



## WEEKEND READING

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

**“We overestimate the impact of technology in the short-term and underestimate the effect in the long run.” Roy Amara – 1960’s Stanford computer scientist.**

Technology Investors appear to be ignoring the first half of Mr. Amara’s advice.

A big story this week was Nvidia, again, topping the charts. We’ve been warning of excess in the sector and the stock. Investors rushed to estimate the short-term impact of AI on Nvidia’s future sales. The stock price hit \$1,258 per share this week, up 14% in the first week of June, +45% from the end of April, 2.5-fold since December 2023 and +8.6 times since Dec, 2022. Fortunes have been made...for now.

### Nvidia (NVDA-US-\$1,192) Monthly ranges – 5 years



Chart Source: Refinitiv, NBF, Hilberry – Jun 7, 2024

## ‘Nvidia Market Cap Crosses \$3 Trillion’ - Investopedia

<https://www.investopedia.com/nvidia-usd3-trillion-market-cap-8658929>

While it’s never the same, things never change either. The following is on my book-shelf for repeated reminder. We’ve re-assigning the study. It will be on next week’s test!

## ‘Millionaire: The Philanderer, Gambler, and Duelist Who Invented Modern Finance’ – Janet Gleeson

<https://www.amazon.ca/Millionaire-Philanderer-Gambler-Duelist-Invented/dp/1501154974>

Mississippi Bubble investors were correct in their enthusiasm. The Mississippi Delta – and the rest of the America’s, delivered unimaginable fortunes to subsequent European settlers. Sadly, for their fortunes, the payoff took an extra couple hundred years. They overestimated the short-term and underestimated the long-term.

Where have we seen this before?

### Microsoft (MSFT-\$425.75) monthly ranges 1986-2024



Source: Refinitiv, NBF, Hilberry

Microsoft’s price ran from a split-adjusted \$1.05 in 1990 to \$59.31 in Jan/2000. The stock price then crashed to lows around \$20 in July/2002. The price didn’t break \$60 again until Oct/2016. Microsoft instituted a dividend in June/2003. In Nov/2013 the combination of rising dividend and a price around \$35 derived a dividend yield of 3.2%. The P/E was a lot more reasonable, and the dividend looked okay with strong growth rates. THEN it made sense. Recently MSFT’s share price has accelerated. While the P/E around 35 isn’t as crazy as Nvidia’s 60X, the current dividend yield under 1% is unappealing.



What we like: Out of favor Canadian car parts manufacturer Magna International.

**Magna Intl (MG-TSX-\$60.06) monthly ranges – 5 long years**



Source: Refinitiv, NBF, Hilberry

The share price has done nothing for 5-years, yet the dividend (greenline) continues to grow.

At today’s price Magna trades at 7.7 X forward earning, 1/10<sup>th</sup> of Nvidia’s 60X. Comparing Magna’s \$2.59 dividend to the \$60 share price provides a yield of 4.3%. The dividend has grown 3.4-fold over the last 10 years, doubling in the last 8. Cars, no matter how they’re propelled, aren’t going out of style.

**DISCLAIMERS: Nvidia:** No position in the stock. **Microsoft:** I hold the security personally, for family members and for client accounts over which I have trading authority. We have traded in the security within the past 60 days. **Magna Intl:** I hold the security personally, for family members and for client accounts over which I have trading authority. We have traded in the security within the past 60 days

**Colin James discusses 5 year holding periods.**

<https://www.youtube.com/watch?v=Hl6EOp7wHxl>



## Have a Great Weekend

### Steve & Anna Hilberry



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#### FOR THE RECORD Intraday: June 7, 2024

DOW INDUSTRIALS:	38,975
S&P 500:	5,358
S&P/TSX COMP:	22,096
WTI:	\$75.80
LOONIE IN \$USD:	\$0.7271 \$US

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