Struthers Report V28 # 9.3 Beware, Beware the Bear, Inflation, Interest rates, recession, gold June 16, 2022

PLAYSTOCKS.net

Know when to hold-em!
Know when to fold-em!
Know where to set stops!
Know when to run!
Never count your portfolio
Until the sells are done..

rhstruthers@gmail.com **519-374-9332** ***Monthly subscription US$19.99***

The current inflation, bear market and economic problems are a 100% result of government Covid-19 policies. Too much money printed and supply problems everywhere caused by Covid-19 restrictions. You cannot fix a problem until you first identify the cause and admit to it and address it. Biden is running around blaming oil companies and Russia. Yesterday Fed Chair Powel said "*The surge in prices of crude oil and other commodities that resulted from Russia's invasion of Ukraine is boosting prices for gasoline and food and is creating additional upward pressure on inflation,*" While the war has added to the situation, the Price Index has been climbing rapidly since March 2021, a whole year before the Russian invasion. Oh, but that was transitional, LOL.

Oil companies don't make money with high gas prices at the pumps, that is a low margin business. Their big profits come from high oil prices. If it costs them $40 per barrel to get the oil out of the ground, selling it at $120 per barrel is a huge profit margin. Oil prices are set by world markets, not oil companies. In fact government policy is probably the biggest factor affecting oil supply/demand, think of OPEC. Governments need to encourage oil exploration and development but instead they have attacked it. The Biden Administration cancelled pipelines, is no longer allowing land leases for exploration and discouraging investment. The Trudeau government has eliminated flow through financing for oil&gas after decades with that policy. There is a big refinery supply problem that produces gas and diesel fuel because companies have no confidence in trying to build new refineries. The government red tape and environmental crying is enormous.

Beware, there is another huge problem on the horizon that will destroy consumer confidence and confidence in governments. There is going to be a health crisis far larger than Covid-19. I am calling it Covid fallout from failed, very dangerous emergency use shots along with a healthcare employment shortage. They are **not** vaccines, a vaccine stops infection and spread, these shots did neither. Pfizer trial data that was forced out of the FDA by the courts shows that **Pfizer knew in the first 2 months of their trials that the shots did not work.** In fact Pfizer **admits that 1,200 people in the trial died from the shots in the first 2 months**. Of course you never hear this in legacy news. Big pharma, the FDA and CDC are so caught up in their failure and lies that they just came out with lie after lie to try and hide previous ones. It is appalling and criminal.

That said, their jig will soon be up. You just can't keep hiding it as famous people and high profile sports players succumb to the Emergency Use Authorized (EUA) shots. A long term friend of mine is next door neighbours to Justin Bieber, who recently got facial paralysis, they refer to it as Ramsay Hunt syndrome. Actually what it is, a shingles breakout that affects a nerve in the face. Shingle outbreaks have become widespread and are a side effect of the EUA shots. I know all kinds of people that got shingles after the shots. Justin Bieber's wife had a stroke with a blood clot (another side effect) in her brain, just this past March. These are very young people and these problems usually occur in the elderly.

A five fold increase in athletes collapsing during a game, a lot of this occurs while televised, very hard to hide it. Pfizer just started admitting starting April in their press releases that their so called **fully approved 'Comirnaty vaccine' was actually only approved for EUA. The biggest bait and switch scam ever.**

A very good friend of mine suffered a hear attack this past Friday. He had three arteries near the heart clogged with clots that they had to do emergency surgery on. He is lucky to be alive. He just turned 50 and in excellent health, excellent physical shape, a non smoker and only moderate drinker. Their are no heart related problems in the family and this came about suddenly. Unfortunate he had 3 EUA shots.

Doctors said his heart problem was very abnormal. More people need to wake the hell up and look beyond government and big money propaganda.

Beware, this supply problem and inflation will not get better for years. We are currently in what is referred to in the 1970s as stagflation. High inflation and slow growth. The 1970s inflation was also a supply problem caused by governments, the oil embargo. We are going to suffer for many more years with high inflation, high interest rates and a recession more severe than ever witnessed before. I hate to be so negative, but you need to know reality, not some hopeful pipe dream.

The Bear officially arrived Monday with the S&P 500 closing down more than -20%. So I have told you to beware and the Bear will be around some time, lets look at the macro economic situation.

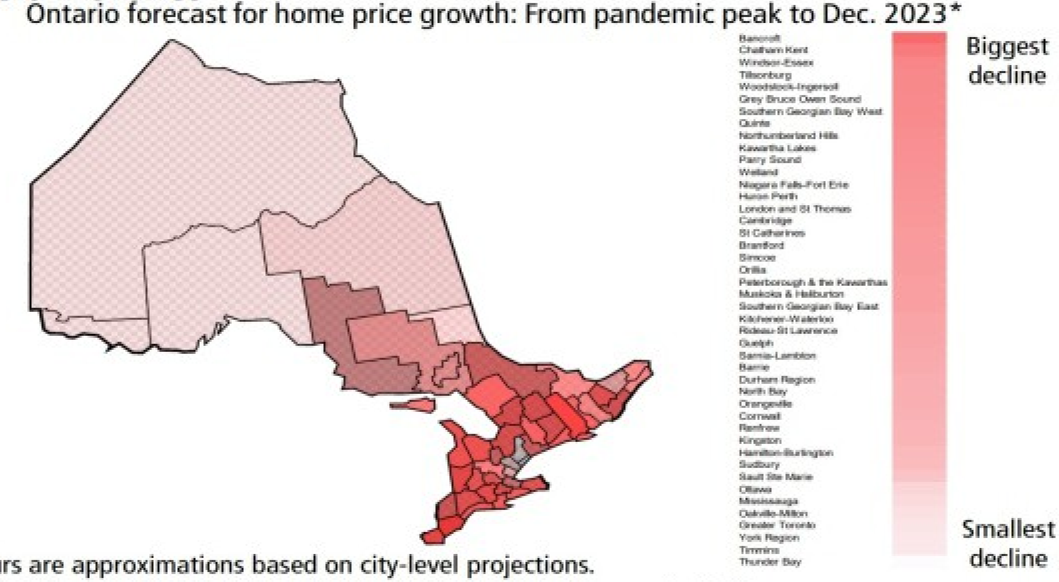
Last year I was warning to watch the 2% level on the 10 year Treasury Yield. If we broke above 2% it would at least go to 3% and cause an economic problem. We are now over 3% and who knows how high rates will go. The Fed has lost control and is behind the inflation curve. The Fed had to raise 3/4 of a point yesterday because the market demanded it after the high inflation number last week.

Canada's next Bank meeting is July 13th and many economists expect they will match the US Fed with a 3/4 increase. I expect they will go 1/2 point for sure. Either way it will start devastating the Canadian housing market that became more highly leveraged than the US housing market in 2007, just before it crashed. I expect some areas will see a -25% to -50% decline in prices. Banks could be taking over a lot of homes.

A Desjardin report predicts house prices will fall the most where they went up the most and provided this graph. *"We think prices will fall the most in communities that saw the biggest price increases during the pandemic and therefore the most erosion in affordability."* I agree with this prediction. What goes up the most, falls the most.

GRAPH 11

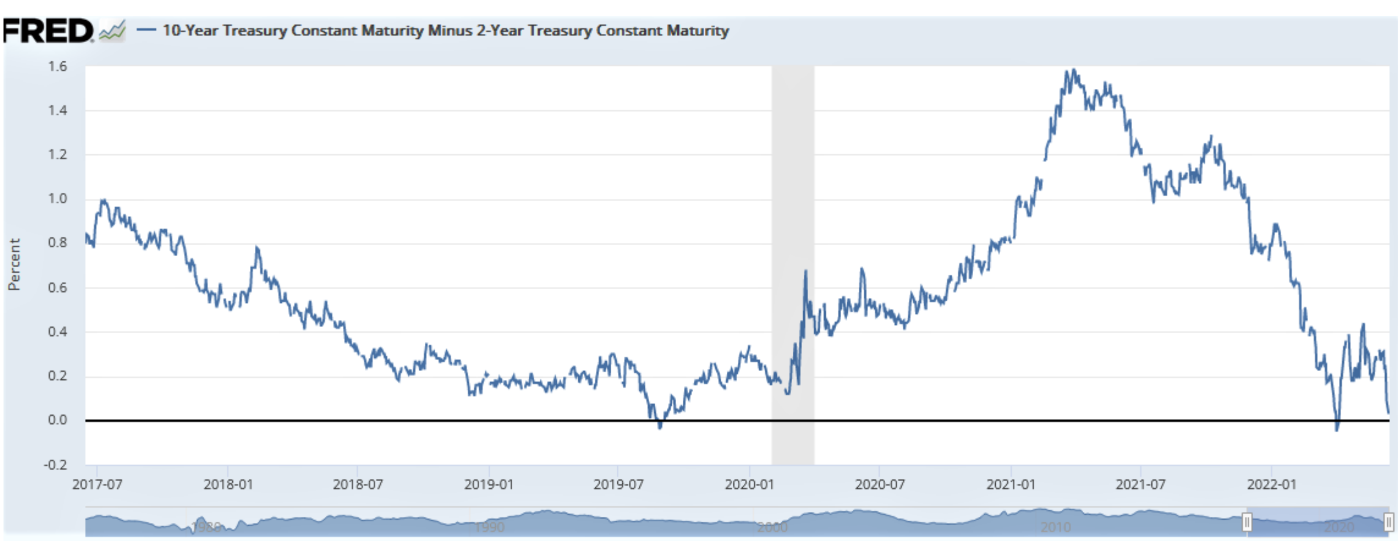
We'll likely see the largest corrections within a couple hours' drive of Toronto



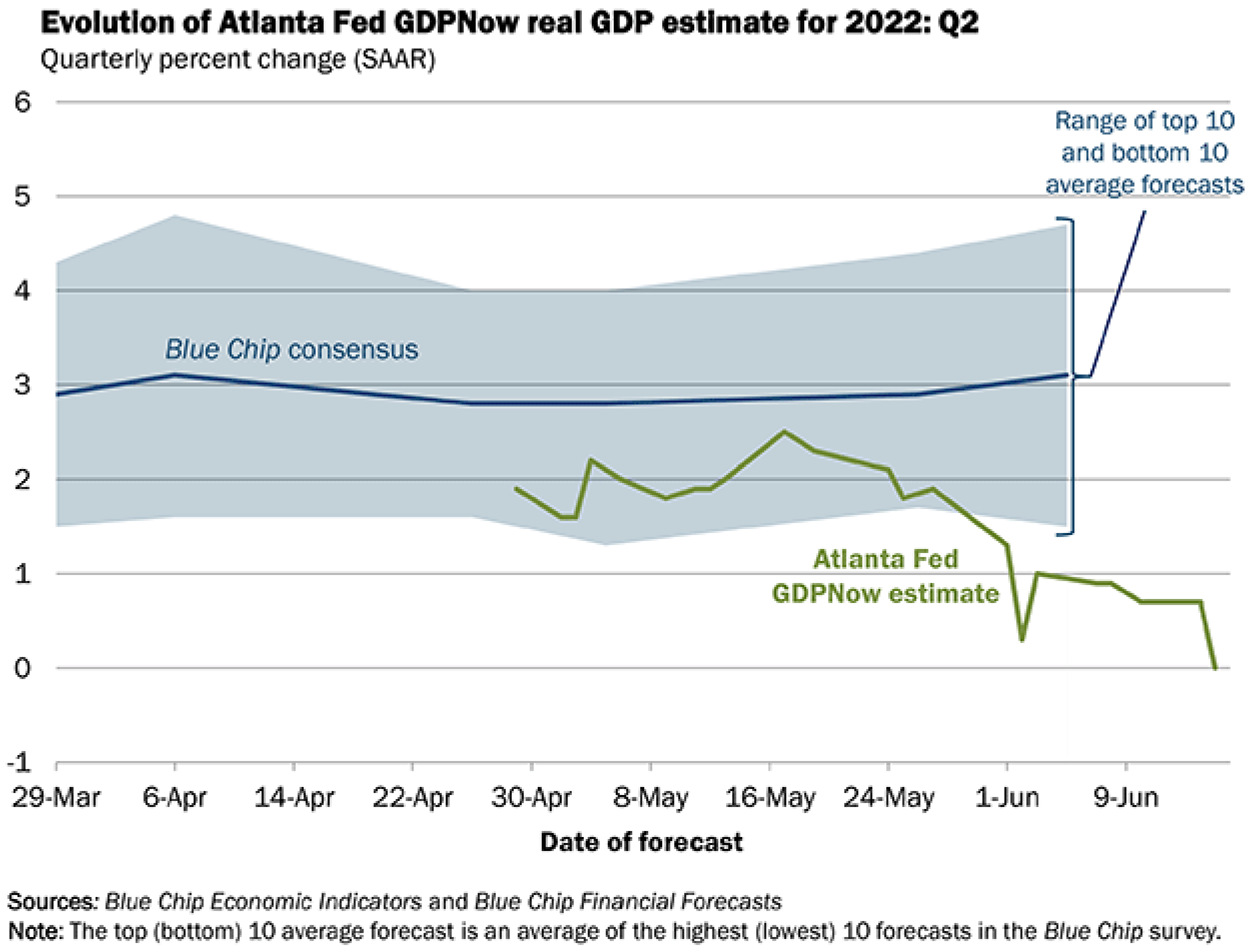
*Colours are approximations based on city-level projections.
Sources: Canadian Real Estate Association and Desjardins, Economic Studies

I was in Toronto at PDAC and once again was marvelled by all the cranes building more condos and apartments. These are going to becoming on to the market when things are soft, 1,000s of new condos. Maybe 10,000s. Even more cranes in Toronto in Q1 2022. As it has since 2015, Toronto continues to lead the crane count in North America, with a 12% increase in cranes across the city, even as project completions took away 18 cranes from the previous survey. Since this time last year, Toronto has reported a 21 per cent increase in cranes as delayed projects came on stream.

This chart below represents the yield curve in US Treasuries, the 10 year yield vs the two year. When the yield curve inverts (goes negative on this chart) it is a very good predictor of a recession. The yield curve just inverted and also did so in early April. As you know, I have been predicting a recession and have no doubt that one is arriving soon. The official definition is two quarters of negative growth, so officially we don't find out to long after the fact.



I expect the US entered a recession in this quarter, Q2 or very close. For sure in Q3. The Atlanta Fed, GDP now is the best indicator. Note that the average consensus for Q2 is about 3% growth, bu**t the Atlanta Fed estimate is already at zero as of today.**



I also believe the stock bear market is also forecasting a US recession. Canada will follow the US into recession but perhaps 1 or 2 quarters later. Canada is buffered somewhat by the high energy and commodity prices. Also the housing market is the main economic driver in Canada and although it is showing signs of cracking it probably won't be that bad until Q4 this year and into early 2023.

The Toronto stock market is also doing much better than the US because of the commodity factor. It is just down -13% from it's peak so still a fair way until bear market status. However the junior market in Canada is in the worst bear status of all markets, down -37% from it's 1025 level in November 2021 **and -42% from it's 2021 high**. Because of poor regulation, computer bot manipulation and an exodus of entrepreneurs out of Canada, the TSX Venture market holds the title of the worst market in the world and will continue to do so.

The simple reason why I plan to focus on mostly US stocks going forward with perhaps the exception of gold stocks that trade both in Canada and the US. The bear market continues to deepen on the TSX Venture. I was watching for perhaps a double bottom around 670 but the index has broken down and looks like it will test the 600 area next. It does not mean all juniors will go down, they are pretty beaten up already and I think we are in a bottoming process. They will get moved higher with rising gold and gold stocks in the 2nd half of this year.

Now the best news for last and that is gold. It is acting as expected trading between $1820 and $1900. It is up good today, +$32 when stock markets are tanking again. Perhaps we are seeing the first signs of gold disconnecting from major markets and moving higher with inflation. Even so, gold is far outperforming equity markets as they have dropped considerably below the May lows while gold has held above. A higher high, a solid close above $1880 would be positive.

I met with a lot of promising new companies at PDAC, but no sense writing about these until markets improve, better timing. I think there was high attendance and most people were more happy with the opportunity to meet face to face than about the business. Crowds seemed lower downtown and at events, but I think the Toronto crowd was missing. Perhaps many of the brokers/bankers still working from home? Of dozens of people I met, only one was from Toronto.

The one big thing in common was that the stock of every company was down and they were all bargains. I can't argue much against that. I will be watching the charts and news and get some new picks out at first signs of improvement. This gold market has a long way to go in the up direction and we are in for the best bull market in 20 years. Hang tough, things will turn around, especially in our little gold and energy corner.