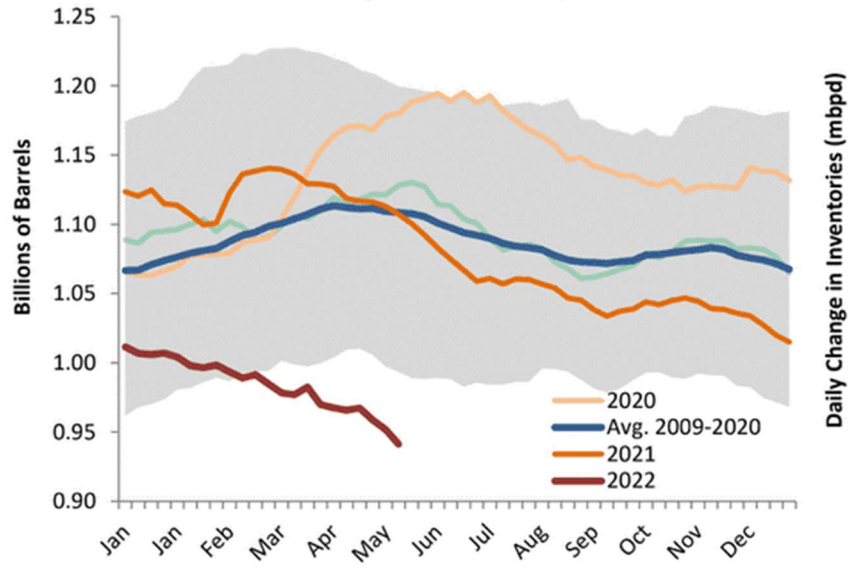
### 'America's growing LNG exports come with great political challenges' – NBF Geopolitical Briefing - June 6, 2022

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=2e761b6f-2cc9-4913-ab74-d6955aced9ff&mime=pdf&co=nbf&id=steven.hilberr@nbc.ca&source=mail>

Next chart series courtesy of NBF's Calgary Energy Desk.

### US Crude Oil Inventories

Range 2006 – 2021 in Gray



### International Drilling Activity Remains Muted

Monthly Active Rig Count By Region (2018 - April 2022)

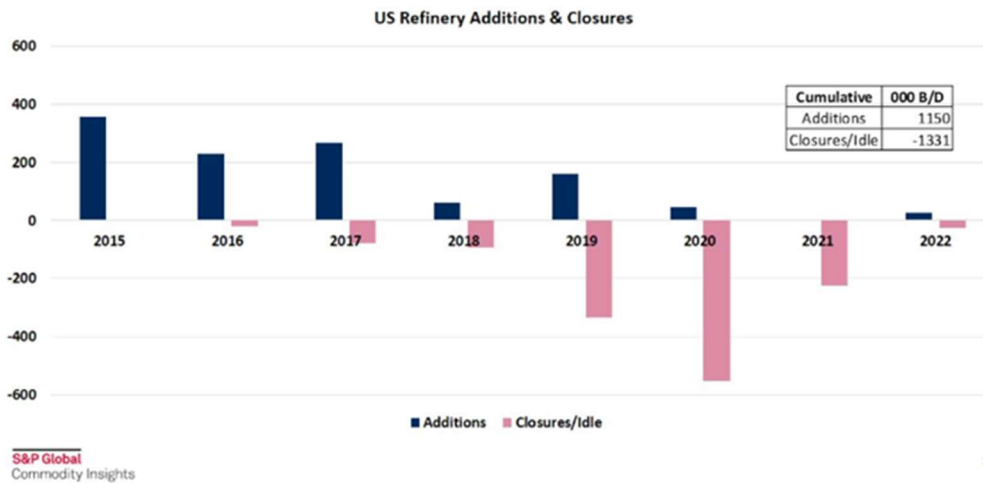


Source: Baker Hughes, Fitch Solutions





## US Refinery Capacity Additions and Closures ('000 B/D)



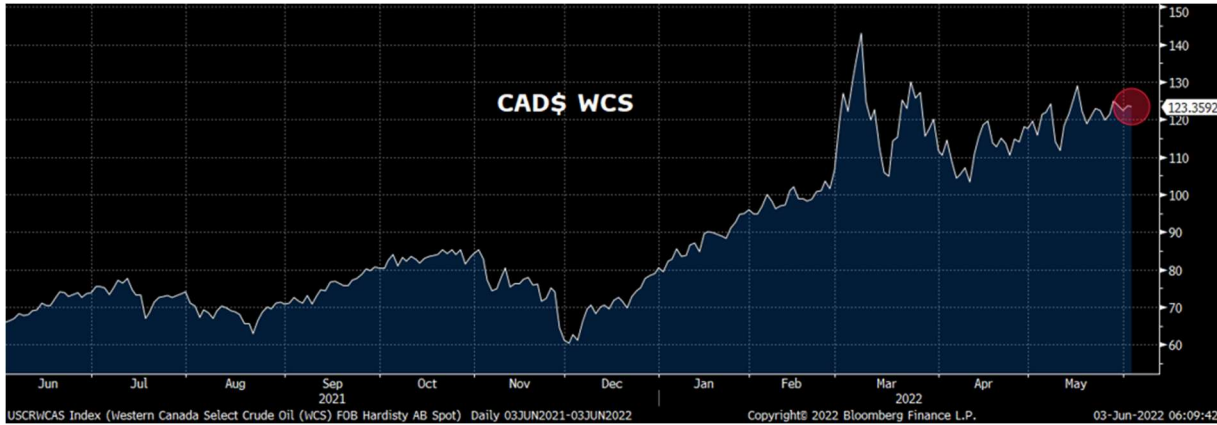
### What about Canadian Crude (Western CDN Select) prices?

The first WCS & USD chart shows the discount Canadian producers are receiving vs. US West Texas Intermediate (WTI). 2019-2022. The current discount around \$19 is at the lower end of the range. Canadian producers are receiving close to \$20 less per barrel than their US peers. With WTI around \$110 that's 18%. Shipping costs to markets will always force Canadians to drop their prices to compete. Less shipping capacity (pipelines) equals more discount. We remind Canadian readers Govt tax revenue are a function of local prices and corporate profits.



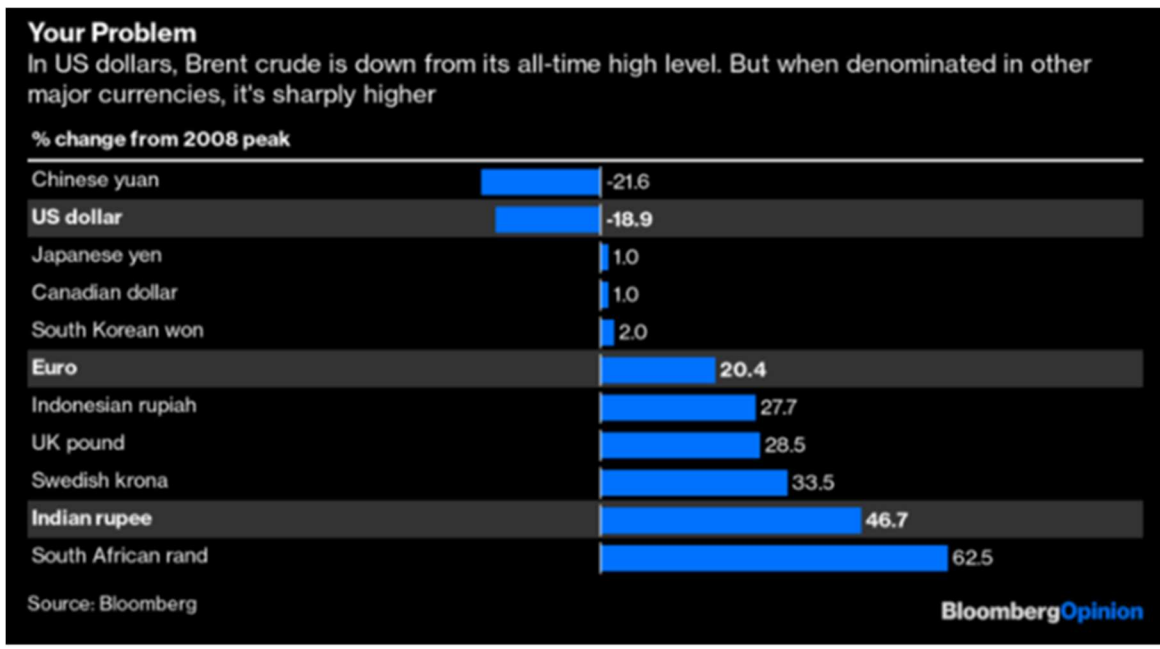
The next chart plots Canadian dollar realized prices for Western Canadian Select 2021-2022. Despite the above discount Canada's oil patch (and Provincial and Fed Govt coffers) are finally making money again.





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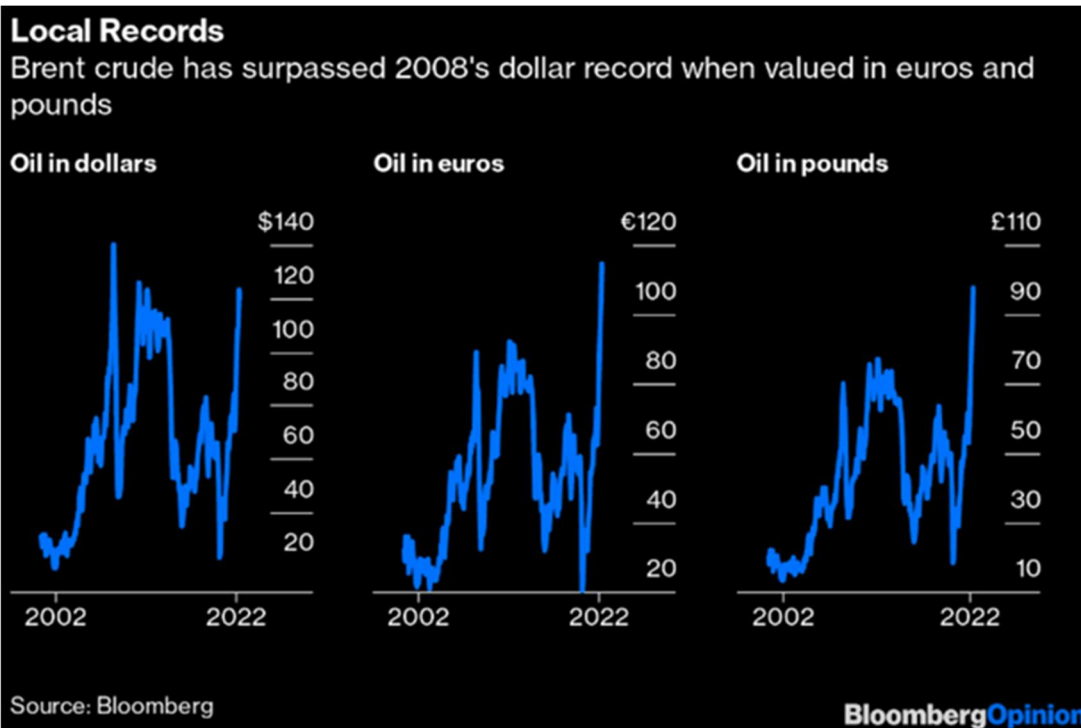
## Who's paying the most for oil?



In both Chinese Yuan and US dollar terms, crude oil has been higher.

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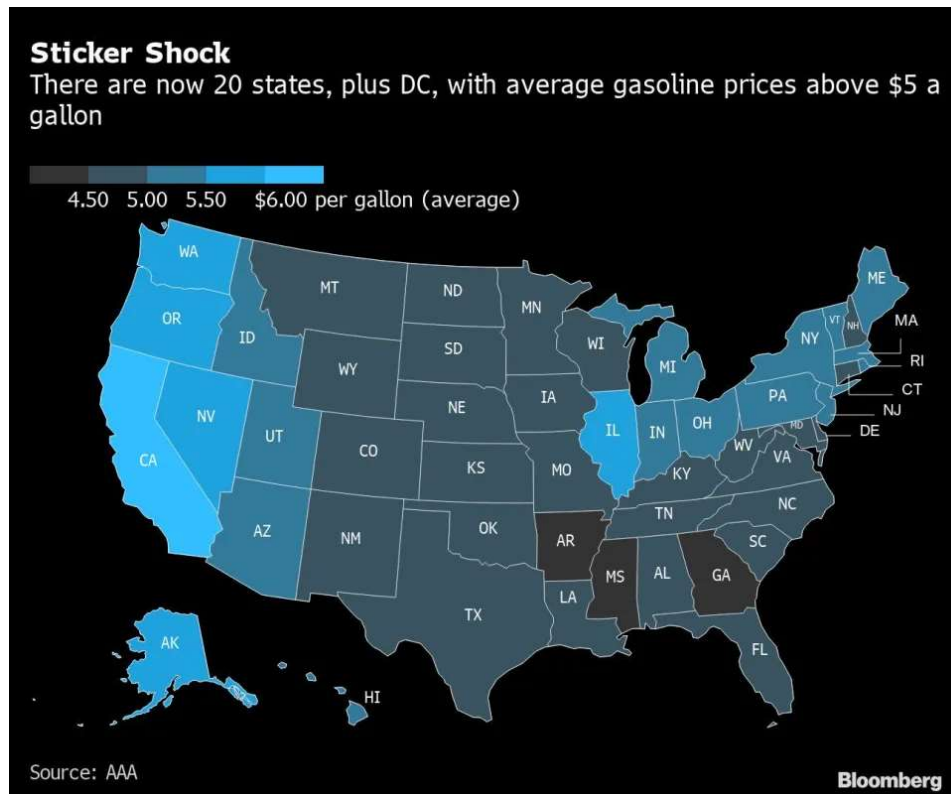
## When will oil prices create demand destruction?

It's already happening. Forcing consumer change is a goal of increasing the cost of conventional fuels. The following chart confirms states favoring high fuel taxes to support policy goals have, SURPRISE!, high fuel prices. Voters may connect the dots. Will a majority of



US consumers (voters) willingly support climate emergency legislation paying more to drive or will they opt for political changes instead? The champion of non-fossil fuel powered cars, Elon Musk, moved from the nation’s highest taxed state, California to one of it’s lowest, Texas (more on him below). Follow the money. The November/2022 US mid-term Congressional elections will be interesting. History says historically high fuel prices do not bode well for incumbent politicians.

**‘Fuel Demand Destruction Is Happening at Most Expensive US Spots’**



Outside of the high cost states, we don’t believe significant fuel price led demand destruction will be immediate. There’s more room for oil (and the economy) to run.

<https://finance.yahoo.com/news/fuel-demand-destruction-happening-most-152119527.html>

We’ll close out the energy section with this gem forwarded to us from a client

**‘When I First Saw Elon Musk for Who He Really Is’**

<https://slate.com/technology/2022/05/elon-musk-tesla-twitter-fables.html>



## Passive index funds now own a bigger chunk of US stocks than active funds for the 1st time

<https://markets.businessinsider.com/news/stocks/passive-funds-own-more-us-stocks-than-active-equities-markets-2022-6>

### *'Live by the sword'* Josh Brown June 6, 2022

<https://thereformedbroker.com/2022/06/07/live-by-the-sword/>

### *'7-Chart Monday (6/6/22)'* Charlie Bilello

<https://compoundadvisors.com/2022/7-chart-monday-6-6-22>

## UPCOMING NBF WEBCASTS

### ***Stock Market Volatility: Causes and Consequences – June 14 @ 1pm PST*** (Martin Lefebvre)

Martin Lefebvre will be hosting a live webcast to discuss market volatility. The event is organized and hosted by our Private Banking team and is available to NBF clients. I have attached the invitation that you can send to your clients.

Click here to register: (full link) <https://studiocast.ca/client/bn-nb1859/event/10063/en/>

### ***Investing in a Fast-Changing Environment: A Guide to the Markets – June 16 @ 8am PST***

Dr. David Kelly, Chief Global Strategist and Head of Global Markets Insights Strategy Team for J.P. Morgan Funds, will share his views on what investors should expect from their portfolios, how conflict in Europe will influence global supply chain and energy costs, and opportunities & potential pitfalls in a post-pandemic world.

Click here to register: (full link) <https://studiocast.ca/client/bni-nbi/event/10041/en/>

## Upcoming Hilberry Group Client events.

June 10, 2022

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**The Hilberry Group** is proud to invite you to a Wine Tasting Client appreciation event at Blue Grouse Estate Winery

Come discover with us the beauty of the estate, the Cowichan Valley and their products

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Thursday, June 16<sup>th</sup> at 5:30 p.m. to 7:30 p.m.  
Blue Grouse Estate Winery and Vineyard  
2182 Lakeside Road Duncan, BC V9L 6M3

## Have a Great Weekend

Steve & Anna Hilberry



### FOR THE RECORD June 10, 2022

DOW INDUSTRIALS:	31,582
S&P 500:	3,924
S&P/TSX COMP:	20301
WTI:	\$120.50
LOONIE IN \$USD:	\$0.7836 \$US

June 10, 2022

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