



The Sunday Investor

Week 16: Ending April 23, 2021

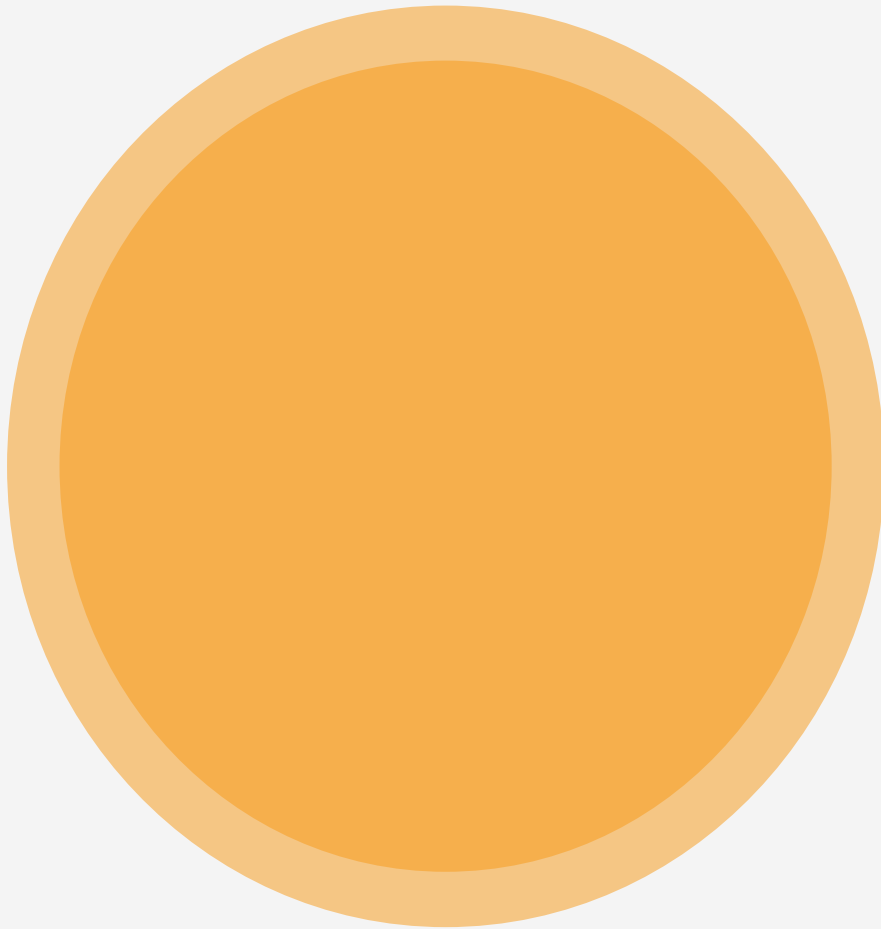
S&P/TSX Composite Index Recap

The S&P/TSX Composite Index dropped 249 points last week, or 1.29%, to close at 19,102 as investors digested different language from the Bank of Canada, which suggested interest rates would rise faster than expected. BNN summed it up perfectly with [their caption](#) (warning: explicit language), but as I've written several times recently, this was only a matter of time. Still, it caught investors off guard with the tech sector, led by a 9% decline in Shopify, fell by 2.38% on average.

Energy stocks lost 3.14%, and the Materials sector was down 1.08%. West Fraser Timber, in particular, finished down nearly 9% on the week, as the spot price of lumber was off about 10% from its Tuesday high. While the Utilities sector was slightly down, there was a clear divide - traditional regulated electric utilities like Emera and Fortis were up, while most renewables were down. I've been waiting for this to happen, as a lot of clean energy stocks still seem overvalued.

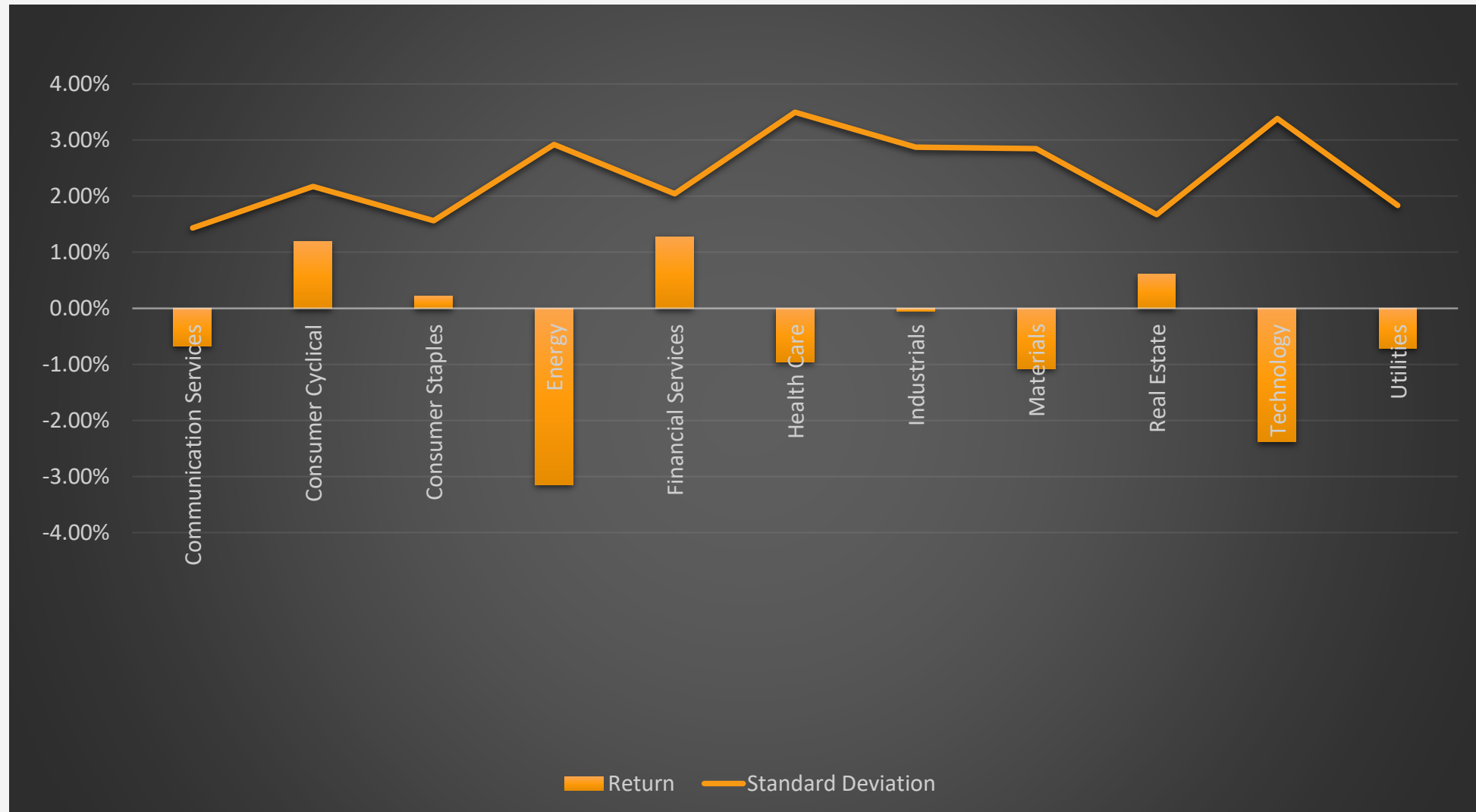
Last week, the price of WTI oil lost \$0.99 to close at \$62.14, while the discount on Western Canadian Select remained near \$12 - roughly the same for the Canadian Crude Index. The Canadian dollar topped 80 cents and is now up 2.02% on the year, and Gold was flat to finish at \$1,777.

In this week's newsletter, I'll do my best to answer a question many investors have about the stock market: when is the best time to buy? You may have heard the saying "time in the market beats timing the market", but I wanted to test this against a reasonable approach of simply saving up your money and buying when the market falls by 10%. Which strategy would win - this one, or just investing a set amount each month and not paying attention to the market? The answer may surprise you - read on to find out, and enjoy your Sunday!



WEEKLY RETURN & RISK BY SECTOR

Returns are calculated as a simple average, not based on market-capitalization. Risk is considered to be population standard deviation of returns.



**SAVING FOR
MARKET CORRECTIONS**

IS IT WORTH THE HASSLE?

Two Ways To Invest: Passive vs. Active

When there's a stock market correction (i.e. the market drops by more than 10% off its recent highs), it's tempting to want to load up on stocks when the markets fall by a lot, but there are two key problems. First, we never really know where the bottom is, and second, when markets crash, there is usually a very good economic reason behind it. As such, most of us aren't usually going to be swimming in free cash at those times. On the contrary, we might be forced to dip into our emergency savings funds or even sell some stocks to help pay the bills. There's a reason automatic savings and investment plans are encouraged - they promote a dollar cost averaging strategy that acknowledges how little we know about where the stock market will head next.

Looking back on the last year, it's amazing how many people seem to have made a fortune after the markets crashed. How did they know that March would be the bottom? How did they manage to keep enough cash on hand so it had a big enough impact on their portfolio? Were they just lucky? And perhaps, most importantly, wouldn't they have been better off if they had just stuck to an automatic investment plan? I decided to look into it using S&P/TSX Composite Index data from January 1, 1980 until December 31, 2020. That's over 40 years of history, which is worth a lot more valuable than data from a single year.

I set up two simulations for two different investor types. The first investor - let's just call her Jennifer - has no interest in the stock market. Although she's young, she knows she needs to invest to help her retire comfortably in 40 years. She decides to simply set aside 10% of her income each month and use that to buy a market index fund at whatever price it happens to be at the end of each month. The second investor, Brad, watches the market almost daily, and waits for the market to drop so he can buy stocks in bulk. He also saves 10% of his income, but when the market falls 10% off its highs or off the price he last purchased it at, Brad will invest 50% of his cumulative savings to date.

Naturally, Brad, being the more active investor, wins, right?

It turns out that the passive investor who just put her money into the market every month ended up doing better. I'll go over the reasons why on the next page, but a passive investor would turn an initial \$10,000 investment into \$877,884, which included contributions of \$239,519. This means they earned a profit of \$628,365, and this number doesn't even include dividends. The active investor also did well, just not as well. Their portfolio value would grow to \$818,938 with the same contributions, meaning the active strategy would have cost this investor \$58,946. More if they're both reinvesting dividends, of course.

Passive vs. Active Investment Plan: Growth of \$10,000 (Price Only, Excluding Dividends)



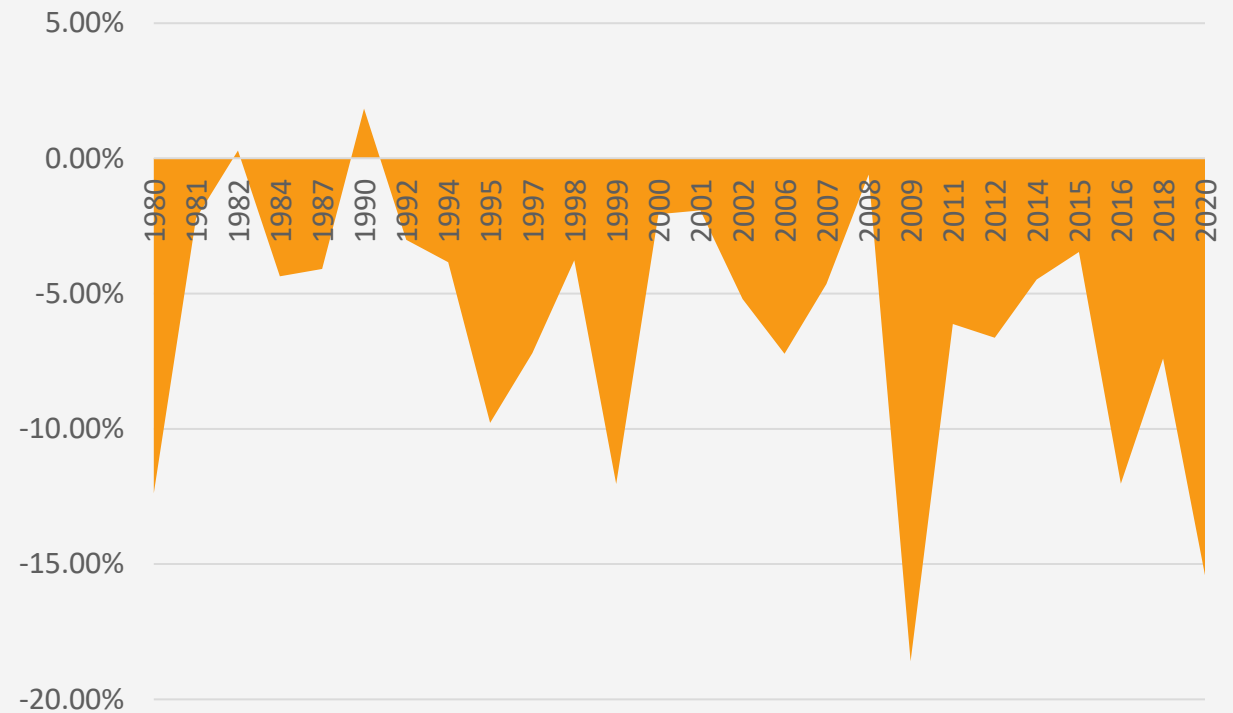
At first, the reasons aren't so obvious, especially considering that virtually every year, the active investor managed to buy the index at much lower levels than the passive investor. Take 2020, for example. Investors putting 50% of their savings each time the market fell by 10% ended up buying the index 15.41% cheaper on average compared to the automatic investor. In 2016 it was 12.03%. In 2009 during the Great Recession years, it was a record 18.59%.

Undoubtedly, this makes investors feel good, but the chart to the right is deceiving. Notice how there are only 26 years shown, but there are 41 years from 1980-2020. What happened in the other 15? The answer is that the active investor made **no** investments in the market because there weren't any 10% corrections in those years. This is where the passive investor has a significant advantage.

While Brad was building up his war chest, waiting for that moment to "buy the dip", Jennifer was methodically putting her money to work each month. From 1985-1986 there were no corrections at all, and the TSX Index grew from 2,400 to 3,066 in those two years - an increase of nearly 28% that Brad didn't participate in. The same thing happened in 1988-1989 when the market climbed 26%, and for three straight years from 2003-2005, Brad wouldn't have made any purchases at all either. During that time, the TSX gained a whopping 70%.

There's also the issue of Brad running out of money to invest when he needs it the most. Consider that at the end of June 2008, the TSX closed at 14,467. Over the next 8 months, it would fall 10% a total of 11 times as it bottomed out at 7,567 on March 9, 2009. By that time, Brad's excess savings has likely run out, and he has endured a great deal of unnecessary stress that actually made things worse for him.

Average Active vs. Passive Purchase Price



KEY TAKEAWAYS



Don't Fool Yourself

Everyone likes to buy low, sell high, but the reality is that it's very hard to do this on a consistent basis. While you may congratulate yourself for saving up a lot of money to bulk buy stocks last March, don't forget to calculate the gains you *didn't* experience by not being invested during those times. In the long run, the more passive strategy wins out.



Be Very Greedy

The media can often unsettle investors with talks of market corrections, but they are perfectly normal. Recall there were 64 times in 40 years where the market fell 10%, so that's more than once per year on average. If you are going to withdraw a lot of money from your savings account hoping to take advantage of a crash, be very greedy. A 10% or 20% drop isn't enough. Wait for 30%, 40%, or even 50% drops – historically, you may not have to wait that long!

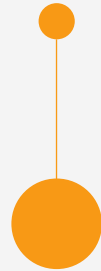


Don't Try To Time The Market

While I believe there are good ways to predict which sectors will outperform in the short-term, it's an entirely different thing to believe someone can know what the market will do next. Whatever strategy you decide on (value, growth, dividend investing, etc.), most of the time it's better to just get your money working for you as quickly as possible. To act otherwise is to take a bet against the market, and if you're wrong, the consequences can be quite large.

LAST WEEK'S ECONOMIC NUMBERS

Just a few of the key economic events that occurred last week.



Canadian Housing

Canada's New Housing Price Index gained 1.1% in March, missing forecasts of a 1.4% increase and one of the rare signs the market is slowing down. Still, the Index has not fallen since December 2019.



U.S. Home Sales

U.S. Existing Home Sales also slightly missed expectations, falling 3.7% month-over-month on a forecasted gain of 0.9%. The 6.01 million annualized sales is still strong, though, and puts it near the record 2005-2006 levels.



Canadian CPI

Canadian Core CPI, which excludes food and energy prices, was up 0.3% in March. Total CPI, on an annualized basis, came in at 2.2% - a full percentage point higher than last month.



U.S. Jobless Claims

U.S. Initial Jobless Claims were only 547K last week on a forecast of 617K. The number of claims keeps dropping as the U.S. is posting strong daily vaccination numbers, and is now a fraction of the 4.42 million initial claims Americans made just one year ago.



WEEKLY STOCK RETURNS

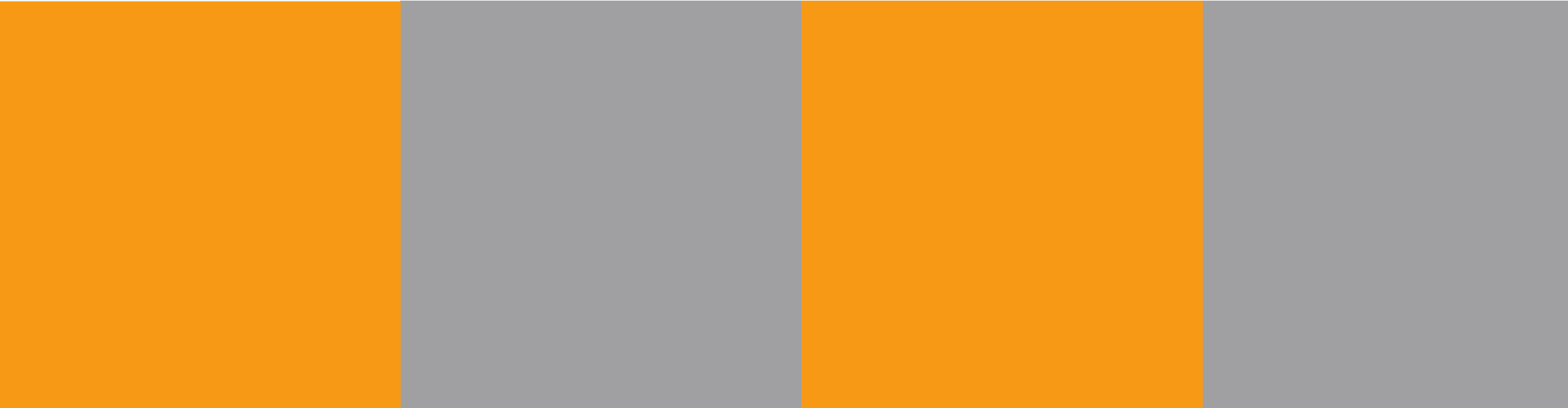
The next section includes the weekly returns for all 220+ S&P/TSX Composite Index stocks. I have organized the stocks by sector and included their ticker and industry as well. If a stock is not in this list but you would like to see it in future newsletters, please send me an email!

Scroll through the lists and check out how your holdings performed in comparison to their competitors. For a more interactive version, check out the Sunday Investor Website for a condensed, but sortable version.



Communication Services

Symbol	Company	Industry	Return
BCE	BCE	Telecom Services	0.03%
CCA	Cogeco Communications	Telecom Services	0.31%
CJR.B	Corus Entertainment	Entertainment	-3.83%
QBR.B	Quebecor	Telecom Services	0.03%
RCI.B	Rogers Communications	Telecom Services	0.81%
SJR.B	Shaw Communications	Telecom Services	-1.03%
T	TELUS	Telecom Services	-1.04%





Consumer Cyclical

Symbol	Company	Industry	Return
ATZ	Aritzia	Apparel Retail	-2.03%
BYD	Boyd Group	Personal Services	-1.19%
CCL.B	CCL Industries	Packaging & Containers	2.41%
CTC.A	Canadian Tire	Specialty Retail	3.51%
DOO	BRP	Recreational Vehicles	-0.65%
GC	Great Canadian Gaming	Gambling	0.55%
GIL	Gildan Activewear	Apparel Manufacturing	3.27%
GOOS	Canada Goose Holdings	Apparel Manufacturing	3.71%
ITP	Intertape Polymer Group	Packaging & Containers	1.22%
LNR	Linamar	Auto Parts	1.37%
MG	Magna International	Auto Parts	1.88%
MRE	Martinrea International	Auto Parts	3.90%
NFI	NFI Group	Auto Manufacturers	-2.57%
QSR	Restaurant Brands International	Restaurants	-0.27%
RCH	Richelieu Hardware	Furnishings & Appliances	1.21%
TOY	Spin Master	Leisure	3.47%
WPK	Winpak	Packaging & Containers	-2.18%
ZZZ	Sleep Country Canada Holdings	Specialty Retail	3.79%



Consumer Staples

Symbol	Company	Industry	Return
ATD.B	Alimentation Couche-Tard	Grocery Stores	0.41%
DOL	Dollarama	Discount Stores	0.21%
EMP.A	Empire Company	Grocery Stores	-0.45%
JWEL	Jamieson Wellness	Packaged Foods	0.73%
L	Loblaw Companies	Grocery Stores	-0.83%
MFI	Maple Leaf Foods	Packaged Foods	3.45%
MRU	Metro	Grocery Stores	-2.75%
PBH	Premium Brands Holdings	Packaged Foods	-0.19%
PRMW	Primo Water	Beverages—Non-Alcoholic	2.21%
SAP	Saputo	Packaged Foods	0.56%
WN	George Weston	Grocery Stores	-0.98%





Energy

Symbol	Company	Industry	Return
ARX	ARC Resources	Oil & Gas E&P	-6.81%
CCO	Cameco	Uranium	-0.54%
CNQ	Canadian Natural Resources	Oil & Gas E&P	-4.28%
CPG	Crescent Point Energy	Oil & Gas E&P	-5.83%
CVE	Cenovus Energy	Oil & Gas Integrated	-6.22%
ENB	Enbridge	Oil & Gas Midstream	-0.79%
ERF	Enerplus	Oil & Gas E&P	-3.46%
GEI	Gibson Energy	Oil & Gas Midstream	-1.59%
IMO	Imperial Oil	Oil & Gas Integrated	-0.75%
IPL	Inter Pipeline	Oil & Gas Midstream	0.72%
KEY	Keyera	Oil & Gas Midstream	-0.84%
MEG	MEG Energy	Oil & Gas E&P	-3.01%
PKI	Parkland Fuel	Oil & Gas Refining & Marketing	-1.47%
PPL	Pembina Pipeline	Oil & Gas Midstream	0.54%
PSK	PrairieSky Royalty	Oil & Gas E&P	-9.63%
PXT	Parex Resources	Oil & Gas E&P	-2.47%
SU	Suncor Energy	Oil & Gas Integrated	-2.95%
TOU	Tourmaline Oil	Oil & Gas E&P	-1.51%
TRP	TC Energy	Oil & Gas Midstream	-0.62%
VET	Vermilion Energy	Oil & Gas E&P	-5.59%
WCP	Whitecap Resources	Oil & Gas E&P	-8.89%



Financial Services (1/2)

Symbol	Company	Industry	Return
BAM.A	Brookfield Asset Management	Asset Management	-1.86%
BMO	Bank of Montreal	Banks—Diversified	1.04%
BNS	Bank of Nova Scotia	Banks—Diversified	0.53%
CIX	CI Financial	Asset Management	0.31%
CM	Canadian Imperial Bank Of Commerce	Banks—Diversified	1.38%
CWB	Canadian Western Bank	Banks—Regional	2.78%
ECN	ECN Capital	Credit Services	-0.74%
EQB	Equitable Group	Mortgage Finance	2.84%
FFH	Fairfax Financial Holdings	Insurance—Property & Casualty	-0.20%
FN	First National Financial	Mortgage Finance	5.23%
GWO	Great-West Lifeco	Insurance—Life	0.86%
HCG	Home Capital Group	Mortgage Finance	1.49%
IAG	iA Financial	Insurance—Diversified	0.25%
IFC	Intact Financial	Insurance—Property & Casualty	0.04%
IGM	IGM Financial	Asset Management	3.10%
LB	Laurentian Bank of Canada	Banks—Regional	7.39%
MFC	Manulife Financial	Insurance—Life	-1.37%
NA	National Bank of Canada	Banks—Diversified	0.14%
ONEX	ONEX	Asset Management	0.42%
POW	Power of Canada	Insurance—Life	1.07%
RY	Royal Bank of Canada	Banks—Diversified	-0.72%
SII	Sprott	Asset Management	4.32%



Financial Services (2/2)

Symbol	Company	Industry	Return
SLF	Sun Life Financial	Insurance—Diversified	1.39%
TD	Toronto-Dominion Bank	Banks—Diversified	1.60%
X	TMX Group	Financial Data & Exchanges	0.62%





Health Care

Symbol	Company	Industry	Return
ACB	Aurora Cannabis	Specialty & Generic Drugs	5.69%
APHA	Aphria	Specialty & Generic Drugs	-0.11%
AUP	Aurinia Pharmaceuticals	Biotechnology	0.97%
BHC	Bausch Health Companies	Specialty & Generic Drugs	-1.52%
CRON	Cronos Group	Specialty & Generic Drugs	-1.53%
SIA	Sienna Senior Living	Medical Care Facilities	-1.68%
TRIL	Trillium Therapeutics	Biotechnology	-7.85%
WEED	Canopy Growth	Specialty & Generic Drugs	-1.61%





Industrials (1/2)

Symbol	Company	Industry	Return
AC	Air Canada	Airlines	0.84%
ARE	Aecon Group	Engineering & Construction	-5.14%
ATA	ATS Automation Tooling Systems	Specialty Industrial Machinery	3.16%
BAD	Badger Daylighting	Engineering & Construction	-0.02%
BBU.UN	Brookfield Business Partners	Conglomerates	-2.47%
BLDP	Ballard Power Systems	Specialty Industrial Machinery	1.83%
CAE	CAE	Aerospace & Defense	2.20%
CJT	Cargojet	Integrated Freight & Logistics	-1.16%
CNR	Canadian National Railway	Railroads	-8.62%
CP	Canadian Pacific Railway	Railroads	0.05%
EFN	Element Fleet Management	Rental & Leasing Services	4.36%
EIF	Exchange Income	Airlines	0.23%
FTT	Finning International	Industrial Distribution	-0.03%
GFL	GFL Environmental	Waste Management	-0.68%
MSI	Morneau Shepell	Staffing & Employment Services	-0.82%
MTL	Mullen Group	Trucking	5.06%
RBA	Ritchie Bros. Auctioneers	Specialty Business Services	0.14%
RUS	Russel Metals	Industrial Distribution	-0.21%
SNC	SNC-Lavalin Group	Engineering & Construction	0.44%
STN	Stantec	Engineering & Construction	-1.22%
TCL.A	Transcontinental	Specialty Business Services	-1.45%
TFII	TFI International	Trucking	2.22%



Industrials (2/2)

Symbol	Company	Industry	Return
TIH	Toromont Industries	Industrial Distribution	2.25%
TRI	Thomson Reuters	Consulting Services	-0.97%
WCN	Waste Connections	Waste Management	0.79%
WSP	WSP Global	Engineering & Construction	-0.45%
WTE	Westshore Terminals Investment	Marine Shipping	1.41%





Materials (1/3)

Symbol	Company	Industry	Return
ABX	Barrick Gold	Gold	-0.36%
AEM	Agnico Eagle Mines	Gold	2.14%
AGI	Alamos Gold	Gold	-2.45%
BTO	B2Gold	Gold	-0.78%
CAS	Cascades	Paper & Paper Products	-1.72%
CFP	Canfor	Lumber & Wood Production	-1.82%
CG	Centerra Gold	Gold	-2.10%
DPM	Dundee Precious Metals	Gold	0.64%
EDV	Endeavour Mining	Gold	-0.87%
ELD	Eldorado Gold	Gold	-2.89%
EQX	Equinox Gold	Gold	-5.16%
ERO	ERO Copper	Copper	-2.86%
FM	First Quantum Minerals	Copper	-3.23%
FNV	Franco-Nevada	Gold	3.80%
FR	First Majestic Silver	Silver	-2.32%
FVI	Fortuna Silver Mines	Silver	0.00%
HBM	Hudbay Minerals	Copper	-7.19%
IFP	Interfor	Lumber & Wood Production	-2.30%
IMG	IAMGOLD	Gold	-0.71%
IVN	Ivanhoe Mines	Other Metals & Mining	1.64%
K	Kinross Gold	Gold	-2.35%
KL	Kirkland Lake Gold	Gold	1.76%



Materials (2/3)

Symbol	Company	Industry	Return
LIF	Labrador Iron Ore Royalty	Steel	4.97%
LUG	Lundin Gold	Gold	3.70%
LUN	Lundin Mining	Copper	-6.43%
MAG	MAG Silver	Silver	2.83%
MX	Methanex	Chemicals	-5.20%
NG	NovaGold Resources	Gold	-0.66%
NGD	New Gold	Gold	-6.22%
NTR	Nutrien	Agricultural Inputs	-4.17%
OGC	OceanaGold	Gold	4.61%
OR	Osisko Gold Royalties Ltd	Gold	0.26%
OSK	Osisko Mining	Other Precious Metals & Mining	1.82%
PAAS	Pan American Silver	Silver	-0.43%
PVG	Pretium Resources	Gold	-3.84%
SEA	Seabridge Gold	Gold	-1.56%
SIL	Silvercrest Metals	Other Precious Metals & Mining	-2.47%
SJ	Stella-Jones	Lumber & Wood Production	-0.58%
SSL	Sandstorm Gold	Gold	-0.73%
SSRM	SSR Mining	Gold	0.49%
SVM	Silvercorp Metals	Silver	-1.02%
TECK.B	Teck Resources	Other Metals & Mining	-1.62%
TXG	Torex Gold Resources	Gold	-6.17%
WDO	Wesdome Gold Mines	Gold	-0.60%



Materials (3/3)

Symbol	Company	Industry	Return
WFG	West Fraser Timber Co.	Lumber & Wood Production	-8.97%
WPM	Wheaton Precious Metals	Gold	0.62%
YRI	Yamana Gold	Gold	-0.50%





Real Estate (1/2)

Symbol	Company	Industry	Return
AIF	Altus Group	Real Estate Services	2.29%
AP.UN	Allied Properties REIT	REIT—Office	-2.73%
AX.UN	Artis REIT	REIT—Diversified	0.47%
BEI.UN	Boardwalk REIT	REIT—Residential	0.76%
BPY.UN	Brookfield Property Partners	Real Estate Services	-0.58%
CAR.UN	Canadian Apartment Properties REIT	REIT—Residential	-1.43%
CHP.UN	Choice Properties REIT	REIT—Retail	-0.49%
CIGI	Colliers International Group	Real Estate Services	1.33%
CRR.UN	Crombie REIT	REIT—Diversified	2.06%
CRT.UN	CT Real Estate Investment Trust	REIT—Retail	0.36%
CSH.UN	Chartwell Retirement Residences	Real Estate—Development	1.07%
CUF.UN	Cominar REIT	REIT—Diversified	0.72%
D.UN	Dream Office REIT	REIT—Office	-1.03%
DIR.UN	Dream Industrial REIT	REIT—Industrial	0.37%
FCR.UN	First Capital Realty REIT	REIT—Retail	0.00%
FSV	FirstService	Real Estate Services	1.52%
GRT.UN	Granite REIT	REIT—Industrial	0.66%
HR.UN	H&R REIT	REIT—Diversified	0.14%
IIP.UN	InterRent REIT	REIT—Residential	0.39%
KMP.UN	Killam Apartment REIT	REIT—Residential	-0.77%
NWH.UN	NorthWest Healthcare Properties REIT	REIT—Healthcare Facilities	0.38%
REI.UN	RioCan REIT	REIT—Retail	1.58%



Real Estate (2/2)

Symbol	Company	Industry	Return
SMU.UN	Summit Industrial Income REIT	REIT—Industrial	6.63%
SRU.UN	SmartCentres REIT	REIT—Retail	0.75%
TCN	Tricon Capital Group	Real Estate Services	1.00%
WIR.UN	WPT Industrial REIT	REIT—Industrial	1.20%





Technology

Symbol	Company	Industry	Return
BB	BlackBerry	Software—Infrastructure	1.75%
CLS	Celestica	Electronic Components	-2.08%
CSU	Constellation Software	Software—Application	-3.14%
DSG	Descartes Systems Group	Software—Application	-3.92%
ENGH	Enghouse Systems	Software—Application	-2.47%
GIB.A	CGI	Information Technology Services	-2.27%
KXS	Kinaxis	Software—Application	-5.14%
LSPD	Lightspeed POS	Software—Application	3.88%
OTEX	Open Text	Software—Application	-4.54%
REAL	Real Matters	Software—Application	0.78%
SHOP	Shopify	Software—Application	-9.04%





Utilities

Symbol	Company	Industry	Return
ACO.X	ATCO	Utilities—Diversified	1.14%
ALA	AltaGas	Utilities—Regulated Gas	0.61%
AQN	Algonquin Power & Utilities	Utilities—Renewable	0.10%
BEP.UN	Brookfield Renewable Partners	Utilities—Renewable	-5.30%
BIP.UN	Brookfield Infrastructure Partners	Utilities—Diversified	-2.57%
BLX	Boralex	Utilities—Renewable	-1.19%
CPX	Capital Power	Independent Power Producers	-0.45%
CU	Canadian Utilities	Utilities—Diversified	0.73%
EMA	Emera	Utilities—Diversified	0.97%
FTS	Fortis	Utilities—Regulated Electric	0.60%
H	Hydro One	Utilities—Regulated Electric	-1.21%
INE	Innergex Renewable Energy	Utilities—Renewable	-2.91%
NPI	Northland Power	Utilities—Renewable	1.22%
RNW	TransAlta Renewables	Utilities—Renewable	-1.74%
SPB	Superior Plus	Utilities—Regulated Gas	2.12%
TA	TransAlta	Independent Power Producers	-0.49%



DISCLAIMER

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