RAYMOND JAMES®

Hi All!
Sorry for late email, but we have had roofers, pavers, and furnace repair people in here today and I have been a bit sidetracked😊. Lots going on at my building! I hope to get this out today…. Please… Pretty please….? I typed and sent this so hope it is error free and do appreciate any help with that if not.

Happy Friday!

Well here we are going into the May long weekend with the world just starting to get back on its feet. I can tell from activity on Main Street Fort Saskatchewan activity has easily tripled or more! It feels good to see people back living life. I know I am long overdue for a haircut, a good burger, and a pint! One might say we are: Back in the Saddle Again
https://www.youtube.com/watch?v=uIPS4LyveJs

That said, we are still a long way from normal and it is 8 weeks ago since I put out my first "Covid" email and yet it feels like it's so much longer ago than that. I originally stated: " There is a chance of a cure, but it is months away. Sadly, one take on this is that this virus could be with us forever. So is the common cold and flu. We do not lock ourselves in our house every cold/flu season. This will play out over the next few months one way or the other and we all will adjust." I think that is still exactly what is playing out today and we are starting to adjust to the foreseeable "new normal".

To be quick today, I still believe there is a path we must follow and the journey is well on its way. The ironic thing is an investors we have gone through the trade war and followed the news cycle up/down/sideways as that played out over 2 years and now we are in a very similar situation on a non-fundamental market that is really being see-sawed by positive or negative news on the pandemic.

We certainly have many different opinions on how this scenario will play out. This situation mirrors the trade war we went through in late 2017-2019 in the context of bad news=down, good news=up. If anything positive comes of cures, vaccines, curve-flattening, etc. we want to remain long these markets and would want to be fully invested. If anything terrible comes out on second waves, higher deaths, longer exposure and shutdowns the market will price negatively and we will need to go more defensive.

At present, we are in a global TEST phase so be prepared for a little more volatility as the world tries to adjust to easing of restrictions and this will give the news stations even more fuel as certain areas spike or flatten. I believe the possibility of a very bad second wave will not hit the news cycle until late summer/fall as schools may reopen and the flu season ramps up again. It will be interesting to see how things play out as witnessed by activity close to home and worldwide. My wife, Jackie thought things would open very slowly, I disagreed and told her I believe the world is so wound up that people are going to flock out. Check this out : https://www.cnbc.com/2020/05/11/cabin-fever-leads-to-big-reopening-weekend-for-south-dakota-casinos.html . And this: https://www.bloomberg.com/news/articles/2020-05-08/shanghai-disneyland-tickets-sold-out-in-minutes-for-reopening .

This is FANTASTIC for our economy and for our recovery. This could be TERRIBLE for a possible spike in cases and another forced shutdown. It really is a roll of the dice, pun intended. Only time will tell and I will adjust accordingly.

Also to note, Hedge fund managers always have the public's interest at heart before theirs, right? These are headlines from just this week: https://www.marketwatch.com/story/why-druckenmiller-says-the-risk-reward-of-investing-in-stocks-has-never-been-worse-2020-05-13 or https://economictimes.indiatimes.com/markets/stocks/news/wall-street-heavyweights-are-sounding-alarm-about-stocks/articleshow/75740263.cms . Please be aware that the Federal Reserve just started buying back bonds this week and if I owned those knowing that (see Hedge fund manager above) was coming and wanted to take that cash and put it to work would I want to buy stocks higher or lower? See: https://ca.finance.yahoo.com/news/fed-says-begin-purchasing-corporate-004813631.html .

I am not saying that we are in markets that only have one way to go, as I believe volatility is here for awhile, but I believe there are many forces out there trying to "trick" investors into more fear for nothing but gain and control. As stated this morning by Saut team member Andrew Adams, "*My current opinion on this stock market is that it's going to try to confuse and shake out as many weak holders as it can before finally moving in the direction it'll eventually move. That is often what rangebound markets do, and I think it would be difficult to make an argument that this market has been anything but rangebound since the middle of April. Markets can remain rangebound indefinitely, too. As Canaccord's Tony Dwyer pointed out this week on Twitter, "25% of the 28% gain in SPX came in the first 2-weeks of relief rally." Since then it has all been about the battle between the Fed and Fundamentals, and there's no rule to say how long that battle may last. We just have to assume the back-and-forth market will continue until there is enough evidence that it's over.*

Once again yesterday we saw a fakeout move, as the S&P 500 broke below the 2790-2800 support area before soon rallying back above it and then spending the rest of the session forcing shorts who sold on the breakdown to cover. It was the exact opposite of what we saw late last month when it appeared the index was breaking out to the upside before quickly giving back a week's worth of gains. Action like that is why my message has been that most market participants probably shouldn't be trying to do too much right now since if you're trying to actively adjust on the fly you're just going to get whipsawed and frustrated. For longer-term investors you kind of just have to pick an equity allocation that you're comfortable with and then just go do something else. It continues to be a trader's market, but it's definitely not an easy trader's market, so staring at the screen can be exhausting."

As the world gets, "Back in the Saddle Again" please know we are staying on top of the news daily, moving assets accordingly, and investing with cautious optimism. I have had success with recent trades and will continue to manage your assets as if they are my own.

We are opening our doors next week also! Please call us to make an appointment in-person (or over the phone) if you want to review the present strategy and your personal situation…hopefully I have got a new haircut by then!

Enjoy your May long weekend and I look forward to seeing you or talking to you over the coming weeks!

Cheers!

Steve

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Portfolio Manager

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