

QUARTERLY COMMENTARY

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Bond(s), James Bond(s)

Good afternoon!

I love action/spy movies with Bourne and Bond topping the list. Casino Royale was actually the first Bond novel written by Ian Fleming and the first Bond role for Daniel Craig. Since the markets have felt more like a casino lately, rather than an investors mechanism to gauge different companies' ability to earn money, Casino Royale seems quite fitting:

Does the house always win?

Our portfolios performed exceptionally well in Q1.

PIMG accounts fully invested in the models exceeded our expectations in Q1. This handily beat the S&P 500 return of 5.77% and the TSX return of 7.27%. CDN currency also climbed 1.2% in the same period causing some grief to the USD portion of the portfolios. You can't win em' all and that is part of the cost to sit at the big boys table. Brenda is posting your personal quarterly report to the client website, timed with this newsletter, it has your personal returns and performance.

Always a line from our superspy when introducing himself, "*Bond(s), James Bond(s)*"

Lately, the media has been highlighting that we should be scared of hyper-inflation and losing our buying power as costs go up and bond yields rise. For those that want to understand it a bit more: <https://abcnews.go.com/US/wireStory/explainer-rising-rates-unsettling-wall-street-76259668>.

When there is little news to talk about (who would've thought I would ever be saying that again? Thanks Twitter!) the media must make something up to keep you thinking your hand is terrible. Ironically, only two years ago in 2019 the US 10-year yield started the year at 2.66%. As of writing today (April 13) the yield is 1.66%. Yup, better cash out hyper-inflation must be coming tomorrow. The media says so, it must be a sure thing then, right? The fund managers wanting assets cheaper also say so. Better to listen to their wisdom. Do they really have your best interest at heart?

In simple terms, if the yield is rising that means there is less fear out there. FYI, yields go up when nobody is buying the "safe-haven" Treasuries because they believe the economy is going to get stronger and have less fear of a pullback or recession. Does that sound like a reason to be fearful of the markets? <https://www.marketwatch.com/story/u-s-treasury-yields-trade-steady-before-march-jobs-report-11617365036>.

For those who never click on the links: "*Though the jobs report delivered on the market's high expectations, the U.S. economy will still remain several million jobs away from pre-pandemic levels.*"

Folks, you gotta know when to hold em' and when to fold em' (how can I resist that Kenny Rogers classic which is now stuck in your head) and when the guy across the table is telling me it's time to run, I really should be doubling down my bet. He wants my chips and will continue to try bluff me out of my position. Every. Time. The table talk will be there constantly, I refuse to let it shake me out of your positions and objectives.

<https://www.investmentexecutive.com/news/research-and-markets/imf-upgrades-forecast-for-2021-global-growth-to-a-record-6/>

Inflation will not be rearing its ugly head at you anytime soon. Sure, costs will go up but not at warp speed...yet. Do you honestly think any government would be in favor of letting rates rise substantially in this environment? Inflation will come. It will come when we reach full employment and world growth is strong. Does that also sound like a time I will want to sell my stocks? Does that not mean corporations will be earning more? Isn't that what we look for when investing? Folks, these cards are just getting warmed up. The dealer (the Fed) is also still on our side. The house has not caught on yet. Enjoy the ride. This is why you came to the table in the first place and the night is early.

Attached is our latest strategy report. Our analysts are also telling us to up the ante here for a bit.

"Shaken not stirred." Probably the second most famous Bond quote. In Casino Royale Bond answers the bartender differently, *"Do I look like I give a damn?"*

In conversations over the last month or so I've told many of you the market makers are "shaking the money tree". There are many people that set automatic limits on how much they will allow their position to go up or down before they sell. It's called a stop loss. Lately, I have seen many good names move down substantially for little to no reason except to "shake" these people out of their positions. Stocks we own like Apple, Salesforce, Facebook (I reduced that position by 40% this quarter to Expedia at \$139.80 in PIMG) pulled back substantially in Q1, 2021. Trying to shake-out those investors to sell them their positions because "they" were telling us their earnings power would decrease as interest rates rise. Just like Bond, do I look like I give a? Nope. Rising rates affect every single company. Usually, utilities the most...yet they were going up. Mr. Bluff was not getting our positions unless I saw a reason to book profits as I did with FB and Canadian Solar to purchase and diversify into Expedia. These stocks struggled over the last quarter. Strangely in the last month Apple and Salesforce are up over 9% and FB over 17% and EXPE is up 19.5% since our initial purchase.

Those who sold out listening to that rhetoric might want that vodka-martini. Shaken, just like them out of their positions.

Bond again, "Why is it that people who can't take advice always insist on giving it?"

If you have a question on crypto and are going to call me, be prepared for the answer you might get. I am shocked by certain demographics telling me that our climate is doomed because of what we continue to do with it and then in the same conversation on BNN they tell people crypto is the "new" money.

You MUST peruse this site: <https://cbeci.org/cbeci/comparisons>. Go to the bottom, the country comparisons to the mining of bitcoin are alarming. I will have the vodka-martini. Shaken, just like me. This is a problem nobody is talking about.

If our politicians and environmental activists don't do something about this energy consumption, then I am baffled, and it does lead me to believe that they truly don't care and it's all just about making money at the Casino Royale. Just bitcoin itself uses the same amount of energy as Malaysia to mine annually!?! Over 32 million people live there. There is an easy climate fix there. Why is that not being addressed, and I am told that my Chevy 6.2 liter is the problem? Bluffed again.

From Bond's new love, Vesper Lynd, "You lost because of your ego, and that same ego can't take it! That's what this is all about. All you're going to do now is lose more."

I heard this in one form or another about oil stocks last year. Here's my take: Oil companies have been getting kicked around and beaten down as much as Bond does in this movie since 2014. Yet, I get asked to buy airlines and cruise lines almost daily. The "oily" companies

are bad, and we shouldn't own them I guess, better buy bitcoin instead? Look folks, the ones around today have been cleaning up their balance sheets and cash flow for the last seven years. If we are all going to go insane and travel once COVID is under control who is going to put the fuel in those planes, ships, and cars?

Just like poker, investing is about using some intellect and making a decision on your hand being successful or a dud. Just because someone else said they are playing number 00 and 7 in roulette, will you? But choosing to do that because everyone else is doing so makes no sense in roulette. Why then does it in stocks? Don't make decisions after listening to friends, colleagues or reading internet message boards. Research and expertise are important when it comes to building the appropriate investment portfolio.

We are playing the reflation trade very successfully this past 6 months, you now own over 10% in Real Estate stocks paying you dividends. You own ENB, PPL, OKE, GEI in energy "movement". Again, all paying you very nice dividends. Do you see Air Canada or Carnival doing that soon? We own VET for production. It has followed Covid waves on price and should do so moving forward. It is up over 50% in Q1 2021. Air Canada? 14%.

Here's another alarming article: <https://oilprice.com/Energy/Crude-Oil/The-US-Imports-Record-Share-Of-Russian-Oil-Despite-Tensions.html>

I try not to be political here, so all I will say is that should be setting off alarm bells loud and clear. In the sense of time and length it's time to head out of the casino. We are on a good path folks and I hope the spring has sprung in your area!

Cheers,

Steve

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