

Fred Langan Business News



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This is the seventh edition of the newsletter which comes out every Sunday night/Monday morning. There is enough subscriber interest so there will be a subscription charge of \$50 a year. It will be published once a week. The content is usually, but not always, money related. Some weeks there will be an interview. To subscribe, just email me at fred.langan@gmail.com.

Cash is Trash



\$20, top bill because of ATMs. Courtesy Bank of Canada

Since the middle of March \$180 in cash passed through my fingers. Sure, I am spending less, but the reason is I hardly do anything face-to-face. A pizza, a sushi dinner, with the cash left on the bench, both of us wearing a mask. Everything else is done using my two credit cards, my debit card and Interac e-transfers. If a

cheque comes in, I take a picture of it with my iPhone and zap, it is off to the bank.

Digital banking and the cash free society courtesy of the lockdown. No one planned it – as they have in other countries such as Sweden— it was born out of necessity.

Interac – the organization that handles simple e-transfers in Canada—says its business is up. “A record setting 61.3-million Interac e-Transfer transactions took place in April,” said Interac. And people who never used it before have figured it out. “Since mid-March, first time Interac e-transfers increased by 43%.”

The Bank of Canada is in charge of printing and distributing currency. The Bank says it doesn't yet have statistics on whether fewer people are using cash. While it may not have hard numbers it obviously has a feeling that something is happening. At the end of May, it sent out of a release dealing with Covid and cash. The big worry is retailers will shun cash because of the risk of infection. The Bank warned

against that behaviour: “We encourage Canadians to use the method of payment that they are the most comfortable with. However, the Bank strongly advocates that retailers continue to accept cash to ensure Canadians have access to the goods and services they need. Refusing cash purchases outright will put an undue burden on those who depend on cash and have limited payment options.”

The full release deals with health and handling cash.

<https://www.bankofcanada.ca/2020/05/bank-canada-asks-retailers-continue-accepting-cash/>

A 2017 paper by the Bank says cash is “...commonly used among respondents who are aged 55 and above, have an income of less than \$45,000, have only a high school education, or have a low rate of financial literacy.” The average Canadian had \$165 in cash in their purse or wallet in 2017. I have \$5 at the moment.

Here is the full report, fascinating reading: <https://www.bankofcanada.ca/wp-content/uploads/2018/12/sdp2018-17.pdf>

Laptop and Computer Sales on Fire.

People are working and studying from home. Those who didn't have a home computer, or owned one so old it couldn't do all the things it needed to, had to buy new ones or their company or schoolboard bought it for them. This quote from Apple's Chief Financial Officer, Luca Maestri, says it all: “We believe that iPad (tablets) and Mac (desktops and laptops) are going to improve year-over-year basis during this quarter. And that's customers that are taking online education or working remotely,” said the Apple CFO in a conference call.



The June Cover of PC Magazine

PC Magazine is on my must read list. It keeps me up to date with everything from Virtual Private Networks (VPNs) to which is the best portable battery bank. I bought their Editor's Choice this week. The June issue deals with working from home, as all the magazine's editors are doing. It also has a list of “15 Affordable Small Towns in the US With Fast Internet”. They range from Appomattox, Virginia, to Taos, New Mexico. Housing prices are a steal compared to San Francisco or New York. The Internet isn't that cheap. I am writing this from Knowlton, Quebec, and my fibre optic internet from a local provider, Internexe, is super-fast – 40 gigabytes a second-- and at \$40 Canadian (\$30

US) cheaper by a long shot than any of the towns listed in PC Magazine's piece. This has not been lost on people looking for a similar location for remote work in rural Quebec. "Sales are booming. I have never seen anything like it. Multiple offers. Properties selling in a day," says an agent who has worked real estate here for decades.

iPhone Delayed?

Rumours that supply chain problems will cause a delay in the launch of the new iPhone. What would be iPhone 12 would come out in September in the usual Apple calendar. Covid related. No confirmation from secretive Apple

Stock Markets Up.

World stock markets are up 40% since their lows on March 23. Big move up on Friday on US job numbers. Also stock markets provide returns – and risks – that the bond market cannot. If you only invested in 10-year Canadian government bonds – yield 0.7%- you would need \$4,160,000 in bonds to produce \$29,120 a year, the minimum wage in Ontario.

One star: Lululemon, closed at \$319, more than double the low of March 17 of \$144. People buying fashionable casual wear to work at home.

As a Shareholder of Alphabet (Google)...

I object to CEO Sundar Pichai's 2019 pay package of \$280.6-million. That's in one year. There are 740-million Alphabet shares outstanding. I own 50 shares.

Alphabet: You have been warned.

Stamp Collecting making a comeback.



A piece in the Wall Street Journal says stamp collecting is making a big comeback. The American Philatelic Society reports online searches on its website have doubled since March. Favourites include odd stamps from old British colonies such as British Honduras and Nyasaland. Canada's most valuable stamp is from the colonial period: the 12 D 'Black' 1851 with a young Queen Victoria.

Who needs a hobby like tennis or philately?

I've got a hobby: rereading Lady Chatterley

Lyrics from *Smut*, (1965) by songwriter and mathematician, Tom Lehrer.

Before and After Corona.

The title of a long research paper sent out by the Bank of America. Here is just one tiny section of it, a random list of factoids. (And yes, factoid is a word says the Oxford English Dictionary. First recognized use: 1973.)

- All G20 countries have implemented some sort of shelter-in-place order, equivalent to 80% of global GDP under lockdown
- Global carbon emissions could fall by 8% this year, equivalent to what India emits per year which would be the biggest drop ever recorded
- The fall in greenhouse gases this year alone could be greater than all the recessions of the past 50 years combined
- The Fed was buying more than US\$1 million in financial assets every second during the peak panic phase of the crisis
- It took airlines 64 years to reach 50 million users, Netflix 7 years, but Disney+ achieved this in just 5 months with the kids under lockdown (Gen Z bonus stat: it took the HouseParty app just 1 month!)
- At 4 billion people, more citizens are now under lockdown than those who have access to internet broadband, social media or even safe toilet sanitation
- The US\$20tn market cap of thematic enablers identified in the post-Covid era is bigger than the GDP of the US, Europe or even China + India
- 90% of painkillers and antibiotics (ibuprofen, penicillin, etc) on average have active drug ingredients imported from China
- For the first time in history, China is outspending the US on R&D (US\$501bn vs. US\$493bn)
- The number of unemployed Americans now exceeds the population of Australia

- More US jobs have been wiped out in the last month than were created in the past 10 years since the Great Recession
- Sir Isaac Newton discovered gravity during the Great Plague of 1666 when he had to practise social distancing and work from home
- Zoom daily active users jumped 30x in just four months from 10 million in December to 300 million in April 2020
- Zoom's terms & conditions are longer than the US Constitution
- Fortnite (an online video game) is now more popular than football by Google searches
- If you were to stack up the US\$2 trillion US fiscal stimulus package in 1 dollar bills, they would be 6x higher than the International Space Station (c. 2,400km)... if you were to put them side by side, they would stretch from Earth to Mars...and halfway back again!
(Note: the ! are from Bank of America. The overused ! drives me nuts.)

Essay of the Week.

Green Aluminum. No they aren't dying the silver coloured metal, there is now a market for aluminum which is made with renewable energy. The contract for Low Carbon Aluminium is at the London Metal Exchange (LME), where they trade aluminum (and spell it aluminium). The LME says it will give companies who use aluminum -- from Apple to Boeing-- the chance to decide whether they care enough about carbon emissions to use the metal produced by renewable energy.

This should be great news for Canadian aluminum producers, especially in Quebec where all electricity comes from hydroelectricity. Canada is the fourth largest producer of aluminum (see chart below) and China is number one, by a factor of eleven.



Stacks of Aluminum Ingots.

Courtesy Rio Tinto

Rank	Country/Region	Primary aluminium production (thousands of metric tons)	Year
—	<i>World</i>	60,000	2018
1	 China	33,000	2018
2	 India	3,700	2018
3	 Russia	3,700	2018
4	 Canada	2,900	2018

Source: Wikipedia.

All aluminum is produced by electricity. Though it is a common element, it does not exist on its own in nature. At one point Aluminum was so rare it was worth more than gold. Bauxite is the raw material for aluminum; it comes mostly from tropical countries such as Jamaica and Guyana. It takes five tons of bauxite to produce one ton of aluminum. Bauxite is converted to alumina, then made into aluminum ingots at giant smelters, such as the ones in the Lac St. Jean region. There are 10 aluminum smelters in Canada; nine are in Quebec, one is in Kitimat, British Columbia. All run on hydroelectricity, as renewable a resource as you can find. “Canadian aluminum producers have the lowest carbon footprint in the world, compared to other large producers,” says Natural Resources Canada, a federal government agency.

China’s aluminum production is unlikely to qualify for the LME’s ‘green’ aluminum contract. Aluminum production in China accounts for 4% of its total Greenhouse Gas output. Ditto for India, though not Russia which pushed the LME for the green aluminum contract. None is as green as Canada.



Uses of Aluminum

Source: Government of Canada

It might surprise people to learn that construction is the number one use of aluminum. Then comes transportation and automotive: the shells of aircraft and the all-aluminum body of the Tesla Model S. Other carmakers, such as Audi have been using aluminum to reduce weight and increase mileage numbers for years. Perhaps of the most interesting uses of aluminum is the soft drink can. It is increasingly used instead of plastic. Aluminum cans are easily recycled. They go into a furnace, burn off the impurities and come out as pure aluminum. Ninety-five percent of the electricity needed to do that is effectively contained in the can. That is why recycled aluminum cans and pie plates are the most valuable things in the blue bin.

Fred Langan is a business journalist who for many years was host of CBC's nightly business newscast. Among other things he was the business reporter for The National and The Journal. He wrote and hosted hour long documentaries for CBC Current Affairs, as well as producing and hosting documentaries for Christian Science Monitor Television. He was the Canadian business and finance correspondent for The Economist for 8 years, writing 250 articles for the publication. He wrote for the New York Times, International Herald Tribune and was the Canadian writer for the Christian Science Monitor for 20 years and The Daily Telegraph (London) for 12 years. Langan writes long form obituaries for the Globe and Mail. He was editor and publisher (volunteer) of Tempo Lac Brome for several years and still contributes to the bilingual local monthly. Langan has published 2 novels and 12 biographies.