HILBERRY GROUP
WEALTH MANAGEMENT

March 22, 2024

Markets Survive the Ides of March – Doomsters Fail again.

The next time you read “Famous Expert predicts markets are on the EVE OF MELTDOWN”, before hitting the panic button here’s a doomster headline, Yes/No check list:

1. What did you pay for the advice? If $0 go to 2.
2. Is headline in the major media? If yes, go to 3.
3. Did the headline grab your “attention”? Yes, go to 4.
4. Did you notice advertising around the article? Yes, go to 5.
5. Are stock prices generally in a down-trend? Yes, go to 6.
6. Is the Famous Expert famous for being right…or bearish? If bearish, go to 7.
7. Examine Famous Expert’s media appearance vs stock index history (Google is merciless). Does the media feature Famous after prices are near a peak or a trough. If troughs (it will be), go to 8.
8. What is the motivation of the article? To make you money or sell advertising? The media understands what readers (investors) are excited/worried about.

Media go-to Perma-Bear pundits make a very good living predicting disaster. Their lucre has no connection to your financial results. They suffer no consequence for the damage to savings by locking in losses and selling AFTER large declines. They have no connection to, or interest, in you. If the damage wasn’t so serious it would be funny. Why bother listening to them? Because…experience says Perma-Bear appearance correlates to troughs in risk tolerance (how did YOU feel reading it?). The more mainstream the media, the lower the risk-tolerance. Perma-Bears on TV are doing you a huge favor. HOLD or BUY. Markets hit all-time highs this week.

‘Why were the economists so wrong?’ Ed Yardeni LinkedIn

https://www.linkedin.com/pulse/why-were-economists-so-wrong-edward-yardeni-kssre/

This week the US Federal Reserve (The Fed) maintained guidance for falling rates in 2024.

‘Fed Policy Monitor: Dots up… just not the one most focused on’ -NBC Economics and Strategy

https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=7b16a299-dd61-49c3-9012-4565540c2ecc&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

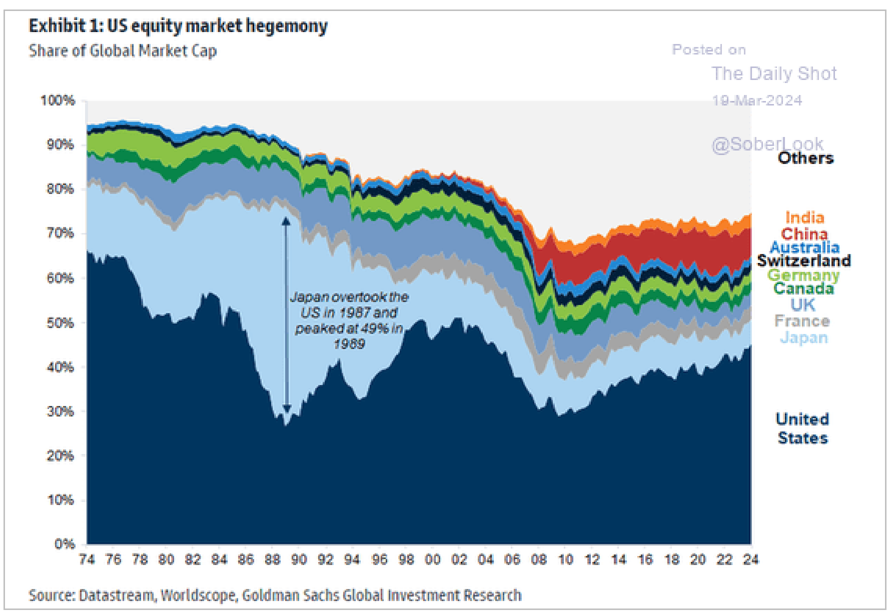
Monthly Economic Monitor March 2024 – NBF – Mar 18, 2024

https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=c57cd578-59ee-453b-9ced-203e4c4be311&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

Markets are pricing for growth. There’s been much handwringing over who is making the money?

‘Make America Great Again’? The US remains #1…by a long shot.

Political hopefuls have opined the USA is in ‘deep trouble’ and needs ‘fixing’. Is this true? Stock (equity) markets exist to price risk. If risk is high, prices fall. The markets reply *“No, it isn’t and no, it doesn’t.”* The 1988-2009 collapse in Japanese equity markets (from truly silly heights) explains the broad declines in middle of the chart. The USA has dominated since 1988. The tide has lifted all boats since 2009. Obama was elected in 2008 and again in 2012. Trump won in 2016 then lost in 2020. It’s not a Democrat/Republican thing. Yes, there’s always work to be done, but keep it in perspective.



Source: WSJ Daily Shot

The Fed controls short-term rates. What about longer term borrowing costs?

Monthly Fixed Income Monitor – March 2024 NBF – March 18, 2024

Forecast Summary

By Taylor Schleich & Warren Lovely

Closer but not yet close enough (for rate cuts). That's seemingly the unofficial message delivered by both Jay Powell at the FOMC and Christine Lagarde at the ECB in recent days/weeks. While conceding that it's premature to be pivoting to less restrictive policy rates in the here and now, messaging from both Powell and Lagarde implies cutting conditions should gradually falling into place. This reinforces the notion that policy rates have peaked, the precise timing of a pivot and the eventual policy rate path to be walked the focus of our monthly interest rate recalibration.

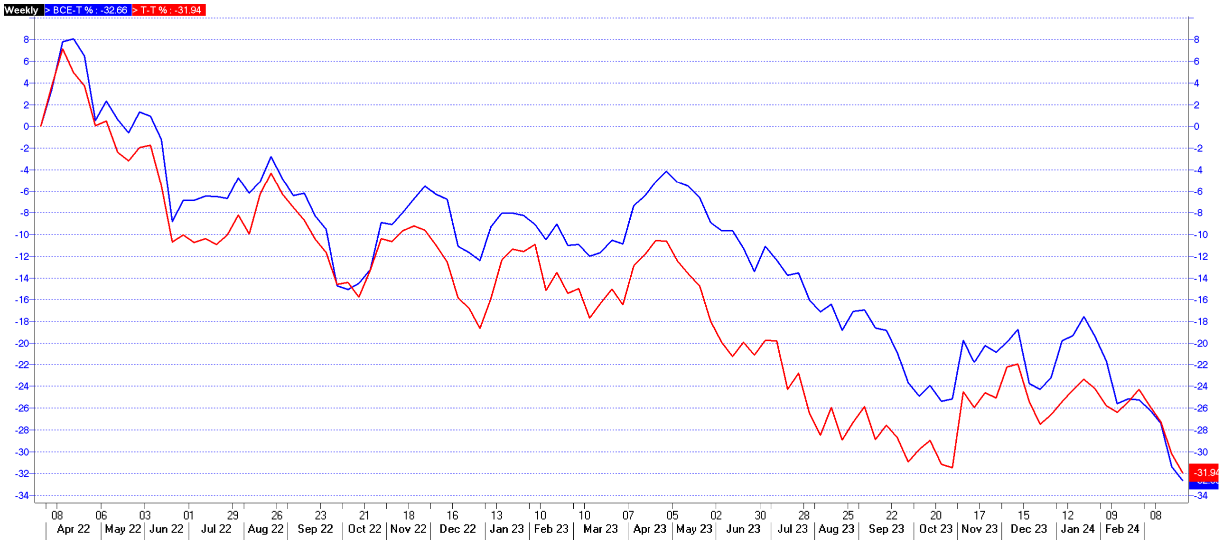
In/around mid-year still strikes us as a likely timeframe for the Fed to initiate a series of cuts. To us, it may be more appropriate to dub the looming adjustment as 'policy rate normalization' more than a legit 'easing cycle', since the prospective move lower in fed funds will be designed to lessen restrictiveness rather than to genuinely stimulate fresh economic activity. On the 'other' normalization, that of the Fed's balance sheet, we'll learn in the coming days, with drainage of excess liquidity expected to make a case for a QT taper sometime this fall.

Full report link:

https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=f796a4bc-7e56-42f2-9b92-6aef1be98cbb&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

Telecos are down.

BCE Ince (BCE-TSX-$45.75-blue) Telus (T-TSX-$21.85-red) % change 2 years



Source: Refinitiv, NBF, Hilberry

BCE and Telus Corp are trading near 5-year lows. **BCE Inc** pays $3.99 per share dividend. The stock is priced for an income yield of 8.7%. **Telus Corp** pays $1.504 dividend, priced for 6.8%

yield. Market prices imply dividend cuts are coming. It's been a tough decade for Telecoms. Both companies' earnings have been flat since 2014. Revenues and cash-flow have grown modestly. Challenges have been Canadian regulations, rising inflation, taxes and interest rates. The dividend has been the saving grace. Consensus is for modest earnings growth. Current prices imply dividend cuts are coming. At this writing the dividends look to be covered. We believe both names are low risk entities, are priced for failure and pay high incomes. A modest 10% price gain would generate double digit returns. We're not selling here.

DISCLAIMER: I hold BCE Inc and Telus personally, for family members and for client accounts over which I have trading authority. We have traded in both securities within the past 60 days. Cash dividends are not guaranteed and may be altered or eliminated at any time without prior notice. Such events are beyond our control.

'*Telecom Services: Sector Quite Out of Favour, But How Low Can or Should It Go?'* NBF Adam Shine March 17, 2024

https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=3d52b479-17d2-4856-9ff6-53c6b5f3b0fb&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

Update from Crazy Town: NuScale Power Corp (SMR-US-$4.49)

Source: Refinitiv, NBF, Hilberry

NuScale hopes to offer commercial scale Small Modular Nuclear Reactors (SMRs – note the clever stock symbol. We featured the stock in Nov/2023 around $2.00. We do NOT hold it personally or for clients. Our interest is in the technology, not the stock. The stock price sky-rocketed this week hitting $11.21 on news Romania is receiving $4 billion US support for a project in that country. Romania's power regulator will make a Final Investment Decision (FID) in 2025. Wall Street upped their targets…except for Wells Fargo who dropped their target from $7.50 to $4.50. The stock price crashed 60%.

Staying with power generation, one board in the platform for reducing greenhouse gas emissions is more efficient power generation and more efficient use of it for a net decline in global power consumption. Not per capita, but total.

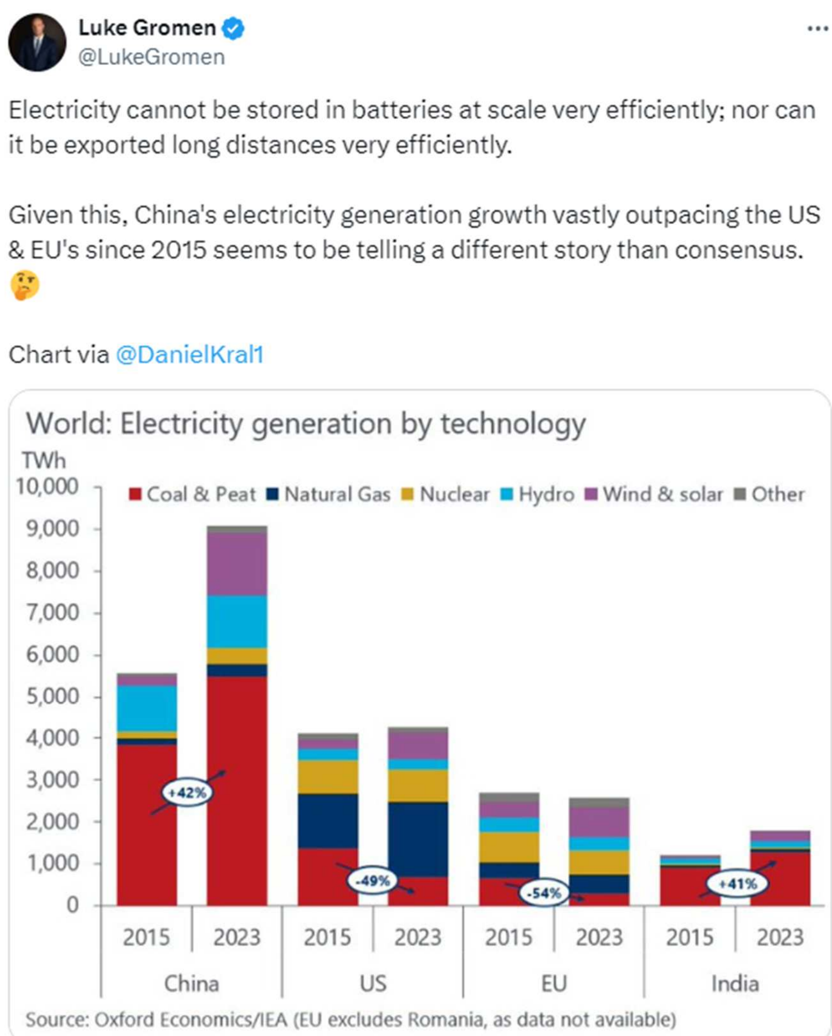
'Does a Green Future = Lower Energy Usage?' – Peter Zeihan

As we've repeated, humans are adept at improving productivity by using less energy per-unit to accomplish goals. Throughout our species history, the result has always been to consume more units, gaining more stuff at less cost meaning total energy consumption increases.

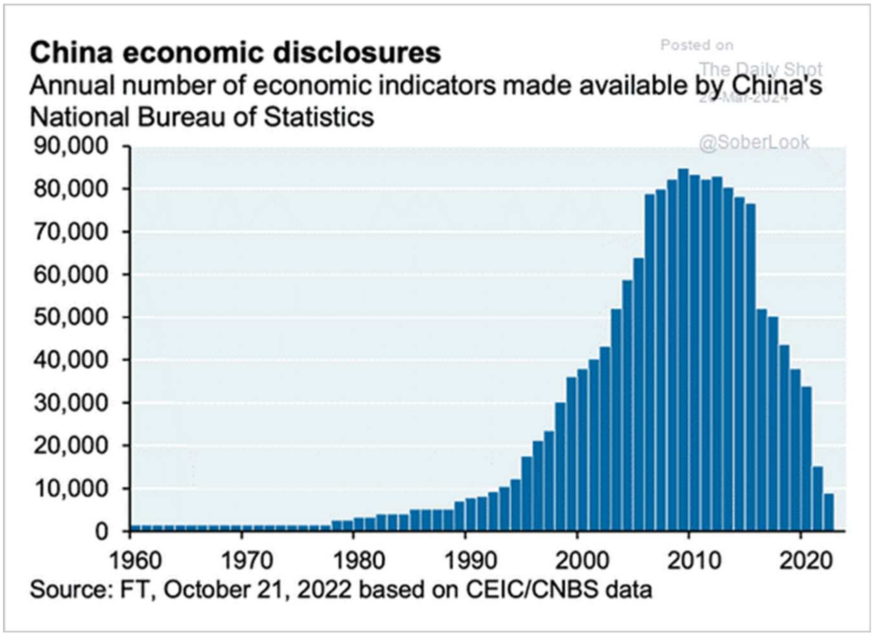
The often bombastic, occasionally overwrought but always entertaining, Mr. Zeihan sums up the issues with the notion of humankind accomplishing climate goals of developed western nations by using less energy.

https://www.youtube.com/watch?v=5D7I4uespms

We read power generation is going green. What's the global trend?



Given China's dominance in emissions, can we rely on their statistics?



Source: WSJ Daily Shot

How do we invest? We like Canadian power producer Emera Corp (EMA-TSX-$47.70). At recent quotes the stock is priced to pay 6%.

DISCLOSURE: I hold Emera personally, for family members and for client accounts over which I have trading authority. We have traded in the security within the past 60 days Dividends are not guaranteed.

We're expect the Dow to break 40,000 this year. Staying with stocks for now.

Have a Great Weekend

Steve & Anna Hilberry

FOR THE RECORD March 22, 2024

DOW INDUSTRIALS:	39,556
S&P 500:	5,233
S&P/TSX COMP:	21982
WTI:	$80.75
LOONIE IN $USD:	$0.7351 $US

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Sent by

Montreal Office	Toronto Office
National Bank Financial	National Bank Financial
Wealth Management	Wealth Management
1155 Metcalfe 5th Floor	130 King Street West Suite 3200
Montreal, Quebec, H3B 4S9	Toronto, ON, M5X 1J9
Phone: 514-879-2222	Phone: 416-869-3707

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