

Issue 30

## MEGA IPO WEEK AHEAD

Payroll numbers released on Friday were particularly weak. Employers added just 245,000 workers in November, below expectations for 440,000 and October's addition of 610,000. The market, however, reacted different as all four major U.S. stock indexes rose to record highs on Friday, the first time that's happened since November 2018. The Dow Jones Industrial Average rose 1% during the week, to 30,218.26. The S&P 500 index gained 1.7%, to 3699.12, and the Nasdaq Composite increased 2.1%, to 12,464.23. The small-cap Russell 200 advanced 2%, to 1,892.45. Bitcoin got in on the action as well hitting a new all-time high of \$19,920 on Tuesday. Canada's top banks warned of a challenging year ahead with uneven economic recovery and a slowing housing market seen weighing on loan growth, as they wrapped up 2020 with a surprise quarterly profit beat due to lower-than-expected bad debt provisions. Canada's six biggest banks set aside more than C\$20 billion over the past three quarters to cover the expected increases next year in loan impairments, which have so far remained near pre-pandemic levels, thanks to payment deferrals and a raft of government assistance programs.

Now, with the Fed pretty much all in with a super easy monetary policy, the focus is on fiscal policy and the latest employment data should give further impetus to negotiations among Congressional leadership on fiscal relief for Americans facing a bleak winter owing to the worsening coronavirus pandemic. While the November jobs report released on Friday was disappointing, even worse lies ahead, as the data were collected prior to the most recent surge in Covid-19 cases that is both filling hospital intensive-care units across the country and curtailing workers' ability and willingness to work. Nonfarm payrolls rose by 245,000, a little better than half the forecast increase and less than half the average of the latest three months. The seemingly good news was a drop in the headline unemployment rate, to 6.7% from 6.9%, but that was entirely because 400,000 people left the labour force. Some of the dropouts may have been due to the lack of job prospects. But the beige book summary of economic conditions prepared for the Dec. 15-16 Federal Open Market Committee meeting reported that some employers had trouble hiring because of a reluctance of people to get out to work, owing to family-care demands or fear of catching the virus. But the bad news on jobs was treated as good news for stocks, as the Dow Jones Industrial Average, the S& P 500 index, and the Nasdaq Composite all notched fresh records, in part because of what it could portend in terms of fiscal relief.

A bipartisan group of senators on Capitol Hill this past week put forth a \$908 billion relief proposal, much closer to the Republicans' recent \$650 billion proposal than the House Democrats' last \$2.4 trillion bill. Even before the jobs report, House Speaker Nancy Pelosi was talking again with Treasury Secretary Steven Mnuchin and Senate Majority Leader Mitch McConnell, after a post-election interval. Pelosi said that she and



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## MARKET SUMMARIES

*(at Friday's close)*

S&P/TSX Composite **up 0.71%** at 17,520.97 (**up 2.68% ytd**)

S&P/TSX Venture **down 0.02%** at 769.11 (**up 33.17% ytd**)

S&P 500 **up 0.88%** at 3,699.12 (**up 14.50% ytd**)

Dow Jones Industrial Avg. **up 0.83%** at 30,218.26 (**up 5.89% ytd**)

Nasdaq Composite **up 0.70%** at 12,464.23 (**up 38.91% ytd**)

## Metals

Gold: \$1834

Silver: \$24.07

Copper \$3.52

## Energy

Brent Crude Oil: \$49.34

WTI Crude Oil: \$45.64

Natural Gas (\$US/MMBTU): \$2.57



McConnell agreed to try to link a relief bill to a measure to fund the government after Dec. 11, The Wall Street Journal reported.

Gold prices have climbed sharply in 2020, but they are still off more than 10% from the record high in August. The moves cap a year rocked by a pandemic that led to economic restrictions and fiscal stimulus measures, feeding the precious metal's appeal as a haven investment. Many of these same reasons are expected to lift prices in the new year. "It is likely that the uncertainty of how the economy is going to recover and how fast and large the recovery will be, coupled with increasingly historical levels of fiscal and monetary stimulus, puts gold on the path of a bull run for several years," says Ed Moy, a former director of the U.S. Mint, who is currently chief strategist at a gold seller Valaurum. To Moy, however, the pandemic and the economic uncertainty it caused, increased demand for haven assets, and the limited supply of gold, along with massive amounts of stimulus measures in a short period, were the key reasons for gold's gain this year. Among the biggest unknowns for gold is the path and magnitude of the economic recovery, the effectiveness of a vaccine and treatments, whether the Federal Reserve can reduce liquidity enough to prevent inflation, and whether interest on the national debt will "start crowding out other government expenditures," says Moy. Short-term volatility is a given, he says, but the long-term fundamentals of what drives gold prices higher, economic uncertainty and the fear of inflation, remain in place and will likely increase over time.

## WHAT'S AHEAD

Airbnb is set to be one of the hottest initial public offerings of the year as it is set to take the market this week. The company has become synonymous with the home-sharing and rental concept that it pioneered more than a decade ago and despite competition from online travel operators Booking Holdings (BKNG) and Expedia Group (EXPE), which runs the VRBO site, it remains the industry leader. During the pandemic, risk-averse travelers favoured private homes over hotels, and that has enabled Airbnb, which will trade under the ticker ABNB, to rebound more quickly than traditional lodging companies. Airbnb reported an after-tax profit of \$219 million in the third quarter, compared with a loss of \$576 million in the second quarter. With its asset-light business model and global presence, the company is poised to benefit from a rebound in travel. While the current quarter is expected to be weak amid a worldwide resurgence of Covid-19, investors are looking toward 2021 and 2022, when the world should normalize with widespread vaccinations.

Furthermore, the food-delivery company, DoorDash is also set to go public this week. Given the story told in the filing for the initial public offering, investor interest will be high. DoorDash revenue soared 204% last year, to \$885 million, but that was before Covid-19. A nationwide shutdown of indoor dining sent DoorDash's business into another gear and for the nine months through Sept. 30, revenue was \$1.9 billion, up 226% from a year earlier.

The two startups, which are aiming to raise a combined \$6.2 billion at the top of their price ranges will propel the month's IPO volume to an all-time high, surpassing the \$8.3 billion mark set in December of both 2001 and 2003, according to data compiled by Bloomberg. The elevated price targets put both companies among the five biggest U.S. IPOs of 2020.

Our quote of the week is from the theoretical physicist who developed the theory of relativity, Albert Einstein.

**"Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't... pays it."**

## FINANCIAL PLANNING TIP OF THE WEEK

### **Permanent Insurance:**

Permanent life insurance provides coverage over the entire lifetime of the life insured. It does not expire (as long as the required premiums are paid), and it does not need to be renewed. One of the drawbacks of term insurance is that coverage ends at the end



of the term, unless the policy can be renewed. Most insurance companies will not provide term insurance coverage past a specific age, often around 75 or 80 years of age. This means that they will stop issuing new policies at about age 65 or 70, depending on the policy's term. So, term insurance cannot provide adequate protection against the risk of death for people who might live beyond this age. Permanent life insurance can provide the extended protection needed for risks that do not have a expiry date.

At advanced ages term insurance can become prohibitively expensive. Premiums for permanent insurance typically remain level over the lifetime of the life insured. Premiums in the early years of a permanent insurance policy tend to be higher than premiums for a comparable amount of term insurance.

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