

Market Update

August 2020

I hope this letter finds you well and that you are enjoying summer despite some of the restrictions currently in place. Recently, I travelled up the west coast of the Island to Tofino and was reminded once again just how beautiful British Columbia is. I concluded, that staycations in our own backyard are quite acceptable.

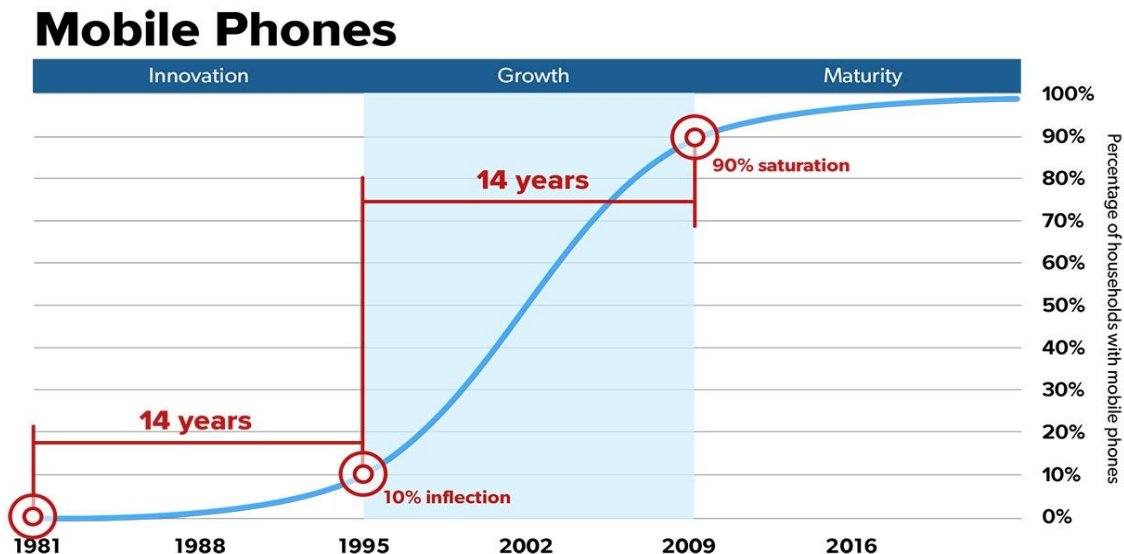
Markets continue to recover from the late February and March correction. Here is how markets look at the close August 5/20. These are market returns from the Feb 20<sup>th</sup> market peak...

The Nasdaq (US) has gained +12.8% from that previous high.

The S&P 500 (US) is down -1.4%

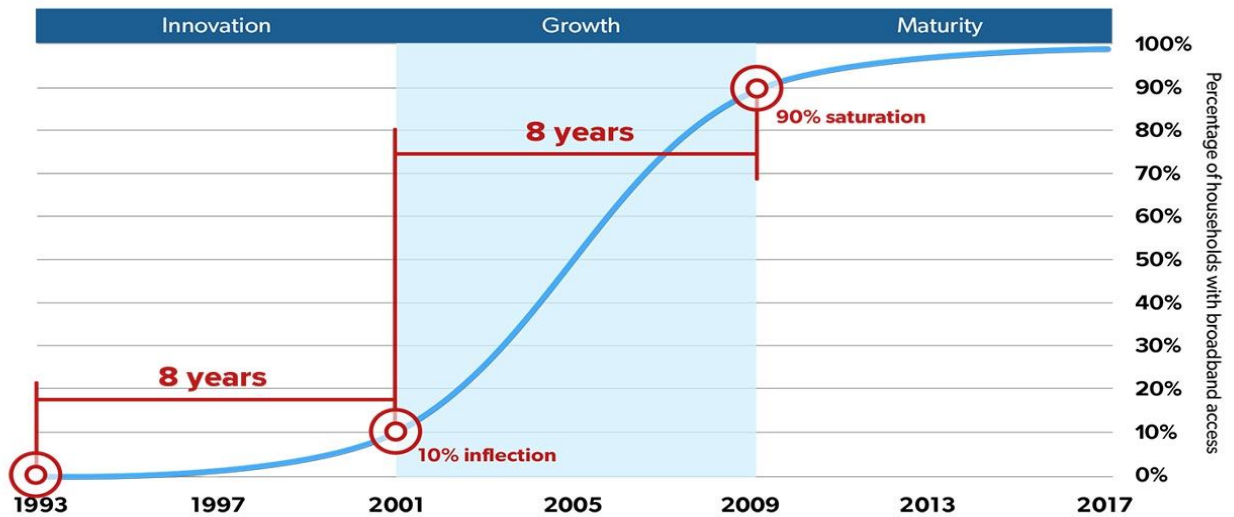
The TSX (Cdn) is down -8%

**This month, I wanted to take a look at how new technologies grow in popularity from introduction to full acceptance by society. Do you remember when the mobile phone or internet came along?**



Mobile phones came along in 1981 but took 14 years before 10% of the population was using them. During the next 14 years however, growth accelerated to 90% saturation. Most people I know under 40 don't have a land line anymore. Their mobile phone – is their only phone, and of course it is much more than a phone. Today, it is a hand-held computer.

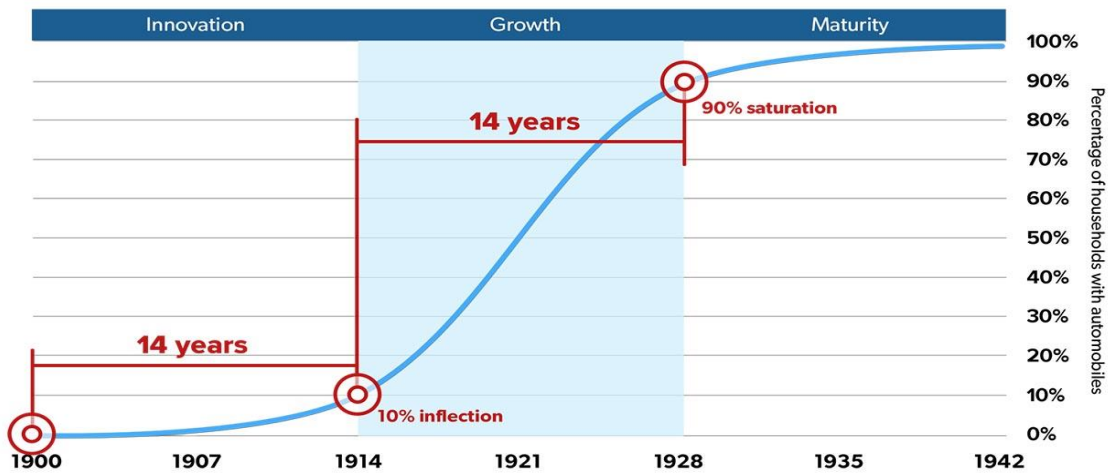
# Broadband Internet



The internet came along in 1993 (27 years ago). It took 8 years for 10% of the population to embrace it before exploding in use over the next eight years to 90% saturation within the population. This blue line (the “S curve) reflects that growth.

The Automobile...

# Automobiles



Back in 1900, the car made its debut and it took 14 years to reach 10% of American households. However, again the acceleration of growth in the following 14 years, had the cars in the driveways of 90% of American homes.

These charts resemble a similar story of how successful new technology is adopted by the population and the incredible growth curve that occurs as that happens.

**So, what is a new technology, relevant right now that is on a growth curve but nowhere near market saturation?**

**The Electric Vehicle (EV).** I used to think about electric cars as an environmental response to fossil fuels. Now, I consider them an economic response to several factors. One is that governments are mandating them in places like China and London in the UK. Another is that mainstream manufacturers are committing to switch production from fossil fuel vehicles to electric ones - quickly. Last, but certainly not least, is that the cost of these vehicles is coming down and the range for use is expanding. Where are we on that S curve of adoption? Well, I imagine when you have the choice of buying an electric or fossil fuel car for the same money but you can save \$5,000 in fuel every year massive acceptance could be underway.

If you own shares of **Alphabet (Google)**, you have exposure to their self-driving car unit called Waymo, which if it were spun out one day, you would get for free. Another way is to consider shares of **Aptiv** who also have an autonomous car unit that recently started a joint venture with Hyundai. Both companies are currently operating self-driving cars in several American cities. Aptiv makes a lot of the electronics for electric vehicles.

Other component makers for electric cars are companies like **NXP Semiconductor (sensors)** and **Nvidia** (high speed processor)

Here are how some of the major car makers are planning to implement EV.

- Ford plans for one-third of its vehicles to be electric by 2030 (ten years)
- Volkswagen plans to sell 1 million EVs a year by 2023 (three years)
- Volvo plans for half of its offerings to be electric by 2025 (two years)
- Most major auto manufacturers will offer at least one EV by the end of the year

Enjoy the remainder of summer and remember – wash your hands 😊. Stay safe.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. ***This commentary reflects my opinions alone and may not reflect the views of National Bank Financial Group.*** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

National Bank Financial

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Sources: Stockcharts.com, Reuters, Argus, Empire Research, Medium.com, Bitrates.com

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