



WEEKEND READING

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

Are we having any fun yet?

In my rookie year as a 'stockbroker' my mentor advised *"Hilberry, you'll make money in bull markets. Remember you'll have to earn it later"*. It took me awhile to understand he wasn't just warning me my paycheques would sometimes read less than zero (that happened). He was describing how investors are compensated for risk.

The cost of long-term returns is a short-term decline in your portfolio market value. Investors have a 100% risk tolerance...on the way up. That confidence evaporates on the way down. The easier it is to buy and sell the more this tendency shows up. Investors adopting passive indexing really have no idea what they own (they aren't supposed to have to). They rarely look at how the index is composed, industry sector concentration, etc. If they focus on anything it's the internal management expense ratio (MER). With minimal dividend income to be had, indexers' main benefit comes from selling units. As they own 'the market', that's what they focus on. The illusory notion of trading the market is appealing. Experience says indexers become highly reactive to price changes. Price declines lead to volatility. Volatility leads to more selling. So it goes until it stops. The financial media loves market pundit commentary as it's easy to follow, sounds dramatic and attracts attention for advertising. A feed-back loop often develops in both directions.

Those owning individual dividend-paying stocks (that's us) are more likely to regard their holdings differently. They will consider the share price vs. the company's business. You know, boring stuff like price-to-cash flow ratio (P/CF), price-to-earnings ratio (P/E), price vs earnings growth (P/EG), dividend yields, portfolio sector concentration, diversification, etc. A lower price for an individual stock is seen as a chance to buy more of a great company at a fair price vs. the last chance to sell before the price falls off a cliff. Experience says these kinds of companies tend not to drop in price as much as the market. When they finally do that's also often a sign of 'throwing in the towel'. More on that later. So where are we?

On recent stock market declines: (mid-session Jun 17, 2022)

The numbers:

US Indices		31-Dec-21	All Time	High		YTD	From High	28-May-21	From May/2021
Index	Symbol	Close	High	Date	LAST	% Chg	% Chg	Close	% Chg
Dow Ind Avg	.DIIA-DI	36338.30	36,952.65	05-Jan-22	29,870.09	-17.80%	-19.17%	34529.45	-13.49%
SP500	.SPX-UT	4766.18	4818.62	04-Jan-22	3,669.27	-23.01%	-23.85%	4204.11	-12.72%
SP500 GARP	ARPP/Y-CM	2177.17	2197.24	30-Dec-21	1,734.50	-20.33%	-21.06%	1948.63	-10.99%
NASDAQ COMP	.NCOMP-O	15644.97	16212.23	22-Nov-21	10,756.04	-31.25%	-33.65%	13748.74	-21.77%
NASDAQ US Div Achievers	DVG-O	3982.57	4007.94	05-Jan-22	3,183.44	-20.07%	-20.57%	3602.54	-11.63%
NYSE FANG+TM	NYFANG-P	7422.00	8062.29	05-Nov-21	4,806.11	-35.25%	-40.39%	6623.69	-27.44%
GrayScale Bitcoin Trust	GBTC-5	34.25	\$58.20	19-Feb-21	\$12.43	-63.71%	-78.64%	30.22	-58.87%
GrayScale Ethereum Classt Trust	ETCG-5	15.65	\$96.00	06-May-21	\$5.97	-61.85%	-93.78%	39.98	-85.07%
Grayscale Ethereum Tr ETH	ETHE-5	32.36	\$47.08	01-Dec-21	\$7.00	-78.37%	-85.13%	25.21	-72.23%

Recent US Market Favorites		31-Dec-21	All Time	High		YTD	From High	28-May-21	From May/2021
	Symbol	Close	High	Date	LAST	% Chg	% Chg	Close	% Chg
Alphabet Inc (Google)	GOOG-US	2893.59	\$3,042.00	02-Feb-22	\$2,140.17	-26.04%	-29.65%	2411.56	-11.25%
Amazon	AMZN-US	166.72	\$188.65	13-Jul-21	\$105.94	-36.46%	-43.84%	161.15	-34.26%
Apple Inc	AAPL-US	177.57	\$182.94	04-Jan-22	\$132.04	-25.64%	-27.82%	124.61	5.96%
ARK Innovation ETF (Cathie Wood)	ARKK-US	94.59	\$159.70	16-Feb-21	\$38.51	-59.29%	-75.89%	112.1	-65.65%
Block Inc (formally Square)	SQ-US	161.51	\$289.23	05-Aug-21	\$58.00	-64.09%	-79.95%	222.52	-73.93%
Meta Platforms (formally Facebook)	FB-US	336.35	\$383.79	10-Sep-21	\$163.42	-51.41%	-57.42%	328.73	-50.29%
Microsoft	MSFT-US	336.32	\$349.67	22-Nov-21	\$247.90	-26.29%	-29.10%	249.68	-0.71%
Netflix Inc	NFLX-US	602.44	\$700.99	17-Nov-22	\$177.99	-70.46%	-74.61%	502.81	-64.60%
PayPal	PYPL-US	188.58	\$310.16	26-Jul-21	\$72.49	-61.56%	-76.63%	260.02	-72.12%
Shopify	SHOP-US	1377.39	\$1,714.51	16-Nov-21	\$319.91	-76.77%	-81.34%	1242.87	-74.26%
Tesla	TSLA-US	1056.78	\$1,243.49	04-Nov-21	\$650.10	-38.48%	-47.72%	625.22	3.98%
Twitter	TWTR-US	43.22	\$80.75	25-Feb-21	\$37.42	-13.42%	-53.66%	58	-35.48%
Walt Disney	DIS-US	154.89	\$203.02	8-Mar-2-21	\$94.72	-38.85%	-53.34%	178.65	-46.98%
Zoom Video Comm Inc	ZM-US	183.91	\$588.84	19-Oct-20	\$110.41	-39.97%	-81.25%	331.53	-66.70%

Canadian Indices \$CDN		31-Dec-21	All Time	High		YTD	From High	28-May-21	From May/2021
CDN Indices	Symbol	Close	High	Date	LAST	% Chg	% Chg	Close	% Chg
S&P/TSX Composite	.TTT-T	21222.84	22213.07	05-Apr-22	18908.54	-10.90%	-14.88%	19852.18	-4.75%
S&P/TSX 60 Index	T.XLX-T	1286.98	1344.63	05-Apr-22	1146.88	-10.89%	-14.71%	1189.6	-3.59%
S&P/TSX Banks	T.XBA-T	4418.27	4871.53	09-Feb-22	3971.22	-10.12%	-18.48%	4093.85	-3.00%
DI Cda Select Div Index	.DACSD-DI	323.47	345.42	09-Feb-22	288.75	-10.73%	-16.41%	315.76	-8.55%
DI Cda Select Div Idx Total Return	.DACST-DI	838.69	885.71	04-Feb-22	763.16	-9.01%	-13.84%	793.87	-3.87%

Depending on what index you bought and when, you're down a little or a lot. How about us?

Hilberry Canadian Dividend Growth

CDN listed equities: large cap/dividend focus. Live values market close June 16, 2022

- Rolling 12 mos: May 31, 2021 to June 16, 2022: **+6.752%**
- 2022 Year-to-date: **-0.39%**
- High close date: **April 20, 2022**
- Change from high: **-8.81%**

Hilberry US Dividend Growth

US listed equities: large cap/dividend focus. Live values market close June 16, 2022

- Rolling 12 mos: May 31, 2021 to June 16, 2022: **-4.23% \$USD/+2.09% CDN**
- 2022 Year-to-date: **-5.25% \$USD/-4.15% \$CDN**
- High close date: **April 20, 2022**
- Change from high: **-10.85% \$USD/ -8.66% \$CDN**



Hilberry Dividend Growth 50/50 blend CDN- USD.

(over the past 12 mos. we've been biased more towards Canada).

- Rolling 12 mos: May 31, 2021 to June 16, 2022: **+4.42% \$CDN**
- 2022 Year-to-date: **-2.27% \$CDN**
- High close date: **April 20, 2022**
- Change from high: **-8.73% \$CDN**

As our selections are from the largest of the large caps, our stocks are well represented within their respective indices, yet have been less risky. **The S&P500 is down 24%** from the highs. We're down 6.25%. So far, we've avoided 74% of the downside. We haven't made any fancy market timing moves. While dividend paying stocks clearly aren't no risk, it's also clear what you don't own matters.

What about all those SELL stories in the financial media?

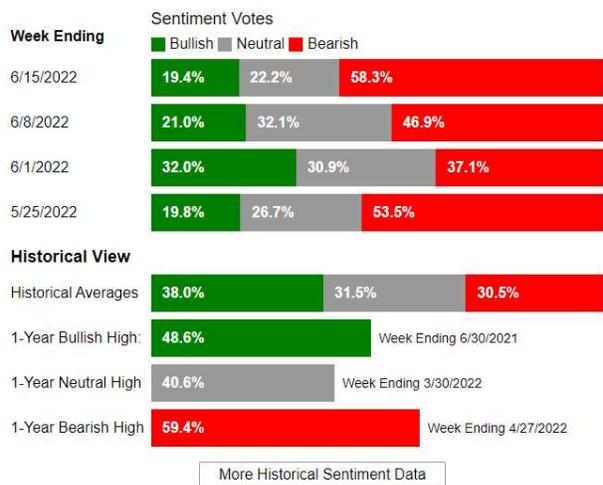
1. Media sells advertising not advice. They know what their viewers/readers are thinking today.
2. Media headlines tell you all you need to know.
3. Selling (or not buying) when the crowd wants to buy and buying (or not selling) when they're selling adds value. Following the crowd is not how to make money.
4. Today? Headlines are gloomy. Media thinks viewers want to sell.
5. The more markets decline, the fewer number of investors want to buy. You get your pick of the litter.
6. Current levels for the S&P500 are at the 50-month moving average. History says selling at or below that moving average was inopportune.
7. Investors are in an extremely bearish mood.
8. Doing nothing is a strategy.

AAII Sentiment Survey for the week ending Wed Jun, 15

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

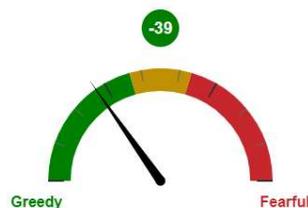
Current bearish reading is 58.3%. Yearly high bear reading was in April at 59.4% (statistically the same). Long term average bearish reading is 30.5%. Current bullish reading is 19.4 vs. 38% average IE almost exactly half and 'neutral is also well below average. The sentiment is **'AAAAARRGGG. MAKE IT STOP. SELLLLL!!!**





CURRENT AAIL SENTIMENT BULL-BEAR SPREAD:

The Sentiment Survey is a contrarian indicator. Above-average market returns have often followed unusually low levels of optimism, while below-average market returns have often followed unusually high levels of optimism. Click [here](#) to learn more.



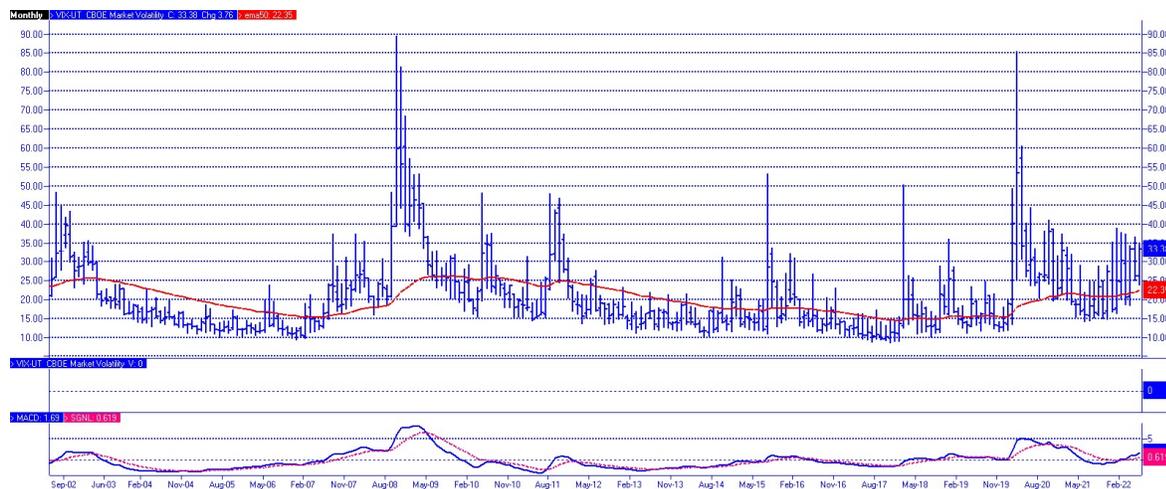
BULL-BEAR SPREAD TRENDS:



Volatility readings. Anything at or above 35 historically was a good time to buy / bad time to sell.

The **Chicago Board Options Exchange (CBOE) Volatility Index (VIX)** now at 33, has touched 35 a couple of times this month. Yearly high 38.94 (Jan 24, 2022). VIX has approached 90 in the past two recession meltdowns and broached 50 seven times so we're not at ultimate extreme pessimism. None of those events were good times to sell.

CBOE Volatility Index (VIX) 20 years monthly



Magna Intl (MG-TSX-\$72.12) was down 8% yesterday. **National Bank of Canada (NA-TSX-\$85.75)** was down 5% yesterday and touched a new low this AM. What changed in their businesses yesterday?

Bank of Nova Scotia (BNS-TSX-\$79.26) trades at 9.2X P/E with 5.2% yield. A 9.2 P/E means for each \$1 in earnings, I'm paying \$9.20. \$1 compared to \$9.20 is an earnings yield (the internal business return vs. price paid) of 10.9%. Add in a cash dividend of 5.2% yield and my annual total return should be in the 15%+ range over time. This ignores growth in earnings and growth in dividends. To be fair it also assumes growth doesn't collapse and the dividend is maintained.



Scotia Bank was founded in Halifax in 1832. They've paid a dividend continuously since 1833. They have survived much worse than we're likely to face in 2022. I see corporate failure risk as low. Nothing is guaranteed. BNS trades 4% off the 52-week low. Sure, it might go lower but there's a lot of trouble already in the price. The current price doesn't look like a great time sell. **We're not selling here.**

Our valuation screens compare current market price vs a 3-5 year projected price band. The tool provides an annual return to those projected price ranges. A price above the 3-year low end of the band shows as red percentage. Example: Future price range \$70-\$100. If today's price is \$72 our value tool will show -2% to the low end of the 3-year price band telling us investors are already paying for what we think the stock could be worth in 3-5 years. A negative number to the low end isn't necessarily a SELL signal. We tend to be conservative. Depending on other factors we may just sit on that holding. In March/April of this year we were seeing a lot of red entries to the low-end bands for the companies we like. Some even showed red to the high end. Now? Hardly any.

We also follow companies we're very unlikely to buy. Example: Amazon (AMZN). With no dividend and a high P/E it doesn't fit our models. Why bother tracking it? Because Amazon is (or was) VERY popular dominating the S&P500. We track all the FAANG stocks (Face Book, Amazon, Apple, Netflix, Google) Tesla, Block (Square) and other market darlings. We still apply our valuation tools. In November/2021 most of these beauties were showing red entries well above the top end of what we could dream up for values. They were screaming sells. We just watched. We've warned clients in our readings then aside. Glad we did. What you don't do matters.

What about now?

'Predictions are hard. Particularly ones about the future' - Yoggi Berra

We cannot predict investor short-term behaviour. Market timing is not our thing. It feels like panic is dominant. This makes us happy. For the companies we follow we see good value and good dividends. We think Scotia Bank under \$80 with a 5.2% rising dividend income is at least not a Sell. We're holders/buyers.

NBF Podcast: Martin Lefebvre interviews Chief Economist Pierre Eloi - June 16, 2022

<https://www.nbinvestments.ca/expert-insights/podcasts/inflation-markets-stefane-marion.html>

"A Shocking Number of Stocks Are in the Red. Here's Why That's a Bullish Sign" Barron's June 15, 2022

<https://www.barrons.com/articles/stocks-bullish-sp500-51655308884>

(printed article version attached)

'Be greedy when others are fearful and fearful when others are greedy'

- Warren Buffet

Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD June 17, 2022

DOW INDUSTRIALS:	34,956
S&P 500:	4,400
S&P/TSX COMP:	20239
WTI:	\$74.16
LOONIE IN \$USD:	\$0.8014 \$US

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