

Investor.Coffee

(11.24.2023): Optimism in Canadian Markets, Wall Street to Continue Winning Streak

written by Tracy Weslosky | November 24, 2023

In the Canadian markets, there's a sense of optimism as investors await the release of the country's retail sales data for September. This anticipation is amidst a global backdrop where U.S. stock index futures remain relatively unchanged in a shortened trading session due to Thanksgiving. Wall Street, however, appears poised to continue its weekly winning streak, buoyed by beliefs that U.S. interest rates may have reached their peak. European shares are also experiencing an upswing, fueled by new economic data from Germany, while Japanese stocks closed higher. This positive sentiment in the stock market is mirrored in the commodities market, with gold prices benefiting from a weakened U.S. dollar. Meanwhile, oil prices hold steady as the market anticipates the upcoming OPEC+ meeting and its potential decision on further supply adjustments.

The world also watches a significant development in the Middle East, where a ceasefire between Israel and Hamas has commenced. This temporary peace, the first since the conflict's escalation in mid-October, was facilitated by Qatar, Egypt, and the U.S. It's a four-day truce intended to allow humanitarian aid and the exchange of hostages, marking a critical moment in the region's recent history.

Today, the U.S. stock market operates on a reduced schedule, leading to expectations of a quieter trading day. This comes as major U.S. stock indexes like the Dow Jones Industrial Average,

the S&P 500, and the Nasdaq Composite have all seen nearly 1% gains over the week, signaling a robust performance in the financial markets.

In corporate news, Canadian mining giant [First Quantum Minerals Ltd.](#) (TSX: FM) faces a critical juncture as Panama's top court [begins deliberations](#) on the constitutionality of its contract for the Cobre Panama mine. This ruling could have far-reaching implications for the global copper market and Panama's economy, given the mine's significant contribution to the country's GDP. The company has already suffered a substantial loss in market value due to the uncertainty surrounding this issue.

Elsewhere, Europe and Asia are witnessing notable events. In Israel, the truce with Hamas has led to the release of hostages, a much-needed respite in the ongoing conflict. In Europe, there are planned demonstrations against Amazon, aiming to disrupt one of the busiest shopping days of the year. Additionally, France's foreign minister is [visiting Beijing](#) to address trade tensions, particularly concerning a recent EU probe into Chinese electric vehicles.

In the technology sector, [Quantum eMotion Corp.](#) (TSXV: QNC | OTCQB: QNCCF) reports significant advancements in digital health with its partner Greybox Solutions Inc. Their recent [clinical study](#) in heart failure treatment using a digital therapeutics platform has shown promising results. This breakthrough is crucial for Canada, where heart failure is a leading cause of hospitalization, and healthcare costs are projected to rise significantly.

Mark your calendar for next week's [InvestorTalk](#), and go sign up for our pre-market events next week!

▪ Tuesday, November 28th from 9-920 AM EST: [InvestorTalk](#)

[with Stephen Burega](#) from [Appia Rare Earths & Uranium Corp.](#) (CSE: API | OTCQX: APAAF)

- Wednesday, November 29th from 9-920 AM EST: [InvestorTalk with Curtis Moore](#) from [Energy Fuels Inc.](#) (NYSE American: UUUU | TSX: EFR)
- Thursday, November 30th from 9-920 AM EST: [InvestorTalk with Dr. Carolyn Myers](#) from [FendX Technologies Inc.](#) (CSE: FNDX | OTCQB: FDXTF)

For more information, email us at info@investornews.com.

Can Apple and Goldman Sachs' New High-Interest Savings Account Restore the Confidence of Depositors

written by InvestorNews | November 24, 2023

So far this week we've seen the U.S. Federal Reserve raise interest rates another 0.25% while commenting that the U.S. banking system is sound and resilient. Seemingly oblivious to the fact that a mere two days ago the Federal Deposit Insurance Corp. (FDIC) took control of First Republic Bank (the third major bank failure in less than two months) and followed up with a fire-sale of substantially all the bank's assets and deposits to [J.P. Morgan](#) (NYSE: JPM).

Then just after Fed Chair Jerome Powell's press conference on Wednesday, there were more banking fireworks as PacWest Bancorp

(NASDAQ: PACW) announced it is exploring strategic options, including a potential sale or capital raise which led to a 40% drop in its share price in after-hours trading. If that's the definition of "sound and resilient" then I have some relatively good junior mining stock ideas for you.

Apple and Goldman Sachs' solution for depositors

But fear not, options to put your money in a safe place and earn a decent return are available to you but from an unlikely source, [Apple Inc.](#) (NASDAQ: APPL). Apple and [Goldman Sachs](#) (NYSE: GS) are coming to the rescue of the American depositor. Apple is [offering a new high-interest Savings account](#) (HISA) with a 4.15% annual return to its [Apple Card](#) holders. Obviously, this isn't available to everyone as you have to have an Apple Card account which probably means you participate in the Apple ecosystem in some way, shape, or form (which I don't). You also need to be able to have a bank account in the U.S., which means citizenship or property ownership or adherence to some other rules that may or may not apply to non-Americans. But if you meet these requirements you can bank with Apple (via Goldman), at least up to a maximum of US\$250,000, which is the updated FDIC insurance limit.

Apple's HISA – benevolent or another consumer hook

My personal opinion is that Apple isn't benevolently doing its part to help restore confidence for depositors.

The top-notch marketing team at Apple has stepped outside the box again and identified another clever way to put more hooks into its zealous disciples. I'm sure they've done plenty of research to determine that if there's a bunch of money in a

person's Apple account, they'll make a few more purchases in the Apple Store, or perhaps upgrade their iPhone or iPad a little more frequently.

And perhaps that's why Apple's HISA has a higher yield than Goldman's own high-yield savings account which offers a 3.90% return. Whatever the case, their strategy appears to be working as Apple's new savings account [attracted nearly US\\$1 billion in deposits](#) in just its first four days.

Rising interest rates not reflected in bank saving accounts

Circling back, the Fed's seemingly myopic approach to dealing with inflation by rapidly and relentlessly raising interest rates appears to have spawned a banking crisis.

Compounding that, at least for many regional banks, the average bank is paying less than 0.5% on savings accounts according to the FDIC's published [National Rates and Rate Caps for Savings deposit products](#). But Apple is certainly not the first entity out there to offer a HISA to attract deposits away.

No wonder banks are seeing a run on deposits as people try to generate a return on their hard-earned savings. I could see people being less likely to panic and take all their money out of an account if it was just going somewhere else to earn nothing.

But by creating an impetus (the collapse of [Signature Bank of New York](#) and [Silicon Valley Bank](#)) that caused people to review their banking situation, the ball started rolling. At this point, people realize that without taking on any additional risk they can earn an incremental 3.5% to 4.0% on their money. It's hard to imagine there wouldn't be a run on deposits.

Is PacWest just the next 'domino' to fall

So where does this leave us, besides in a bit of a mess? That's a very good question. The recent PacWest seeking "strategic options" news could be a signal that we aren't out of the woods yet.

Although I'm sure the large banks ([JPMorgan Chase & Co.](#) (NYSE: JPM), [Bank of America Corporation](#) (NYSE: BAC), [Wells Fargo](#) (NYSE: WFC), etc.) that can play the long game might be sitting back and salivating at the chance to pick up another quality financial institution at a huge discount – JPMorgan shares jumped over 3% on the news of the First Republic deal.

With that said, I'm not worried about a complete collapse of the financial system as I'm sure at some point the Federal Reserve will wake up and realize that it's not solely about inflation.

The regional banking crisis could tighten the credit market and negatively impact the economy

However, some unintended consequences of this strain on the financial system could lead to an overall tightening in the credit market as smaller, regional banks step back from making loans to medium to small businesses that the big banks won't give the time of day to.

According to the [U.S. Small Business Administration](#), businesses of fewer than 500 employees in the US make up 99.7% of employer firms and over 49% of private-sector employment.

If this credit tightening impairs the grassroots growth of the economy, we finally get the recession that everyone has been forecasting for almost a year. Even worse, if inflation remains

sticky we could end up with [stagflation](#).

Perhaps Tim Cook and the rest of the brilliant minds at Apple can figure out something else that helps remedy the situation that the Fed has placed firmly in our laps.

Is Dr. Copper Diagnosing a Recession?

written by InvestorNews | November 24, 2023

We've recently had a look at the outlook for the prices of some critical materials, namely [lithium](#) and [graphite](#). As fears of a recession continue to grow, I thought it might be interesting to have a look at the price of copper. After all, Dr. Copper is often used as an indicator when it comes to the health of the economy. So perhaps we can glean some insights on what lies ahead based on how copper prices have reacted over the last few weeks.

Another reason to have a look is that I pretty much nailed the [outlook for copper](#) last October when I suggested the price had put in a bottom at roughly US\$3.20/lb and that if it broke back above US\$3.70/lb, it had very little overhead resistance until the US\$4.10/lb threshold. The chart was really speaking to me that day, so let's take another look and see if there is a new story unfolding.

Macro fundamentals for copper

But first, we'll quickly review the macro fundamentals for

copper before we dive into what the chart is trying to say. It doesn't take a lot of searching around the internet to find just about any opinion on the future of copper supply and demand. Generally speaking, as the world electrifies in an effort to decarbonize, the demand for copper could prove difficult to meet and, to that end, there tend to be more bullish than bearish opinions out there.

McKinsey [recently forecasted](#) that by 2031, annual copper demand will be 36.6 million metric tons, while current supply projections (including recycled production) are roughly 30.1 million metric tons, meaning another 6.5 million metric tons of capacity (an additional 20 percent) need to be found. Contrast that with the International Copper Association (a leading advocate for the copper industry) which [states](#):

"Despite an ever-increasing demand for copper, there is more of the metal available today than at any other time in history. This, together with the ability to infinitely recycle copper, means that society is extremely unlikely to deplete the copper supply, and copper will continue to contribute to global initiatives..."

However, these views look well out into the future, whereas I'm contemplating the next 3-6 months. Looking more near term we see China emerging from its strict zero-COVID policy leading to a rebound in copper demand from Chinese consumers. Additionally, the Chinese Government is introducing new policies to revive the private and public sectors including numerous stimulus measures to support the domestic construction sector. There is also the issue of increasingly challenged supply streams in South America, particularly in Peru, but Chile is also facing some issues of its own such as labor strikes and community opposition to mining activities.

US dollar impact

Then there's the real wild card – the US dollar. A weaker US dollar typically boosts investor sentiment towards industrial metals and increases demand from emerging markets. Has the US Federal Reserve raised interest rates too far and broken the system? Silicon Valley Bank would say yes. But the question remains as to whether the Fed has ended its rate hiking cycle or does the fear of inflation still poses the greatest threat in their opinion. I'm leaning towards the Fed not hiking rates any further but have the least conviction on this being bullish near-term support for copper prices.

Overall, I would say the fundamentals appear to be positive for copper pricing in the near term despite Tesla et al reducing their EV prices. Near-term supply and demand seem to be headed in opposite (bullish for price) directions and we all know, new production doesn't come on overnight. And even though over the last decade more than 30 percent of global copper demand was met with recycled copper, I still think 2023 could be a good year for copper pricing for the reasons noted above.

What does the copper chart say?

But what does the chart say? After all, that was what guided my forecast last October.

Price of Copper – 1-Year – Price Per Pound



Source: [StockCharts.com](https://stockcharts.com)

Unfortunately, this chart isn't as decisive for me as it was last October. The longer-term trend (green lines) is intact, which is encouraging. Additionally, the price has broken through the 200-day moving average (MA) and isn't all that close to retesting that level. As well the 50-day MA has moved above the 200-day MA which also tends to be a bullish signal.

However, after decisively breaking through the 50-day MA in early November, and holding this support threshold at the beginning of 2023 and again in late February, copper prices fell below again and over the last couple of weeks the 50-day MA is now proving to be more of a resistance level. Additionally, since mid-January, we are seeing a bit of a down channel (blue lines) with lower highs and lower lows, albeit the longer-term (green line) support level has held.

Technically, it appears we are at a bit of a critical juncture for copper prices at present. A few things need to happen over the next couple of weeks to move me from the indecisive camp and back into the bullish camp. First, prices need to move back above the 50-day MA, which in turn should break copper out of the current down channel (blue lines). The next thing I'd like

to see is a close above US\$4.35/lb to give us a new higher high in the longer-term uptrend (green lines). Satisfying those two criteria would place me firmly back in the bull camp.

Better to understand the question

The question becomes, are you wanting to trade copper or invest in copper? The technical analysis of current prices is more geared toward traders. If you are more of a long-term investor then the fundamentals suggest there could be a pretty good opportunity to be long copper over the next several years, regardless of what the price is today or two weeks from now. To thyself be true...I know what I'm doing when it comes to copper.

Assessing the S&P 500 Market Trend and what it means for Investors

written by InvestorNews | November 24, 2023

Every so often, I like to take a step back from the day-to-day gyrations of the market and have a look at what might be the overall market trend. It can be hard to swim against the current, so if the market is trending lower, then perhaps now isn't the time to be stepping into a longer-term story. However, if the market is trending higher, then you might be able to load up on a basket of more speculative names and not have to worry as much about whether they pan out right away or not.

At present, it appears there are four key focus points for

investors – inflation, employment, interest rates, and earnings. It might be a little more complicated than that but you'll note I didn't include a recession. My observation is that a recession is somewhat irrelevant to the overall market performance right now. I suspect that could be due to continued strong employment numbers on both sides of the border, the market doesn't perceive that there will be a meaningful or severe recession in light of that. I'm sure the press will be happy to push the panic button if or when the economy slides into a recession but as I've discussed previously, by the time you can actually declare there is a recession, a forward-looking market could be starting a bull run and perhaps we already have.

Turning back to the key points I started with, they are all somewhat interrelated. Starting with inflation, it appears to be cooling marginally but not as much as I think the market, or more importantly the U.S. Federal Reserve, was expecting. Additionally, employment numbers continue to surprise to the strong side. This sticky inflation and strong employment lead to the potential for interest rates to stay where they are (or possibly even see another small increase or two) for a longer period of time, or until inflation gets back down closer to 3% (I know the Fed target is 2% but I think they'll blink before then). Higher interest rates for a longer period of time flow through to the cost of debt, and discount rates that are used to value companies, especially high-growth tech names which led the market for so long. The one piece of good news, about the four points, is that this latest earnings season was OK. Not great but also not terrible.

1-Year Chart – \$SPX – S&P 500 Large Cap Index



Source: StockCharts.com

So where does this leave us? I think it means we see a market that is floundering without direction. January saw a nice little rally, February saw us give up most of those gains and the lack of conviction continues. The market is reacting here and there on specific news items but it doesn't necessarily lead to a broad-based move. For example, early in the week, there was some positive economic news out of China and the copper stocks all caught a pretty good bid. But that was short-lived as everyone waits for the next data point. Yesterday, one of the more hawkish members of the U.S. Federal Reserve [made comments](#) that the market interpreted very differently than I did, and we saw a mid-day rally. But again, it has little to no sustainable influence on the overall market trend.

Looking at the one-year chart for the S&P 500, the market has entered a bit of a sideways pattern. We might be in a slight uptrend that started last October with higher highs and higher lows. However, the current dip has to bottom out at the 3,850 level or higher. If it dips to 3,800 or lower then I would say we are likely rangebound between 3,650 and 4,150. Yesterday we bounced off one key support level and that's the 200-day moving average (3,940). This could signal a continuation of the uptrend

but we won't know that until it goes back to test the 4,200 mark.

What lies ahead is anyone's guess at this point. If I had to make a call, I would guess we'll see stocks trade in a sideways pattern or range until something "gives". What do I mean by "gives"? Either inflation starts to noticeably move lower, sentiment towards "higher for longer" interest rates get ingrained and the market decides to get on with life instead of overanalyzing every data point that comes out, or other macro events occur that attract the attention of investors. Unfortunately, that doesn't help us determine if the next move for the market is up or down. But the next few days and the 3,940 level on the S&P 500 may go a long way toward helping us decide.

Why residential REITs could see a rebound in 2023

written by InvestorNews | November 24, 2023

Timing is everything. If I had written this article last week, like I intended to do but got distracted, I would already look like a hero. Several of the examples I will provide below are up 3-4% in just the last couple of days as the overall market is speculating on whether there will be an interest rate policy shift by the U.S. Federal Reserve. Or perhaps the markets are also seeing a late Santa Claus rally as tax loss selling seemed to carry on until very late in December. Maybe it's just the random walk of the market that is up for the last few days but might be down the next few. Regardless, whatever is causing this

latest (temporary?) positive market momentum is somewhat irrelevant to today's investing theme because I'm looking out for weeks and months, not just the first few days of the year.

As the title suggests, today's theme is Real Estate Investment Trusts, but not all REITs. For those not familiar with this sector, there are many categories and even more individual names which cover a very broad spectrum when it comes to real estate. Generally speaking, REITs are categorized into Office (places where companies host employees that aren't working from home), Retail (shopping malls, strip malls, grocery stores, wherever you go to buy retail goods that aren't on-line), Industrial (typically warehouses, but can also house more service oriented businesses that don't have people coming into browse for goods), Residential or Multifamily (houses, apartments, condos, or anywhere an individual or family can live) and Specialty (everything else including a fairly unique name like American Tower Corporation (NYSE: AMT) which owns cellular towers and leases space to Telcos). There are a few other minor categories or sub-categories but I think you get the picture.

Today I'm going to single out the Residential segment, also commonly referred to as Multifamily, as a potential opportunity for investors in 2023. The premise is pretty simple – you gotta live somewhere. But before you roll your eyes and make a comment like “no sh*t Sherlock”, hear me out as there is a little more to it than that.

There is a lot of jargon in the REIT analysis sector, like cap rates, AFFO, FFO, discount to NAV, all of which can be useful metrics, especially when comparing peers, but I'm looking at something a little more macro and a little simpler than what you might find in an Investment Advisor's research report. To expand on my “you gotta live somewhere” comment, I'm looking at the fact that mortgage rates have increased dramatically in the last

6 months. The U.S. Federal Reserve raised its Federal Funds Rate from 1% to 4.5% from June to December. Obviously, mortgage rates have followed suit, with the [average 30-year fixed rate mortgage](#) in the U.S. rising from roughly 3.0% in June to about 6.5% today. That has a material impact on how much house you can afford. Combine that with the fact that housing prices rallied substantially during the heart of the pandemic, as many people wanted a nicer space to work from home, and you have a situation where, in a very short period of time, a lot of people got priced out of home ownership.

Home prices have started to flatline or possibly even started to fall in some locations but not nearly enough to compensate for those much higher interest rates. Correspondingly, we've seen the impact of this over the last few weeks as one of the key drivers of inflation have been rising rental rates. Seems like all should be good for the residential REIT sector with all those rental properties available for those who can't afford to buy their own home. One could argue they should be at or near 52-week highs in a market that is supposed to be looking forward 6 months. Not even close. Most are at or near their 52-week lows, some are even at multi-year lows.

Why? One reason is that those pesky interest rates can be a bit of a double edged sword. As noted earlier, the "cap rate" is an important metric for REIT valuations. The capitalization rate, or cap rate, of a property, is the amount of money you can expect to get from a property compared to its value or price per year. This includes all the expenses of operating the property but does not include the costs of buying, selling, or financing the property. In Canada, the national average cap rate rose 39 bps from 5.42% at the beginning of 2022 to 5.81% as of Q3/22. A high interest savings account has gone from virtually nothing to over 4% during that same period. Naturally, you aren't going to pay as much of a premium for the earning potential of a REIT

when you can find something competitive in the form of a risk free investment.

This all sets the stage for why I think residential REITs could see a rebound in 2023. With strong demand for rental properties due to a combination of immigration and lack of housing affordability, you could see rental rates continue to rise as contracts are renewed. That implies that in 2023, cap rates should rise faster than competing investment alternatives like bonds or GICs/CDs. As long as the U.S. Federal Reserve doesn't get carried away and we only see one or two more small rate increases with the potential for them to pivot later in the year, what was a headwind for the residential REIT sector in 2022, could become a tailwind for 2023. Not only do most of these REITs have monthly or quarterly distributions that range from 2% – 5% on an annual yield basis, but many are trading between 35% and 50% below their 52-week highs.

There's more to my thesis than this, but if I've managed to keep your attention this far, I won't push my luck trying to keep it any longer. Instead, I will simply throw out some ideas that you can consider if you see any merit to my 2023 investing theme.

Company Name	Ticker	Market Cap	Annual Yield	Primary Location(s)
Equity Residential Property Trust	NYSE: EQR	US\$ 21.7 B	4.20%	Boston, New York, Washington, D.C., Seattle, San Francisco and S. California
Avalonbay Communities	NYSE: AVB	US\$ 22.1 B	3.90%	New England, New York/New Jersey metro area, Mid-Atlantic
Tricon Residential	NYSE: TCN TSX: TCN	C\$ 2.9 B	3.00%	Orange County, California, as well as focus in the U.S. Sun Belt
Canadian Apartment Properties REIT	TSX: CAR.un	C\$ 7.7 B	3.30%	Major urban centres across Canada
Killam Apartment REIT	TSX: KMP.un	C\$ 1.9 B	4.20%	Atlantic Canada, Ontario, Alberta and British Columbia

Will 2023 be the year that gold makes a comeback?

written by Matt Bohlsen | November 24, 2023

Gold prices have recently been rising as the market anticipates the end of the U.S. Federal Reserve interest rate increases at some point around mid-2023. This combined with an inverted yield curve signaling a 2023 U.S. recession gives hope for gold investors, as gold performs best when rates are falling and in recessionary times as investors seek safe havens.

All of this begs the question will 2023 be the year gold makes a comeback?

The long-term gold price chart below shows gold prices surged higher during the Global Financial Crisis of 2008-09 and subsequent years with [interest rates falling](#) during that period and again in the 2018 to 2020 period as interest rates fell again heavily as we entered the 2020 Covid-19 recession.

25-year gold price chart. Red arrows show the gold price often surges higher when recessions occur or when interest rates fall



Source: [Trading Economics](#)

Starting from H2, 2023 looks set to a good environment for gold

To be clear we are not yet in an environment of interest rates falling, but U.S. interest rates have recently hit [a 15 year high](#).

U.S. Federal interest rates are forecast to peak at [5.1%](#) potentially by ~mid 2023, rising from [4.5%](#) now. Assuming the U.S. is then in a recession by mid-2023, then the Fed may reverse course and start to reduce interest rates later in 2023 or into 2024. This will also depend upon inflation coming back down to 3% or less, from its elevated level of [7.1%](#) as of November 2022.

A December 2022 Bloomberg report [stated](#): “Economists Place 70% Chance for US Recession in 2023. Bloomberg monthly survey shows 0.3% average GDP growth in 2023.”

Certainly, a 2023 recession is now the base case for the

majority of analysts. Given that the equity market looks forward about 6 months, it is probably no surprise that we are seeing a rotation into gold in the last month resulting in the gold price moving [4% higher](#). Whether this is the very early stage of the next gold market bull run it is too early to say. What we can say is that interest in gold is returning and the worse 2023 is for the economy the better it helps the fundamentals for gold.

A January 3 CNBC report also [commented](#): “Gold surges to 6-month high, and analysts expect records in 2023.” The report cites the following causes for the recent rise in gold: “Gold prices have been on a general incline since the beginning of November as market turbulence, rising recession expectations, and more gold purchases from central banks underpinned demand.”

The U.S dollar trades inversely to the gold price

The other key factor to consider is the U.S. dollar. If it rises then gold tends to fall in relative terms and vice versa. This is simply because gold is priced in U.S. dollars.

As shown below the U.S. dollar Index generally fell from 2002 to 2008, a period when the gold price rose.

The U.S. dollar Index 25-year chart



Source: [Trading Economics](#)

Closing remarks

Gold behaves differently to most other metals due to its safe haven status. While gold demand versus supply is a factor (including sovereign buying), the bigger factor is the economy and interest rates.

When the U.S. economy is booming interest rates and the U.S. dollar tend to rise, which is a negative for gold. Why invest in gold when equities are doing well or when cash and bonds are paying a nice dividend, compared to zero dividends from gold.

When times are bad gold becomes a safe haven, benefiting from a weaker U.S. dollar and lower interest rates.

To answer the question will 2023 be a good year for gold, you must first decide how you view 2023.

If you are positive about the U.S. and global economy and think

U.S. interest rates will keep on going higher, then gold is not for you in 2023. However, if you are negative on the economy and think rates will start to fall, then gold looks like a sound bet for 2023, or perhaps 2024.

Either way, it never hurts to diversify and build a little safety of gold into your long-term portfolio. And with inverted yield curves everywhere and 70% of analysts forecasting a 2023 recession, now looks to be as good a time as any to top up your gold holdings.

Here's a thought, buy the recession

written by InvestorNews | November 24, 2023

Recession, bear market rally, China zero covid policy, short covering, tax loss selling, Santa Claus rally, crypto nuclear winter, the markets have all the makings of a Netflix series at present. How do we dig through the weeds and figure out what is ahead for investors and will we like it or not? I certainly don't have all the answers (if any of the answers) but I will make a few comments that may or may not provide some clarity. Generally speaking, it looks like Central Banks (Canada & U.S.) are starting to taper their interest rate hikes. It feels like there is maybe 0.75% to 1.00% left to go, likely spread out over two or three more hikes, and then everyone will wait and see what happens next. The markets have been anxiously awaiting this signal for quite some time, with a few head fakes along the way. This should be good but only if it's not too late and the actions to date haven't already taken too much momentum out of

the market.

Rising interest rates along with sky-high food inflation already has plenty of news agencies and market “experts” ringing the recession alarm bells. However, all recessions are not created equal. If it’s short and shallow, then the second the statistics give the press all they need to go invoke fear into the hearts and minds of all who will listen, it probably means it’s time to buy. Why would I say that? I’m hearing – moron, nut case, and perhaps a few other comments being muttered under people’s breath (or possibly out loud), but hear me out. The actual data required to call a recession (generally identified as a fall in GDP in two successive quarters) is backward looking and arguably we will have been in a recession for 6+ months by the time it’s official. The market is forward looking, generally considered to be pricing equities based on the coming 6 months (give or take). That suggests at least an entire year between when the recession has officially started and where the market is looking. If inflation is truly coming off the boil and interest rates are close to hitting their near term peak, and may even start moving back down if the Central Banks panic about recession, then it could be the start of the next bull market.

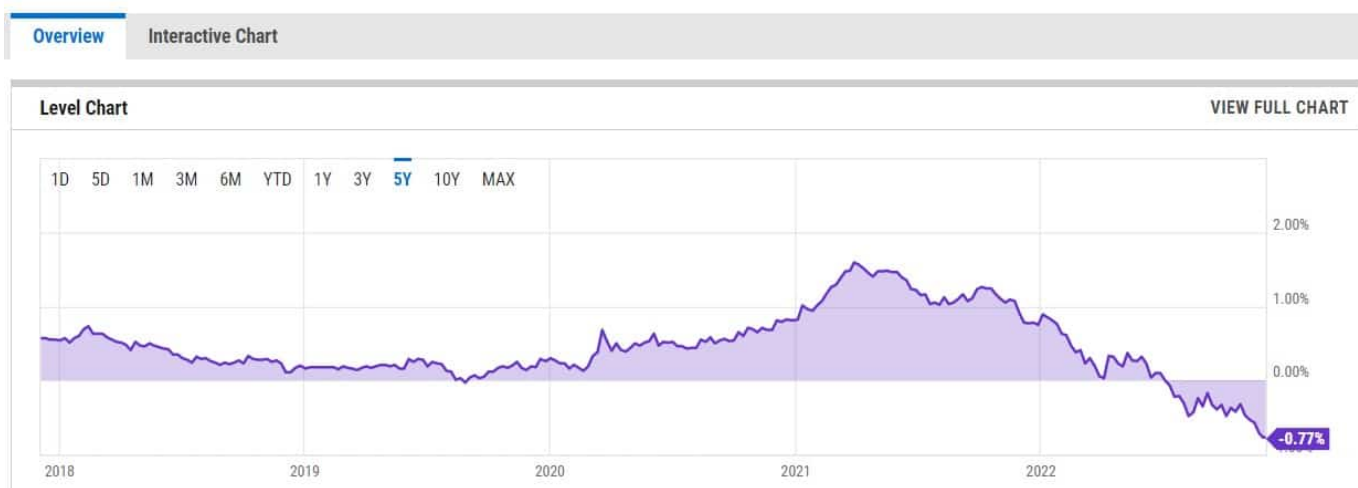
Of course, it’s not that simple. A very important factor on where equities go is earnings. Thus far earnings haven’t been too bad overall, although there have been a few big companies that got soundly thrashed by the markets for misses and disappointments. As long as it is a sound business, with revenue and/or income growth, and modest levels of debt, then as the markets regain confidence, we could see multiple expansion (P/E, EV/EBITDA or whatever metric is most applicable) and all is good again. Another key item that the Central Banks watch is employment, which continues to be quite strong in Canada, albeit slightly weaker in the U.S. but still pretty solid. It’s very difficult to foresee a deep and problematic recession when most

key economic stats are progressing relatively smoothly.

However, there is one bogeyman out there and that is the spread between the US 2 year bond yield and the US 10 year bond yield, which when inverted can be a harbinger of tough times. A negative 10-2 yield spread has historically been viewed as a precursor to a recessionary period and is said to have predicted every recession from 1955 to 2018. I've also heard that this metric has predicted 12 of the last 5 recessions, so one has to be careful with buying into the doom and gloom that a recession is inevitable. With that said, this measure continues setting new 5 year low (or high) negative spreads.

10-2 Year Treasury Yield Spread

-0.77% for Dec 02 2022



Despite my cautious optimism, there is still likely to be some volatility ahead. It's entirely possible for the market to retest recent lows before my "buy the recession" theory is plausible. Especially given we aren't actually in a recession yet. However, if there is another test to the downside I'm looking at the 3,600-3,650 level on the S&P 500 as the key technical support level to signal a bottom might be in. If that doesn't hold, next support is 3,400 or possibly even down to 3,200 (which UBS analysts called for in early November). Wherever the S&P 500 finds its bottom, if the media is shouting

from the rooftops that we are now truly in a recession, it could well be time to buy.

Romios Gold has discovered a major geophysical target beneath the Trek South Copper-Gold-Silver Project in Canada

written by Tracy Weslosky | November 24, 2023

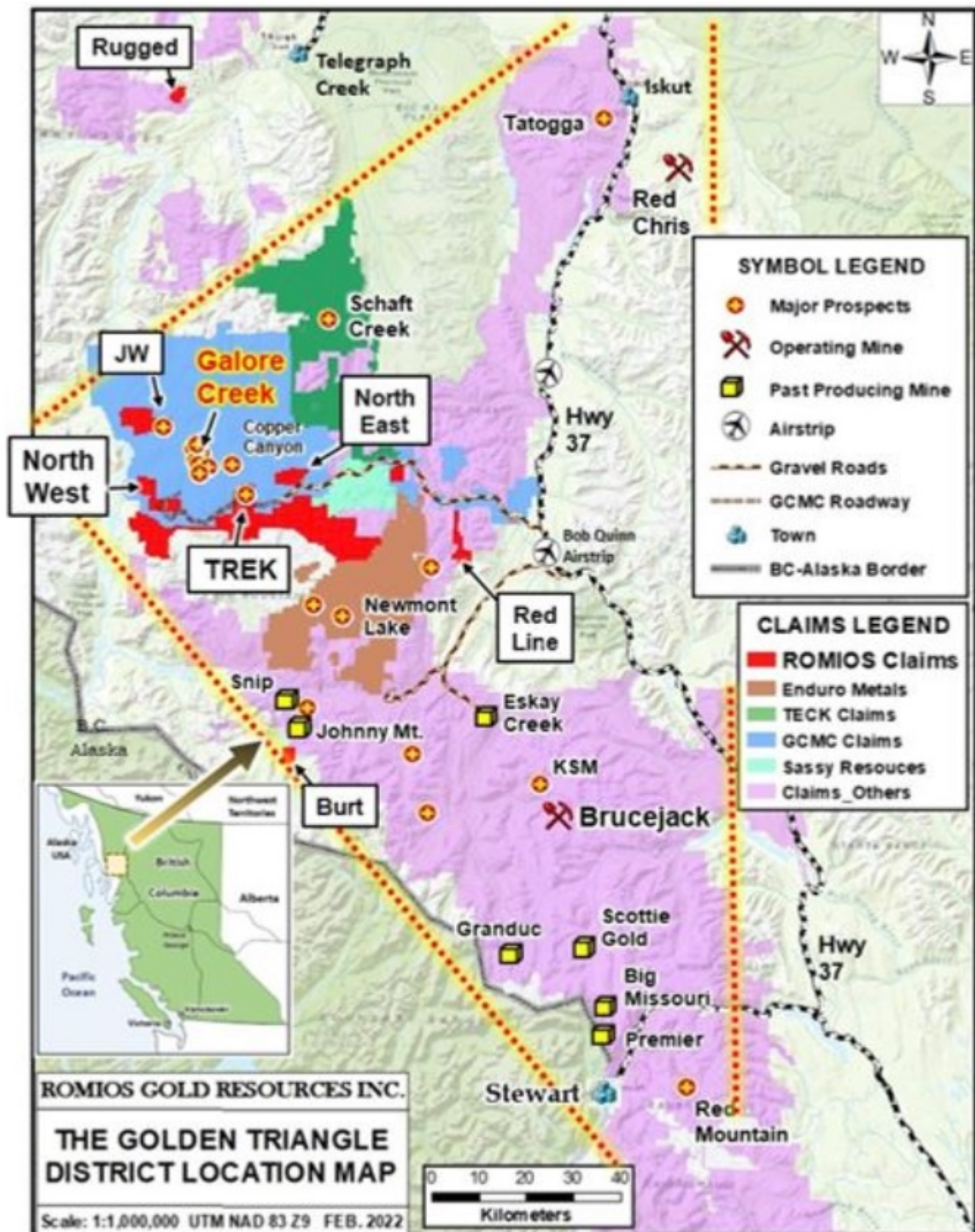
As the U.S Federal Reserve potentially approaches the end of their interest rate rising cycle the gold selector will likely swing back into favor. This is because gold stocks tend to perform better when rates are not rising or are falling. For now it looks like the Fed will soon pivot to slowing down interest rates rises and we may reach peak interest rates in H1, 2023, assuming inflation continues to decline from the latest CPI reading of [7.7%](#). Also given that the equity markets tend to look forward by about 6 months, it may well be time to take a look again at some gold mining companies, many of which have been beaten down in 2022.

[Romios Gold Resources Inc.](#) (TSXV: RG | OTCQB: RMI0F) (“Romios”) is advancing its gold, silver, and copper properties in Canada and the USA. Several of Romios’ properties are located in Canada’s Golden Triangle, a region famous for large gold discoveries and mines.

Romios’ properties include:

- **Golden Triangle (British Columbia, Canada)** (flagship region with [79,789 ha](#)) – Trek North, Trek South, JW, North West & Porc, Royce, Southwest Block, Northeast Claim Block, Andrei, Boulder. (Note: Several are shown on the map below)
- **Ontario (Canada)** – Lundmark-Akow Lake, North Caribou River, Arseno Lake, Eyap Lake, Markop Lake.
- **Quebec (Canada)** – La Corne Molybdenum Project.
- **Nevada (USA)** – Scossa Mine, Kinkaid Project.

Romios Gold's claims in the Golden Triangle of British Columbia, Canada



Romios has discovered a major geophysical target beneath the Trek South Project in BC, Canada

Romios has had several exciting pieces of news lately.

As [announced](#) on November 9, Romios has discovered a major geophysical target beneath the Trek South Project. Romios [stated](#): “2022 IP (Induced Polarization) survey at Trek South has detected **a strong IP chargeability high interpreted to be >800 m long and up to 500 m wide that extends beyond 600 m depth** beneath both a large, newly discovered, copper and tungsten bearing skarn, and the ~1 km wide porphyry-style alteration and mineralization zone discovered in 2021.”

Romios’ CEO and President, Mr. Stephen Burega, [commented](#): “The combination of a large skarn target flanking an intrusion that is a potential host to porphyry type mineralization creates a drill target of the highest priority that will require a substantial financial commitment, and we are actively engaged in identifying a potential partner to bring their expertise and funding to support this important program.”

The Trek South 3D chargeability model derived from IP data. Chargeability highs in red are believed to reflect sulphide mineralization beneath the exposed porphyry and skarn mineralization.



As [announced](#) on October 13, Romios has expanded the known extent of mineralization at the T0E Zone on Romios’ Trek Property in the Golden Triangle of NW British Columbia. Romios [stated](#): “The known extent of this mineralization was increased by 75% in 2022 and it is believed that there is room for substantial expansion as many of the showings trend off under overburden.” Romios President & CEO, Stephen Burega, [stated](#): “We are very encouraged by the latest results from the T0E Zone, especially given its close proximity (600 m) to our Trek South porphyry Cu-Au-Ag

target, which is Romios' current primary focus in the Golden Triangle....This is one of several historic high-grade showings on Trek that we expect to include in the anticipated future drill program at Trek South."

As [announced](#) on September 29, Romios has now completed an extensive exploration program on six of the company's projects in the Golden Triangle of northwestern British Columbia. Romios [stated](#): "Field observations on some of the claim blocks are very encouraging, particularly those from the Trek South Porphyry Cu-Au-Ag prospect." At Trek South the IP survey and a Magnetotelluric Survey have been completed. These will be used to produce 3D modelling that will give a better idea of the potential target. Stephen Burega, President and CEO, [stated](#): "The 3D modelling will be key to opening conversations with potential funding partners for the Trek South prospect.....We are looking forward to correlating these results with the mineralized surface exposures, and to sharing more in the near future once the modelling is completed."

The next several months look to be very exciting for Romios investors as the company potentially moves forward towards drilling their very exciting geophysical target at the Trek South Project. The region and past work suggest the possibility of discovering a significant copper-gold-silver system.

Romios Gold Resources trades on a market cap of [C\\$8M](#), so clearly any significant drill results can be company changing.

A diversified 6% dividend yield portfolio is still possible in these uncertain times

written by InvestorNews | November 24, 2023

Those of a certain vintage remember when interest rates were truly high. Today doesn't hold a torch to the late 1970s through to the start of the 1990s. Double digits were pretty standard and in the early 1980's if you didn't have the best credit rating you could easily have a mortgage or a car loan with an interest rate that was over 20%. My first mortgage was a steal of a deal relative to that at a mere 11%. Of course the flip side was that GIC's and other fixed income rates were also hard to imagine in today's reality. One of my first investments was a strip coupon bond with a yield of 9%. If only the maturity on that bond was 2026, I'd be an investing hero. But it wasn't and I'm not, so where am I going with this?

Since the turn of the century, 5% has been considered a pretty good investment return if you could get it. Obviously the safer or lower risk the investment the better, but for two decades now we've been beggars not choosers. A 6% annual return is considered pretty good by today's investing standards and typically you have to reach into some riskier places to try and achieve that kind of return year after year after year. However, the market sell off over most of 2022 and in particular June and September have created the opportunity to put together a diversified 5-10 stock portfolio whereby all the holdings currently yield over 6% dividends, are reasonably blue chip stocks and should see those dividends be somewhat sustainable or

potentially even grow over time. And this is a straight forward, buy and hold type of exercise. I'm not talking about enhancing yields with options or any other voodoo magic. Every once in a while the market serves you up an opportunity and you can decide if you are willing to embrace that opportunity. I'm not an investment advisor and this isn't investment advice; it's more of a thought exercise. Let's dive into this idea and you can decide if your definition of blue chip or low risk is similar to mine.

In Canada we hold our big 5 banks in fairly high regard. They survived the Great Financial Crisis (2008) as some of the best performing banks in the world. So it should come as no shock that the first equity I'm looking at is one of those five – Bank of Nova Scotia (TSX: BNS | NYSE: BNS). The Bank of Nova Scotia, is a Canadian multinational banking and financial services company headquartered in Toronto, Ontario. It is the third largest Canadian bank by deposits and market capitalization (C\$79 billion). As of Monday's close of C\$65.58, BNS was yielding 6.28% with its quarterly dividend of C\$1.03.

Next up we have another industry giant but this time in the energy infrastructure business. Enbridge Inc. (TSX: ENB | NYSE: ENB) owns and operates pipelines throughout Canada and the United States, transporting crude oil, natural gas, and natural gas liquids. Enbridge's pipeline system is the longest in North America. The market cap of Enbridge at the beginning of the week's close (C\$52.49) was C\$106 billion and its yield was 6.55% based on its quarterly dividend of C\$0.86. If you prefer natural gas exposure to the more "oily" Enbridge or you simply aren't a fan of Enbridge, another example in the sector is TC Energy Corp (TSX: TRP | NYSE: TRP) another major North American energy company that develops and operates energy infrastructure in Canada, the United States, and Mexico. This C\$57 billion market cap company closed Monday at C\$57.84, giving it a yield of 6.22%

based on its quarterly dividend of C\$0.90.

Switching gears to another borderline monopoly business segment in Canada, the telecom sector, we find the biggest of the 4 titans (possibly soon to be three) with BCE Inc. (TSX: BCE | NYSE: BCE). BCE is a Canadian holding company for Bell Canada, which includes telecommunications providers and various mass media assets under its subsidiary Bell Media Inc. Despite being up 3.7% on the day Monday to C\$60.06, this C\$55 billion market cap company has a 6.13% yield based on its C\$0.92 quarterly dividend.

When it comes to sustainable dividends it seems the utility sector is the poster child. Accordingly, this is the next sector to look at to help diversify holdings in the search for all those juicy dividends. There are a couple of options in this category to review. The first is Algonquin Power & Utilities Corp. (TSX: AQN | NYSE: AQN) a Canadian renewable energy and regulated utility conglomerate with assets across North America. The only shortcoming of the utility names is that they are a little on the small side with Algonquin presently sitting at a C\$10.6 billion market cap but also trading at its 2 year low, which may have some appeal to investors. At C\$15.59, Algonquin is yielding 6.31% with its C\$0.25 quarterly dividend. An alternative name is TransAlta Renewables Inc. (TSX: RNW), another renewable energy company trading near its 2 year low at C\$14.95. Even smaller at C\$4 billion market cap, this may not be blue chip or low risk enough for some people's liking but it is yielding 6.29% with its C\$0.07833 monthly dividend.

These next possibilities may be seen as not being much diversification from companies like the Bank of Nova Scotia. The first is Power Corporation of Canada (TSX: POW) which is a management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings

are insurance, retirement, wealth management and investment management, including a portfolio of alternative investment platforms. This C\$19.6 billion market cap company sports a 6.2% yield based on a C\$0.49 quarterly dividend and Monday's C\$31.93 closing price. If you want a more pure play on insurance without the investment management there are Power Corp's subsidiaries Great-West Lifeco, Inc. (TSX: GW0), a Canadian insurance-centered financial holding company that operates in North America, Europe and Asia. At C\$30.46 GW0 yields 6.43% with its C\$0.49 quarterly dividend. The third option just squeaks into this article at exactly a 6% yield based on its close Monday of C\$22.00 and C\$0.33 quarterly dividend. That company is Manulife Financial Corp (TSX: MFC | NYSE: MFC), a C\$41.8 billion market cap multinational insurance and financial services company operating in Canada, Asia and in the United States primarily through its John Hancock Financial division

Then there are all the REITs in Canada, of which at least half a dozen trade with 6+% yields. I'm only going to provide two as examples so we aren't here all day but there are plenty more to choose from. Chartwell Retirement Residences (TSX: CSH.un) is the largest provider of seniors' housing in Canada, with over 200 locations offering independent living, independent supportive living, assisted living, memory care, and long-term care facilities. Dream Industrial REIT (TSX: DIR.un) is the owner and operator of a diversified portfolio of high-quality industrial real estate in Canada, the U.S. and Europe. Again, both are smaller cap companies and are trading close to 2 year lows, which may or may not be appealing. The stats are a 6.49% yield for Chartwell (C\$2.2 billion market Cap) with its C\$0.051 per month dividend closing at C\$9.43 Monday, while Dream Industrial sports a 6.39% yield, a C\$2.8 billion market cap and monthly dividend of C\$0.5833.

And there you have it, a few examples of how a small portfolio

of high dividend yield companies is possible with as much or as little risk or diversification as an investor might be comfortable with. No matter how funds might have been allocated to any or all of the names above, it would have fetched a dividend yield of over 6% based on Monday's close. With that said, with a little looking there are plenty of other investment options available that are yielding north of 6%, plus a bunch more between 5% and 6%, so if yield is an important part of a portfolio, now might be a good time to review what could potentially be upgraded to lower risk names with a higher likelihood of sustaining or even growing those lovely dividends.

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To M&A or not M&A – that is the question

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Micro-cap companies are typically defined as organizations with below \$250 million market capitalization, which these days is a pretty big club. About 60% of the public company acquisitions

throughout the equity market involved [micro-cap companies](#). These acquisitions can represent an opportunity for an investment exit at substantial premiums for investors and executives alike.

Six months ago, dealmakers were optimistic about the year ahead. Global M&A had just had its best year on record, and there was no sign of the market slowing down. However, fast-forward to today, and the picture looks very different. Inflation and interest rates are rising, stock prices are falling, and the Russia-Ukraine conflict has deepened the energy crisis.

These challenges have put a sizable dent in [M&A activity in 2022](#). Compared to the first half of 2021, deal values declined by 20% and could fall even further. Deal activity has decreased to pre-pandemic levels, and deals above \$5 billion have decreased by [almost 40%](#) in the first half of 2022 compared to the last half of 2021.

Navigating this tricky time period can be difficult for small-cap space executives. Executives at small-cap companies who are being targeted for acquisition may struggle with how to move forward. With low market caps and share prices, CEOs don't want to upset shareholders by exiting at the bottom of the market. However, cash-strapped companies may be forced to sell if they cannot raise enough capital to continue operating. Executives need to reset their strategic priorities and focus on areas where they can be successful and score a win. With careful planning and execution, deals can be successfully completed in today's environment.

1. Public-to-Private Transactions

Executives at small-cap companies can look towards taking their companies private through private equity (PE) deals. Deals to take public companies private have increased by [more than 50%](#) in 2022 as compared to 2021.

This market trend is mainly due to the tremendous growth in PE “dry powder” – capital available for investment – reaching a record [\\$2.3 trillion globally](#). With this vast pool of capital available, PE firms have been increasingly active in M&A and now account for approximately half of all M&A deal value. Small cap executives can find deals to take their companies private.

2. Long-Term Focus

In today’s rapidly changing world, it is more important than ever for leaders to take a long-term view. Short-term thinking can lead to missed opportunities and poor decisions while focusing on the long term can help create value and generate successful outcomes. This focus is especially true in mergers and acquisitions, where a downturn can present solid growth opportunities.

A [PWC analysis](#) shows that deals done during a downturn are often the most successful, so it is crucial for leaders to be bold and pursue M&A with a strong capability fit. Leaders can position themselves to create value and achieve success by taking a long-term view.

3. Embrace Inflation

Today’s small-cap executives need to be inflation-prepared. As companies face a different set of challenges in an environment where prices are increasing, it is essential to consider both present and expected future rates for economic growth when making decisions on valuation techniques or M&A strategies.

In order to approach valuations from a proper perspective, executives must understand how companies are affected by inflation and what repercussions this has for business decisions and shareholder value.

4. Talent Management

Workforce strategy should not be an afterthought in the M&A process. There is an increasing recognition that human capital issues are key in M&A deals. To get acquisition ready, executives should assess the impact of the deal on their company's workforce. This analysis includes questions on workforce composition, compensation and benefits, and future organization design and culture.

These factors can all impact future business performance. In addition, post-deal integration plans should take into account the role of the workforce in achieving desired outcomes. By taking workforce matters into account from the outset, executives can increase the chances of a successful M&A deal.

With the right approach, small-cap executives can manage an increasingly complex business environment and potentially secure an acquisition.