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What a run we had in the last quarter! Up until September, the relentless run-up continued much to chagrin of many cash-heavy fund managers and investors.  So, on that theme and some great 70's hair that many of us relived through Covid (some still looking hippie-like) Boston's hit, "Don't Look Back" seems extremely fitting: https://youtu.be/2HuiH-0R6a0 . Sit back, enjoy some Boston and hopefully you will see things in a "brand new way"!

This report may be a bit biased on being bullish for some of you. I must go with the facts and not the rhetoric. I will acknowledge that we are very far from normalcy, and there are many bumps in the road ahead, but I cannot reiterate enough the markets "don't look back" and there are too many signs ahead of us that a "new day is breaking" as those 70's rockers famously belt out.

Cool fact: Tom Scholz, lead guitar player for Boston is an MIT graduate with 36 patents to his name and he never played guitar until he was age 20 : https://www.sandiegouniontribune.com/entertainment/music/sdut-tom-scholz-of-rock-band-boston-interview-2014jul20-htmlstory.html !

Back to the markets. Our PCG (Private Client Group) team here at Raymond James put out a timely piece this morning, which made me very happy that I am a bit late writing this. It is attached above. They pretty well sum it all up in that report. It is a great read if you want to know why they have also switched gears and they also "finally see the dawn arising". They are switching from underweight equities in the near-term to overweigh and are reducing cash from overweight to neutral (pg5).

I have remained overweight equities in portfolios, and have, so far, been rewarded with the quickest recovery in the history of the S&P500…ever:  https://www.marketwatch.com/story/sp-500-logs-its-first-record-close-in-6-months-and-marks-fastest-recovery-from-a-bear-market-in-history-2020-08-18#:~:text=19%20and%20marking%20the%20quickest,a%20preliminary%20basis%2C%20rounded .

Also, please refer to pages 7-8 in the report. I continue to use the last approach as it always has proven to be the highest return, but is also more volatile. This is where education and dividends come in. I manage your cash flow and dividend income stream. I did not have to cash out one single asset for my retirees in the pandemic months! I had already set monies aside and had income coming in to help add to that cash. If you have not had that meeting with me yet on how to manage cash flow and assets, please call and set that appointment up, it is enlightening and educational.

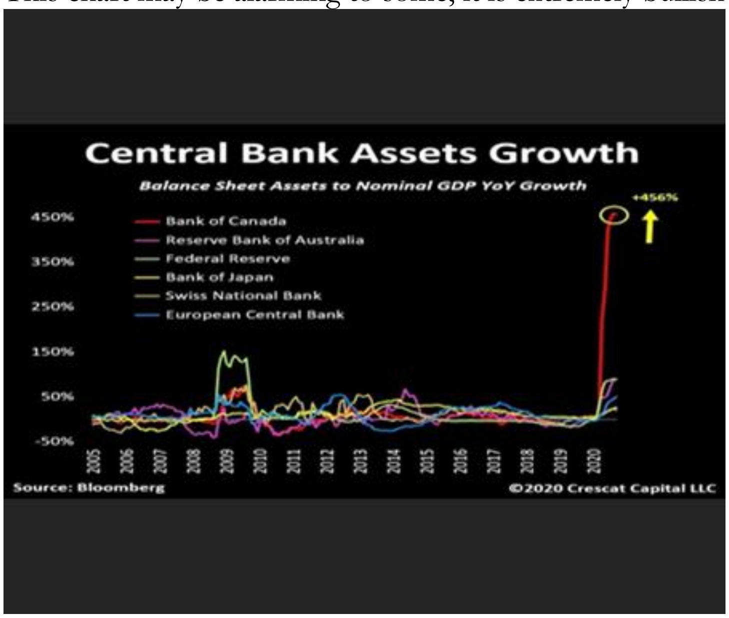
The two minute summary of the PCG group report and their switch to overweight equities is that:

1. Globally, economic data continues to improve.
2. Stimulus remains the main theme of governments. Never, ever, fight the Fed (as I stated in the last report).

3. Surprisingly to many, corporate earnings have turned positive. They bottomed in July (pg3).
4. Cash and bonds are basically useless right now (pg 4), especially if and when inflation will return.

Just this morning also (it's like it was meant to be to pen this today😊) : https://www.bnnbloomberg.ca/canada-adds-378-000-jobs-in-september-accelerating-growth-from-august-1.1505931. The Canadian jobs number today was a blowout. I am a bit wary on that as many bus drivers, teacher aides, teachers, etc., were likely re-deployed in that report. There is more possible short-term pain to come in retail and travel again with a resurgence in cases globally, but the trend is still upwards. Don't look back. We want to "see beyond the road I'm driving" and not get, "far away and left behind".

This chart may be alarming to some, it is extremely bullish to me though:




I have constantly said we needed to print more money between 2009-2014 when the USA and Europe did. If it was going to come back and haunt them, it sure was going to haunt us too! They are finally catching up. I don't see that as a bad thing. It is very bullish for all asset classes.

If you wonder about gold, it is to hedge against inflation, if we have inflation then we have growth. If we have growth then stocks are going up as the world is growing. We don't need no stinkin' gold.

I mentioned before that if we buy back bonds issued years ago that have a 4-6% interest rate per se, and we can issue a 10 year at todays rate of a whopping 0.56% then you can increase your debt load by 10 times and pay the same interest cost as before. To try to summarize that in simplicity, they print money, buyback higher yielding bonds and retire that high-yielding debt forever. When they buy back the bond the holder than has to replace it with an investment that yields them something similar to the 4-6% they were getting. Can you find a bond in Canada or the U.S. with a yield that high?

So where does the money have to go? Equities. That is only part 1. Part 2 is they can now issue 10x more debt at 0.56% and pay the same interest coast as a bond they bought back with a 5.6% yield. With 10x more money they can support this Covid response partially and also use some of that money to stimulate job growth and economic expansion. WE are possibly getting set to have a very large expansion if this plays out over the coming months: Scene is set for a 'generational opportunity' in equities, strategist says .

On to the election. Personally, I don't care who wins. Neither does the market. As Jeff Saut stated a few weeks back, "Presidents don't make markets, markets make Presidents". I have two great pieces attached on the election above in PDF. If you want to read the long one you may want to let that whole Boston album play, it is 35 pages, but still a good read. The election may or may not create volatility depending on the outcome. You are all diversified. You have positions that may go up/down regardless of who is in the chair. We just need to have somebody in the chair. Period.

Since so many us are affected by oil markets this piece may be a bit helpful t ease your mind on world demand:

**Oil demand will rebound by 2022 and will grow for another two decades: OPEC**
https://financialpost.com/commodities/opec-expects-to-gain-oil-market-share-after-virus-wounds-rivals

If you believe that there will be more airplanes in the air and more activity as we move closer to the end of the pandemic, then oil stocks are extremely cheap. More air traffic=more jet fuel.

Question: Why do governments call airlines essential and continue to bail them out and yet not do the same for energy? Is it not the airlines using that evil jet fuel? Seems odd, hey? Even those against oil sure like to travel globally and drink margaritas in Mexican hotels. It seems comical to me that they can't see that irony. Anyways, oil is not dead…yet.

On to recent activity and portfolio holdings. All PIMG clients were moved into VET from OXY this week. If Biden wins, Oxy is more exposed to his platform and if oil does climb up as the report suggests, then our dollar usually goes up also. This all makes it smarter to average way down on VET using another energy play that was in U.S. dollars. I will be calling all non-PIMG clients to rebalance holdings next week. Again, don't look back, look at the dawn arriving.

Today, as I write this, I am also moving about one third of your Mackenzie US Mid-Cap fund (MFC2276) to RIOCAN (REI.UN). They are one of the largest shopping center REIT's in Canada. It has yet to catch the same interest as a position in Brookfield Property Partners (BPY.UN) I took for PIMG households on May 13 that has moved up dramatically from that purchase price of $12.30. It presently sits at $18.28. REI.UN has not caught a bid anything similar to that, and if we believe businesses will adjust and get back to normality over the coming months/years the 9.7% dividend yield supports cash flow and/or reinvestment to wait. It was $27.92 last December. Today's purchase price was $14.79, making it a very compelling buy as a rebound play from the low of $12.41 on March 23.

To those of you who think this was too long- happy Thanksgiving holiday…you have an extra day to read it! This one's for you folks who told me last time it was too short and your coffee didn't even get cold reading it (you know who you are😊).

Last, I grew up in the 80's listening to classic rock like Van Halen. It was very sad news to hear of his passing this week. He was as unique as they get. I really wanted to use a Van Halen song for this report and sat for two hours reliving my youth the other night, but nothing worked, so I will leave you with a cool fact you might not know: https://ew.com/music/eddie-van-halen-beat-it-guitar-solo-recorded-free/

And to salute him and close off a great week in the markets, a fun song they closed many concerts with: https://www.youtube.com/watch?v=D_nFBnwfl30

Stay safe, healthy, and happy trails wherever the holiday weekend takes you!

Cheers,
Steve

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