

The Market in Review

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This week's articles and insights

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“Daylight Saving Time: Only the government would believe that you could cut a foot off the top of a blanket, sew it to the bottom, and have a longer blanket.”

- *anonymous*

Your Index Report

	Current	Last Week	Year-to-Date
Dow Jones Ind. Avg.	34,481	+3.94%	- 5.11%
S&P 500	4,412	+3.57%	- 7.44%
TSX	21,771	+0.88%	+ 2.58%

All Roads (Should) Lead to Canada

The next few weeks will decide a great deal about Earth's future.

Will Russia reduce Ukraine to rubble and claim victory for dictatorship? Or will Ukraine fight the mighty Russian army to a standstill, forcing acceptance of its democracy – and its shift to the West?

The world chugs along for years with little of consequence happening and then suddenly, momentous events emerge and reshape everything. Now is such a moment.

Canada, a bit actor on the world stage, suddenly has outsized importance. Why? Almost everything that hurts Russia helps Canada.

Take people, for example.

Canada has almost 1.4 million people of Ukrainian heritage. This gives us the third largest Ukrainian population in the world, after Ukraine itself and Russia. They arrived in Canada in waves, with the first seeking free land grants before WWII. A second wave of refugees arrived after 1945, and then a third wave after 1991, when the Soviet Union collapsed.

Will today bring a fourth wave of Ukrainian immigrants? Tens of thousands of refugees fleeing Ukraine will never return, as they will have nothing to return to. More than a few will be embraced by Canada.

It won't just be Ukrainians – we will see persecuted Russians, as well. A friend who employs software engineers in Russia told me several have left Russia for Georgia, never to return. Canada will also welcome them.

As well as being a magnet for human resources, Canada has the third largest oil reserves on the planet and we are the fifth largest producer of the stuff. Not only do we have this unique deposit called the Athabasca oil sands, but western Canada is also blessed with some of the most productive shale basins in the world.

Here are some of the commodities Canada has in abundance, and which we export accordingly (source: Statista, Government of Canada):

Potash - Canada is the world's largest producer and exporter of potash. We have the largest reserves in the world.

Barley - #1 world producer of barley – 10% of the global crop.

Canola - #1 world producer of canola – 20% of the global crop.

Uranium - 2nd largest producer in the world.

Wood Products – 2nd largest exporter in the world.

Oats – 2nd largest producer of oats after Russia.

Diamonds – 3rd largest producer of rough diamonds (Russia is #1).

Palladium – 3rd largest producer.

Platinum – 4th largest producer.

Aluminum – 4th fourth largest aluminum producer, with the lowest carbon footprint because we use hydroelectricity in its production.

Coal – 4th largest exporter of metallurgical coal.

Oil – 5th largest global producer.

Gold – 5th largest global gold producer with 182 tonnes in 2020.

Wheat – 5th largest global grower of wheat.

Nickel – 6th sixth in world nickel production, a key component in batteries for electric vehicles.

It is an impressive list of our geologic and geographic gifts. Germany imports 40% of its natural gas from Russia and Finland 80% of its oil. Belarus is a major fertilizer exporter. Now, with both Russia and Belarus heavily sanctioned, who will supply Europe's oil, gas, and fertilizer? Every sanctioned product has to be sourced from some other country.

The Fall of the Wall



Berlin Wall - Claudio Schwarz, Unsplash Images

Since 1991, when the USSR dissolved, commodities became extremely cheap. Russia and the former Soviet republics dumped stockpiles and exploited cheap supplies. That era is over. Much of Russia's oil surplus came from western technology refurbishing old wells to release trapped oil that Soviet-era technology could not reach. Russia can say goodbye to western expertise now, which means Europe may have to start supplying their own oil, gas, fertilizer, uranium, and grain.

If free trade lowers prices, the opposite is also true. The highest inflation occurred in the 1970s, when Soviet power – and tensions – were high and regional wars burned all over the place.

I began writing this with the idea that Canada will be a huge beneficiary, and that is still largely true. When oil and potash double in price, Canada certainly benefits.

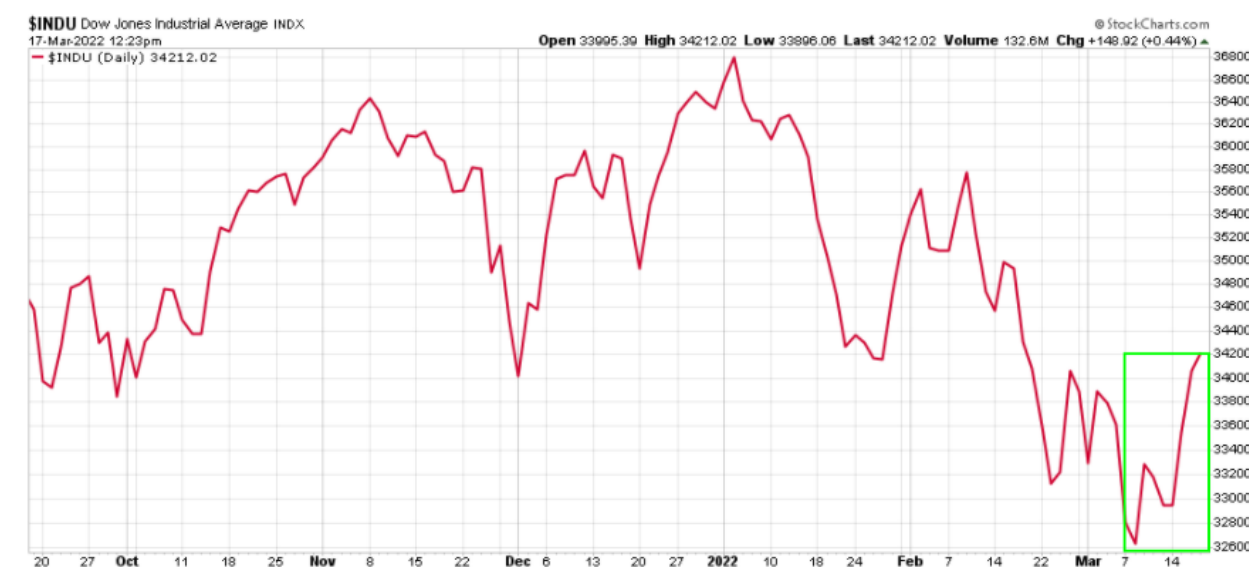
But, there is not a switch Canada can turn on to grow more wheat or pump more oil. Our crops are dependent on the weather (we had a drought last year) and our energy is landlocked because we struggle to approve new pipelines to ship it. And while we like to dangle our green credentials - rare

earth metals and hydrogen, for example – we currently produce none of them. It can take a decade to permit and develop a new mine, so whatever Europe needs today, Canada can only deliver in the distant future.

The “wide world” has become the ‘divided world’ in terms of trade. Will Canada find the political will to develop its vast resources to feed a world poorer and hungrier due to restricted grain shipments?

Market Outlook

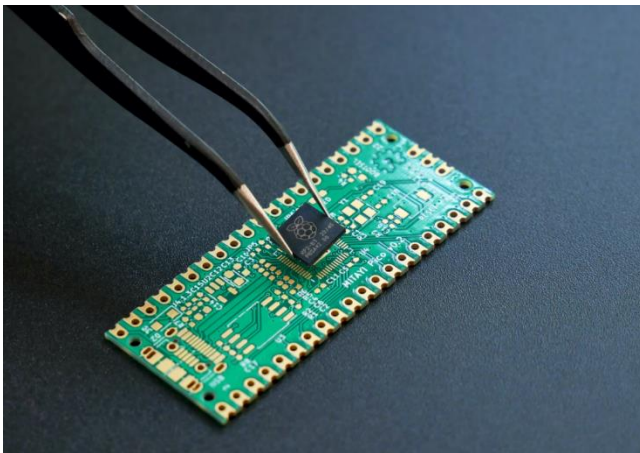
After what feels like a non-stop decline this year, markets bounced sharply this week:



- There are early signs of concrete negotiations between Ukraine and Russia.
- China began openly supporting its stock market – and especially its technology giants. This sent the Chinese and Hong Kong stock markets up sharply.

- The U.S. Federal reserve raised interest rates 0.25% with a plan to move towards 2% in time. No surprises – this was expected.

As part of our research into “All Roads Lead to Canada” theme, we are investigating Canada’s rail companies, as they are the ‘arteries’ that carry Canada’s resources to the world. They will take on even more importance in the decade ahead.



(Vishnu Mohanan – Unsplash Images)

In a de-globalized world, more companies bring production back to their home markets. Intel is planning on an enormous chip plant in Germany, but our money is on Taiwan Semiconductor (**NYSE TSM**). TSM is building a \$100MM factory in Phoenix to diversify itself away from Taiwan.

Finally, green energy is no longer just about de-carbonizing but about national security. Locally produced energy is owned and controlled by the host country, not a foreign oil giant. Who benefits? Likely mining companies because of the copper and nickel needed.

Humanitarian Crisis Appeal

Raymond James Canada put out a challenge to its employees to raise \$50,000 in 24 hours for the Ukraine Humanitarian Crisis Appeal. We reached that, and then pushed this to over \$100,000 in just a week. This was matched by the Raymond James Foundation for a total of \$215,000.

We could have gone even higher but are waiting to assess further needs, such as Ukraine immigrants arriving in Canada.

An Hour Gained or an Hour Lost?

First proposed by Benjamin Franklin to save on candles, the concept of moving clocks forward to 'save daylight' was not officially enacted until 1908 when the towns of Port Arthur and Fort William in Ontario moved their clocks forward to Eastern Time. They became the first cities to officially "spring forward" with Daylight Savings Time (DST).

The time shift is not a very popular mechanism these days. British Columbia recently passed legislation to eliminate DST but postponed putting it into effect until the United States was ready to act. The new Sunshine Protection Act just passed in the U.S. Senate will officially eliminate Daylight Savings Time by 2023. B.C. and Canada are expected to follow.

Here's the question, though. When we "spring forward", we lose an hour because that day is shrunk to just 23 hours. We get the hour back with a 25-hour day when we "fall back" in the autumn. By ending Daylight Savings Time one final time, are we going to permanently lose an hour of our lives, or are we just getting back an hour that was 'banked' back in 1908?

This matters to some people! As it turns out, the first Daylight Savings Time was, in fact, a move forward. We have been regaining the lost hour every autumn since.

Until 2023, that is. When we spring forward for the last time, we will experience a 23 hour day and will never get it back.

In the great scheme of things, it won't matter much. Just remember, though, on your next birthday, when someone tells you that you don't look your age, you can agree with them. You will actually be one hour younger!

(source: Northern Ontario Travel magazine)

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Prices shown as of March 17th, 2022

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