STUCK LIKE GLUE

♫♫Whoa-oh, whoa-oh
Stuck like glue
You and me baby
We're stuck like glue♫♫
………. Sugarland

This refrain seems so very appropriate for the times we are in: <u>Stuck</u> at home and <u>glued</u> to watching:

- Regular daily broadcasts by our PM, President Trump or the new hot favorite Governor Cuomo of New York
- And for relief, glued to the TV - watching NETFLIX and Amazon Prime
- And for me and many others, glued to watching the daily gyrations of financial markets and associated predictions of the many, many pundits.

Last week, I wrote about the **potential billions of dollars** forced to buy shares because of offside balanced mutual and pension funds and quant strategies. I also commented that many have to rebalance by month-end. I do not know if that was the stimulus for last week's big up-move (even despite Friday's down day), <u>a week that witnessed the largest 3 day up-move since the 1930's</u>. I expect more volatility in the weeks ahead, but a number of noted experts, including Leon Cooperman, one of the most successful hedge fund billionaires, believe the low point of many indices and stocks has been seen.

The week ended with double digit gains in the major US indices and a 7.1% jump in our TSX. Also notable, was the 2.5% jump in the Canadian dollar. All currencies have seen significant falls against the US dollar this month as concerns rose over the ability for central banks to meet demand for the mighty greenback. The US FED acted on Friday to alleviate that fear and the result was a rally in all currencies, however most are still notably negative for the year.

Meantime, central banks worldwide continue to increase their **financial stimulus** and support. The FED, for instance, will encompass purchases of corporate debt, including new issues — a measure it did not adopt during the 2008 financial crisis. The European Central Bank has committed to buy an extra €750bn in bonds this year.

The week saw, in keeping with the previous weeks, lots of forecasts and predictions by financial strategists covering a wide gamut of potential outcomes when the pandemic subsides. <u>I won't dwell on them, because we really have no historical model or precedents to guide us</u>. Shall we instead "bank" on the old investment mantra "Don't Fight the Fed" will hold true this time as well?

What I did note of interest was that many major companies were taking advantage of the low borrowing interest rates. Included **in the $400 billon borrowed** through March has been Wells Fargo, Pfizer, Disney and Berkshire Hathaway, which issued a $500m 10-year bond on March 4, paying just shy of 0.9 per cent above US Treasury yields of about 1.65% - lots of cheap money to fund future acquisitions?

Last, the continued collapse of oil prices, a huge challenge for Alberta and all of Canada. <u>Alberta crude got below $6.00 a barrel last week – shipping it costs more than that</u>. As travel grinds to a halt, it is predicted there will be a 25% drop in global daily petroleum demand. This is the equivalent of Europe, the Middle East and Asia all not driving. If this continues I predict a huge recession in Texas which supplies 42% of US crude oil production. **It may well be the end of the US fracking expansion as funding dries up and the years-long money losing fracking companies going out of business, which perversely may end up being the very thing to save our own oil industry**.