



# WEEKEND READING

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

## We're back.

We returned to presenting our semi-annual client seminars last week. First time since October/2019. We're providing a few highlight slides.

### Rip VanWinkle: Since our last seminar Oct 23 / 2019



	Oct/2019	Oct/2022	% Change	% Change \$CDN
S&P500 TR \$USD	6138	7964	+29.7%	+34.5%
TSX Comp TR	58101	72651	+25.0%	
Hilberry \$US Divs			26.0%	32.9%
Hilberry \$C Divs			40.8%	
Hilberry Divs 50/50			36.85%	

If you'd just kept your statements closed since our last seminar you'd probably be pleasantly surprised.

This year? Not so much.

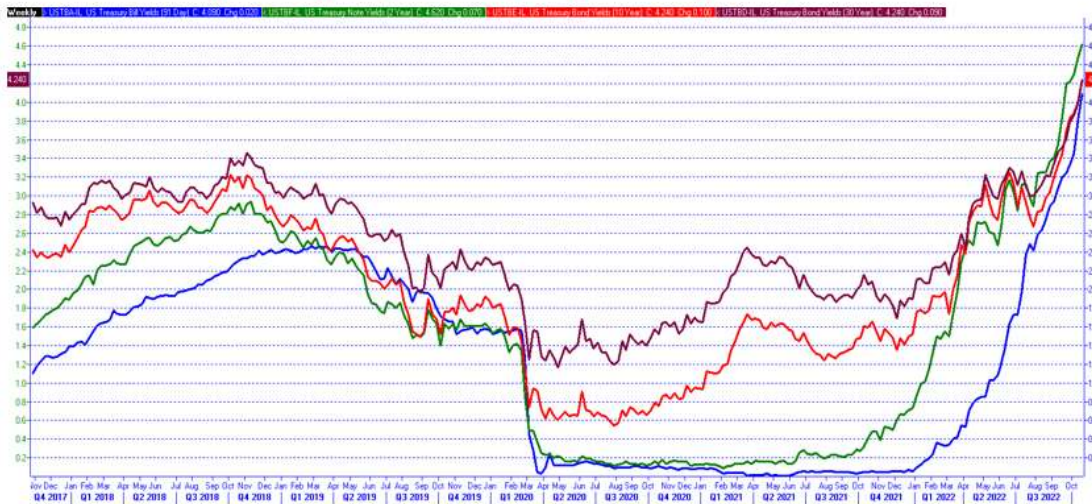
## Since Jan/2022: Selected US

Description	Oct 21/2022	% From High	Year to Date
S&P500	3752.75	-22.12%	-21.3%
US Div Achievers	3281.06	-18.14%	-17.6%
FAANG+TM Index	4663.85	-42.15%	-37.2%
Alphabet (Google)	\$101.48	-32.6%	-29.9%
Amazon	\$119.32	-36.75%	-28.4%
Apple Inc	\$147.27	-19.5%	-17.0%
Bitcoin	\$11.42	-80.4%	-66.6%
Ethereum	\$8.51	-93.2%	-58.4%
Meta Inc (Facebook)	\$130.0	-66.1%	-61.3%
Tesla	\$214.44	-48.3%	-39.1%
Shopify	\$29.75	-86.5%	-78.4%
Walt Disney	\$102.04	-49.74%	-34.1%

NATIONAL BANK  
FINANCIAL  
WEALTH MANAGEMENT

## Bond yields are up

US 90-day 4.0% | 2-yr 4.6% | 10-yr 4.2% | 30-yr 4.24%



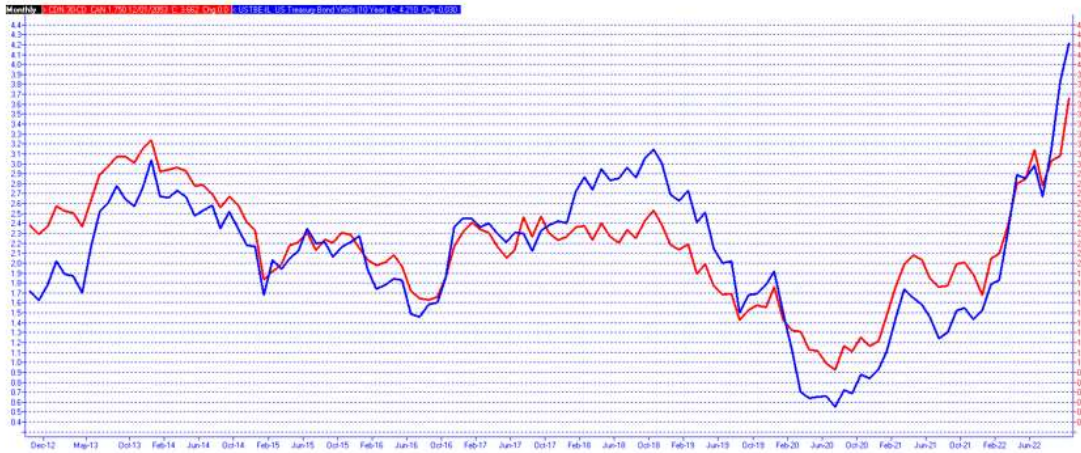
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Pundits claim rising bond yields will 'crush' US Govt revenues and that Canada is facing a much worse future than the US. The bond market disagrees. No sign of stress between US Fed Govt and Canadian Fed Govt bond yields.





10-yr yields 2012-2022: **Canada (3.6%)** vs **US (4.2%)**



No sign Big Money is worried about Canada



## US Gov't's ability to pay?



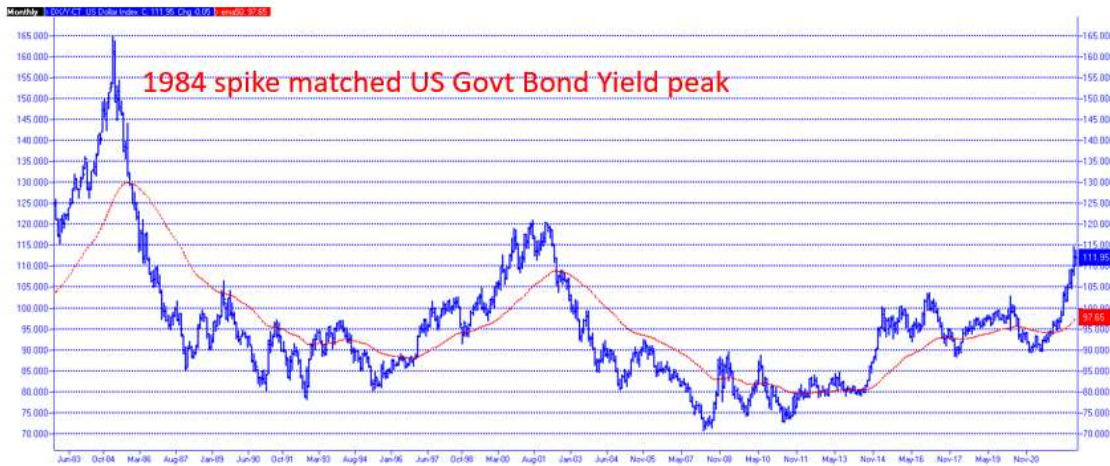
Surge in tax revs/drop in spending =  
Record decline in deficit.



If the US Govt is in so much trouble, why is the US dollar up?



## US Dollar is approaching previous extremes



Source Refinitiv / NBF/Hilberry

Good time for US investors to buy Canada/Intl



If Canada is so much trouble, why is the Loonie doing so much better than Europe?

Canada has held up much better than Europe



Vs \$USD 2 yrs: Loonie -3.8% | EURO -16.9%  
Time for Canadians to look at Europe too?



We see a possible recession in late 2023. We're not convinced it will be deep. That's a guess not a prediction!





# US Recession Watch: Flashing yellow: Late 2023-early 2024?

November 4, 2022

## U.S.: Economic and financial indicators 3 months before recessions

As of October 10, 2022

	Last reading	Prior reading*	Value 3 months before U.S. Recessions									Median
			2020	2007-09	2001	1990-91	1981-82	1980	1973-75	1970		
<b>Financial</b>												
S&P 500 (% drawdown from past year max)	-24.7%	-25.2%	-1.3%	-0.4%	-13.6%	-7.7%	-5.6%	-7.8%	-13.3%	-14.6%	-7.7%	
BBB spread (increase from past year min, bps)	44.3	56.4	2.0	46.2	133.8	6.0	0.0	41.0	43.0	23.0	32.0	
Copper price (% drawdown from past year max)	-32.4%	-32.0%	-10.6%	-2.2%	-9.5%	-12.0%	-16.2%	-1.2%	0.0%	-1.6%	-5.9%	
Oil price (% drawdown from past year max)	-26.3%	-35.7%	-16.0%	-4.0%	-31.0%	-21.0%	-4.0%	0.0%	0.0%	0.0%	-4.0%	
U.S. Dollar (% increase from past year min)	12.1%	12.2%	3.1%	0.0%	5.3%	8.3%	12.5%	4.5%	1.4%	NA	4.5%	
Yield curve (10-year minus 3-month, bps)	50.7	52.1	25.7	77.3	-75.8	97.9	-62.0	-127.0	-157.0	35.0	-18.1	
3 month treasury - core PCE (percentage points)	-1.5	-1.6	0.0	1.6	3.9	4.2	5.6	4.5	4.5	2.5	4.0	
<b>Soft data</b>												
Consumer sentiment (Michigan)	58.6	58.2	99.3	80.9	94.7	90.6	76.3	63.3	72.0	86.4	83.7	
SME optimism	92.1	91.8	102.7	96.1	96.4	99.4	97.4	93.3	NA	NA	96.9	
CEO confidence (quarterly data)	34.0	42.0	43.0	44.0	31.0	48.0	61.0	32.0	NA	NA	43.5	
ISM manufacturing	50.9	52.8	47.9	52.8	42.3	49.5	53.5	48.0	63.5	54.6	51.2	
ISM services	56.7	56.9	55.7	53.5	52	NA	NA	NA	NA	NA	53.5	
<b>Hard data</b>												
UI Claims 4-week ave. (% increase from past year min)	21.1%	21.0%	6%	8%	26%	6%	2%	20%	12%	10%	9%	
Temp. help services jobs (% drawdown from past year max)	0.0%	0.0%	0.0%	-3.2%	-4.3%	NA	NA	NA	NA	NA	-3.2%	
Average hours worked (% drawdown from past year max)	-0.6%	-1.2%	-0.9%	-0.3%	-0.6%	-0.9%	-0.3%	-0.6%	-0.5%	-0.8%	-0.6%	
Building permits (% drawdown from past year max)	-18.7%	-11.1%	-5%	-27%	-2%	-39%	-21%	-30%	-30%	-19%	-24%	
Real consumption (3-month, % ann)	0.9%	0.8%	1.3%	2.4%	2.3%	1.8%	-0.1%	0.7%	4.1%	6.4%	2.1%	

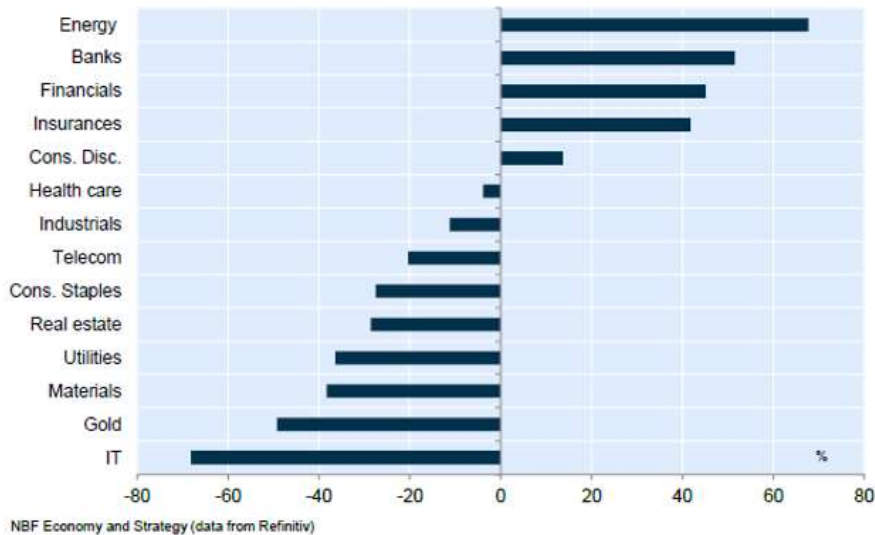
\*Previous Friday for financial data, previous month for hard and soft data (quarter for CEO confidence)  
NBF Economics and Strategy (data via Refinitiv, Bloomberg)



Rising rates aren't bad for every industry...

## Rising Rates Bad for Tech. Good for banks!

Canada: Correlation between S&P/TSX sectors and 10-year rates  
Correlation between 6-month relative sector performance and 10-year yield variation (2012-2022)



This year has been rough. The S&P peaked in January. Our portfolio's peaked in mid-April.

## Since Jan/2022: Selected US & Canadian Benchmarks

Description	Oct 21/2022	% From High	Year to Date
S&P500	3752.75	-22.1%	-21.3%
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FAANG+TM Index	4663.85	-42.15%	-37.2%
TSX Composite	18860.95	-19.5%	-11.1%
TSX Banks	3816.9	-21.6%	-13.6%
DJ Cda Select Div Index	276.0	-20.1%	-14.7%
Hilberry Cdn Div Growth	n/a	-9.6%	-1.3%
Hilberry US Div Growth \$CDN	n/a	-5.5%	+0.10%
Hilberry Div Growth Blended	n/a	-7.4%	-0.5%

Hilberry Portfolio returns sourced from live account net of fees Jan 1, 2022 to Oct 21, 2022. Other periods varied. Past performance does not indicate future returns. Portfolio returns are not guaranteed. Losses are possible.



The good news is the Hilberry portfolios don't have as much ground to make up. Our longer term returns look better.

## Hilberry Portfolio Cumulative returns net per \$100

- 12 mos: \$102.96 = 2.78% avg
- 2 years: \$137.27 = 16.98% avg
- 3 years: \$136.01 = 10.72% avg
- 5 years: \$141.76 = 7.24% avg
- 10 years: \$320.50 = 12.35% avg
- No deposits or withdrawals since Oct/2013
- For each \$100 invested Oct 31/2013
- Oct/2013 recvd \$3.62 projected dividends
- Oct/2022 \$10.79 projected dividends – div growth rate 12.94%
- Oct/2022 \$257.70 market value = 11.09% avg return (net)
- DISCLOSURE: Portfolio returns are from live account net of costs. Additional information available upon request. Past returns do not predict future results. Share values are not guaranteed. Investing in equities may result in losses. Dividends are not guaranteed and may be altered or eliminated without notice. Such decisions are beyond our control.



Where do these returns come from? Keep your eye on the longer term trend.



## Bank Nova Scotia (\$64.78) Price & Div History: 1988-2022



When would you rather buy?



Moving on to the Energy markets:

### *Energy Musings, Unseen Challenges Of The New Normal We Are Entering* November 1, 2022 – Alan Brooks

#### **Unseen Challenges Of The New Normal We Are Entering**

A global recession in 2022, 2023, or 2024, or maybe never? World stock markets: soaring or crumbling? The global oil market: collapsing or strengthening? The U.S. natural gas market: improving or stagnating? U.S. geopolitical relations: getting better or progressively worse? Russia/Ukraine: does Vladimir Putin unleash a tactical nuclear weapon? The European Union (EU): will it fray further, stay together, or fly apart? Will Europeans experience a punishing winter, or will people avoid a disaster and muddle through? Will the EU have more natural gas supply in 2023 or face another winter crisis? Will U.S./China relations continue to simmer or boil over? These are just some of the questions floating about in the media, financial markets, and the halls of government. The answers or guesses will shape future economies, energy markets, and finances.

<https://energy-musings.com/energy-musings-november-1-2022/#post-9630-Unseen>





***‘Fed poised to hike slower... but not lower’ – NBF Nov 2, 2022***

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=d2d65efd-ad5c-43ce-9175-41dc823626ad&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

***‘Canada: Employment jumps in October’ - NBF***

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=d1556884-fc7e-4fc0-9366-9d3cf43b7138&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

***‘Why Today’s Inflation is Not a Repeat of the 1970s’ – Ben Carlson Nov 1, 2022***

Worried that the current rate of inflation is permanent? Mr. Carlson’s comments are required reading.

<https://awealthofcommonsense.com/2022/11/why-todays-inflation-is-not-a-repeat-of-the-1970s/>

***The messy true story of the last time we beat inflation - Vox Nov 2, 2022***

<https://www.vox.com/2022/11/2/23433474/federal-reserve-interest-rate-inflation-volcker>

We can’t let the drama of Elon Musk’s Twitter takeover pass unnoted.

***‘Elon Musk is humiliating himself and all we can do is watch in horror’ – TYT.Com***

<https://tyt.com/stories/7015be31e708f973a/48c1011463bfab933>

**Weekly Economic Watch – NBF (see the attached PDF)**

We’ll close with a reading assignment of the attached Weekly Economic Watch. Many of the leading indicators point to a recession. Given recent media narrative, few clients will be surprised. We think a middling to mild recession is already price into stocks. Recessions typically see stock prices struggle. One can own 5% GICs for a couple of years and forget about it all. It’s tempting to sell everything isn’t it? Here’s the problem. Go back to the above Bank Nova Scotia chart. Pay close attention to the green line plotting dividends per share and the downside circles. Where those declines good times to sell or buy? We are clearly in a down stroke. The emotional motivation to sell comes AFTER a decline. Bank of Nova Scotia’s dividend yield is higher than 5%. They are not alone. History says Scotia Banks dividends have grown. History says patiently owning/buying dividend paying stocks with attractive current yields after they’ve declined has paid off. The past is no guarantee of the future.





## Welcome Back - Have a Great Weekend

Steve & Anna Hilberry



### FOR THE RECORD Nov 4, 2022

DOW INDUSTRIALS:	32,272
S&P 500:	3,726
S&P/TSX COMP:	19,370
WTI:	\$91.91
LOONIE IN \$USD:	\$0.7405 \$US

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