



## WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

### **Ukraine continues to dominate the headlines**

As winter approaches, Mr. Putin appears to hope for a repeat of the Napoleonic and WW 2 invasions of Russia where weather was Russia's best ally. The Russian's out-suffered Napoleon and Hitler, both of whom under-estimated their opponent and were ill prepared. Winter favors the defender. I can't find historical examples of increasing the suffering of an enemy's children reducing their will to fight. With the recent success on the ground, we're seeing calls for Ukraine to seek the bargaining table, implying Mr. Putin wants a 'face saving off ramp' and is looking for an excuse to end the war sooner than later. The Institute for the Study of War disabuses this notion.

#### ***'The Case Against Negotiations with Russia' – ISW Nov 17, 2022***

<https://www.understandingwar.org/backgrounder/case-against-negotiations-russia>

#### ***'The Beginning of the Fall of Crimea' – Peter Zeihan***

[https://www.youtube.com/watch?v=K9JfO\\_ml4oQ](https://www.youtube.com/watch?v=K9JfO_ml4oQ)

#### ***'How lies destroy armies - Lies, coverups, and Russian failures in Ukraine' – Perun Nov 12, 2022***

This one-hour analysis of Russia's culture of corruption is required viewing. Pour yourself a stiff one.

<https://www.youtube.com/watch?v=Fz59GWeTlik>

**Crypto's continue to crash this week. We continue to avoid them.**

**Grayscale Bitcoin Trust (GBTC-US-\$8.10) daily ranges – 2 years**



The chart tops are around \$55. GBTC hit a new 52 week low of \$8.01 on Friday.

***The cover curse hits Bitcoin – Ed Yardini Nov 14, 2022***

<https://www.yardeniquicktakes.com/the-cover-curse-hits-bitcoin/>

***'Three out of four bitcoin investors have lost money: study'***

*"During the period studied, the price of bitcoin rose from \$250 in August 2015 to peak at nearly \$69,000 in November 2021. It is now trading at around \$16,500"*

<https://www.rfi.fr/en/business-and-tech/20221114-three-out-of-four-bitcoin-investors-have-lost-money-study>

The above study prices refer to Bitcoin cryptocurrency units. Trading these units required registering on a cryptocurrency exchange with an account etc. Many investors chose to buy/sell the **Grayscale Bitcoin Trust ETF (GBTC-US \$8.15 - above)** trading on US stock exchanges instead, inside their (mostly DIY) accounts. The Grayscale Bitcoin Trust peaked around \$55 in Nov/2021 and now trades around \$8 for an 85% slide vs the 76% in the above reference. Internal fees and spreads are the difference. Note those fees went to Grayscale in \$'s, not Bitcoins. Funny that.

The article's premise is true for speculative ventures as far back as the Tulip mania.

After these implosions we often hear “Sure (XYZ) is down lately, but look at where it started? Early investors got rich. Lots of money was made”. The statement is true, yet not, and misses the point. A few people did get rich and a lot more lost money (to personal greed and cupidity). Further, there is a survival bias to these stories. For every 1 Bitcoin there’s 1,000 Nortel Networks.

Grayscale Bitcoin Trust (GBTC) goes from \$1 to \$55 in value? It takes a LOT of buyers to get there. And yes, there may have been only 1 trade at \$55 to confirm that high but there were a heck of a lot between \$2 to \$54. The more a single unit goes up in price and the longer it stays near there, the more money expended by the purchaser buying from the seller. Go back and look at the chart. The two bumps span 2 years. A lot money was placed (and sold too) over that period. What originally cost the collective ‘we’ \$1, cost ‘us’ \$55 at the top. If that \$55 then collapses to \$8 in a hurry, the difference is lost to the ‘we’ economy. If on the way up to \$55, \$54 in productive value was created no problem. If it’s all just hot air and huff, more money is locked in around the top than around the bottom. Money lost on these ventures doesn’t come back. That’s why I hate reading about them. Having our neighbors lose money is bad for all of us.

Ballistic chart patterns often suck in money near the top. Good for ‘early adopters’ like Sam Bankman-Fried and friends but devastating for the larger investing community.

**Note to self: 1) Recognize extremes. 2) What you don’t do matters.**

The sad news is, for the capitalist market system to work, someone must lose money. Our job is to try and make that someone not us. Here’s a tool

**A public service for those pondering crypto currency:**

Crypto Currency Decision Tree							
Step	Factor	Yes	If Yes	No	If No	Unsure	If Unsure
1	Canadian resident	X	no action		go to 2		
2	Am I worried about the local currency unit		go to 3	X	no action		Go to 3
3	My country's financial system is secure (IE Russia?)	X	got to 4		if no use go to 6		If unsure go to 6
4	I have access to banking	X	go to 5		go to 6		
5	My bank is secure	X	go to 6		If 3,4 'Yes' find diff bank		If 3, 4 'Yes' find diff bank
6	I care if wage earned is unchanged	X	no crypto		if no - buy stocks!		
7	The ability to reverse transaction is important	X	no crypto		go to 8		
8	I use Crypto to avoid bank fees		see 6		no action	X	see 6
9	I want to transfer money illegally		go to 10	X	no action		
10	Illegal transfer - willing to risk present value		use crypto (see 6)	n/a	buy physical gold	n/a	
11	I buy crypto because others are making money		Greed	X	no action		figure yourself out
12	Buying crypto makes me feel smart		Expensive status	X	no action		figure yourself out
13	Confusing block chain contracts with crypto		Review technology	X	no action		

Applying this ‘tool’, we pass on crypto currency speculation. If you’d like an expanded version let us know. (We jest, but you get the idea)





## ***The Week in Charts (11/11/22) – Charlie Bilello Nov 11, 2022***

<https://compoundadvisors.com/2022/week-in-charts-11-11-22>

Regards inflation. The blame game continues.

### ***‘Bank of Canada governor Macklem has ‘declared class war on working people’: Unifor president’ – CBC Nov 14, 2022***

Appearing on CBC Unifor blames BOC Governor Macklem for fighting inflation. While the ire is understandable and wage earners suffer more than the well-healed, this anger is misdirected. Inflation is always the result of too many dollars chasing too few goods. The recent bout is connected to versions of Modern Monetary Theory.

<https://www.cbc.ca/news/politics/maclem-class-war-working-people-1.6650898>

### ***‘October producer prices: more evidence that supply chain pressures have eased’ – The Bonddad Blog Nov 15, 2022***

‘Supply Chain Pressure’ has been a fox hole for politicians ducking their fiscal policy role in recent inflation pressure. Those pressures may be normalizing, perhaps permitting central banks to lift their foot of the monetary policy brake. We believe that while the recent inflation surge may partially be explained by a lack of goods (oil prices in the spring) the recent slide in energy prices and opening up of supply chains puts that excuse to bed.

<http://bonddad.blogspot.com/2022/11/october-producer-prices-more-evidence.html>

News media puts out what they think their customers eye-balls want to see. Does the following imply Canadian media thinks the fiscal chickens are coming home to roost for Canadians?

### ***‘Opinion: The most important source of Canada’s inflation: The government borrowed more than \$700-billion’ – Globe and Mail Nov 14, 2022***

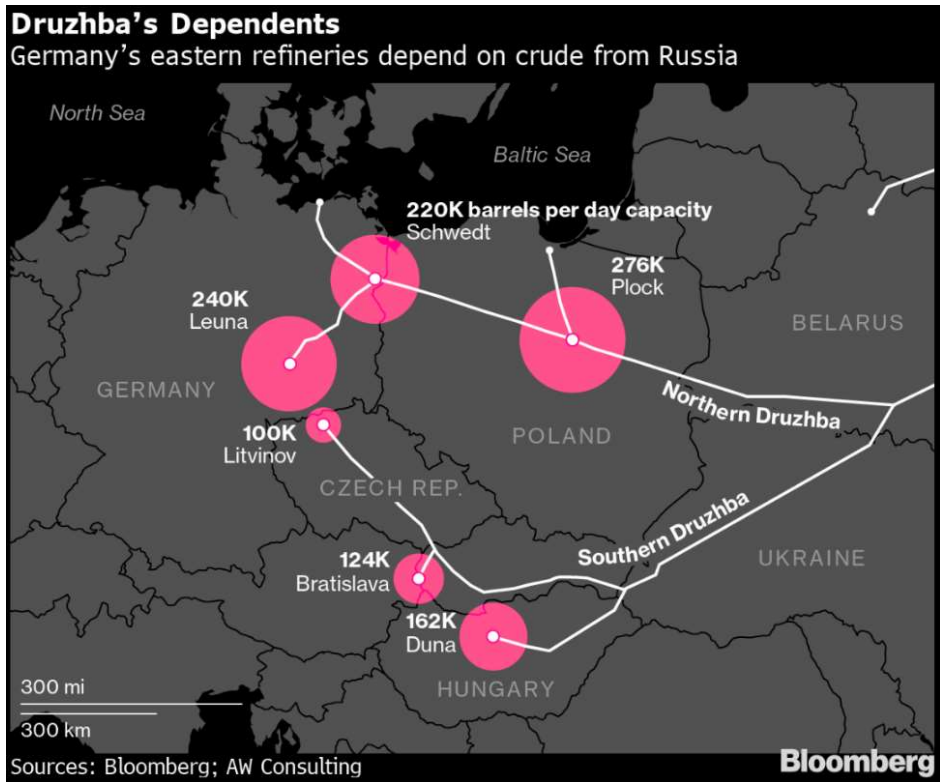
We believe fiscal policy is a big part of the current mess.

<https://www.theglobeandmail.com/business/commentary/article-inflation-canadian-government-borrowing-billions/>

Are politicians nervous? The word ‘prudent’ was used 5 times in Finance Minister’s opening remarks for the Oct/2022 Fall budget update.

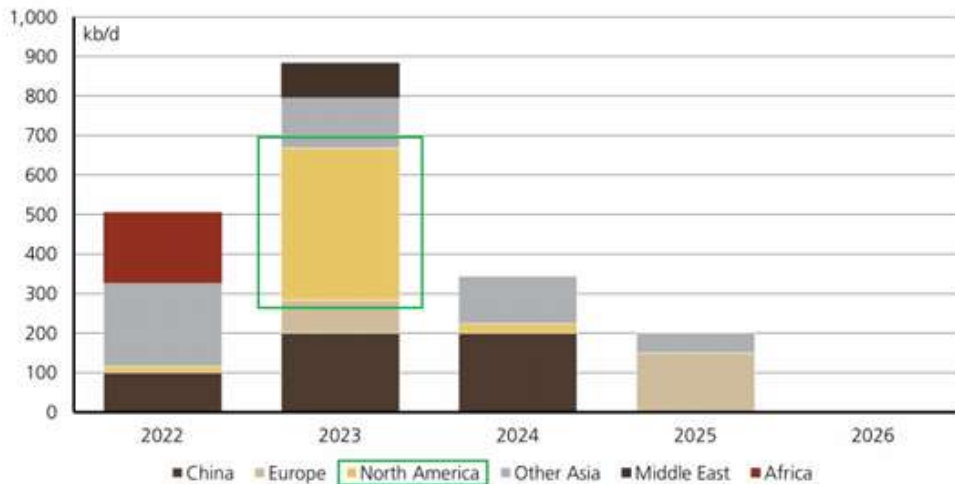
<https://www.budget.gc.ca/fes-eea/2022/report-rapport/FES-EEA-2022-en.pdf>

## **Moving on to energy – on refineries.**



Wonder why gasoline and diesel prices are up?

Figure 12: Global refinery closures by region (2022-26)



Source: UBS estimates, IEA, BP Statistical Review of World Energy.  
 Source: @AlessioUrban



## ***‘When was the last refinery built in the United States?’ US Energy Information Administration (EIA)***

*“As of January 1, 2022, there were 130 operable petroleum refineries in the United States. The newest refinery in the United States is the Texas International Terminals 45,000 b/cd refinery in Channelview, Texas, which was operable on January 1, 2022, but actually started operating in February, 2022.*

*However, the newest refinery with significant downstream unit capacity is Marathon's facility in Garyville, Louisiana. **That facility came online in 1977** with an initial atmospheric distillation unit capacity of 200,000 b/cd, and as of January 1, 2022, it had a capacity of 585,000 b/cd.”*

<https://www.eia.gov/tools/faqs/faq.php?id=29&t=6>

## ***‘Refinery cost soars to \$9.3 billion, prompting call for auditor general review’ – Calgary Herald review the Sturgeon refinery***

<https://calgaryherald.com/business/energy/refinery-cost-soars-to-9-3-billion-prompting-call-for-auditor-general-review>

The project was floated in 2009, construction began 2012 and commenced commercial operation in 2020. The capital costs eventually exceeded \$10 billion. For a history of this project, go here. It makes interesting reading.

[https://en.wikipedia.org/wiki/Sturgeon\\_Refinery](https://en.wikipedia.org/wiki/Sturgeon_Refinery)

If a new refinery costs \$10 billion and takes 8 years to build, and if we’re *‘getting off of oil by 2030’* is it a mystery private investors have shunned adding refining capacity? In the meantime, existing refineries require upgrades. It’s been cheaper to import the nasty refined stuff from other places (transferring GHG emissions to those countries)...until you can’t. Gee Whiz. Fuel prices are up and so is inflation.

The good news is we think supply side constraints and the flood of money supply are both easing. Wednesday, we attended award-winning NBF Chief Economist Stéfane Marion’s presentation of the **Fall/2022 Economic Update** at the Empress Hotel Conference Center. (see the attached slide deck). Mr. Marion also believes inflation pressures are abating. He pointed to the expansion of Canada’s immigration likely adding 1.5 million job-ready Canadians to our economy (we predicted this last previous week – you heard it here first!). Canada is potentially in a sweet spot of delivering the commodities the world needs while having a younger-than-G7-average population with a higher-than-G7-average skill set. Canada is tough to get to. If you are motivated enough to make it **to** Canada, you will be motivated enough to make it **in** Canada.

**We remain overweight Canada and overweight basic materials and commodities.**

## Have a Great Weekend

Steve & Anna Hilberry



### FOR THE RECORD Nov 18, 2022

DOW INDUSTRIALS:	33,693
S&P 500:	3,958
S&P/TSX COMP:	19953
WTI:	\$80.20
LOONIE IN \$USD:	\$.7471 \$US

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