

# "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

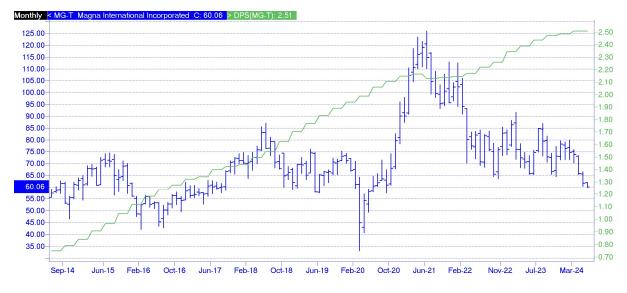
Microsoft's price ran from a split-adjusted \$1.05 in 1990 to \$59.31 in Jan/2000. The stock price then crashed to lows around \$20 in July/2002. The price didn't break \$60 again until Oct/2016. Microsoft instituted a dividend in June/2003. In Nov/2013 the combination of rising dividend and a price 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: Nvida: 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=HI6EOp7wHxI





#### Have a Great Weekend

#### **Steve & Anna Hilberry**



Steve Hilberry Wealth Management Advisor, CIM Anna Hilberry Wealth Management Advisor, CIM

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

DOW INDUSTRIALS: 38,975

\$&P 500: 5,358

\$&P/TSX COMP: 22,096

WTI: \$75.80

LOONIE IN \$USD: \$0.7271 \$US

© NATIONAL BANK FINANCIAL. All rights reserved 2019.

Terms of Use Confidentiality ABC's of Security

National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA).

The particulars contained herein were obtained from sources we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.

Sent by Montreal Office National Bank Financial Wealth Management 1155 Metcalfe 5th Floor Montreal, Quebec, H3B 459 Phone: 514-879-2222

Toronto Office National Bank Financial Wealth Management 130 King Street West Suite 3200 Toronto, ON, M5X 1J9 Phone: 416-869-3707







