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THE SCHOONER

The Official Newsletter of the Dalhousie Investment Society (DALIS)

Letter from the Executives:

A Farewell to the 2022-23 School Year

As we wrap up the year, we would like to take a moment to reflect on the success we achieved during the 2022-23 year and express our heartfelt appreciation to all our members for their dedication and effort in bringing value to DALIS.

This past year has been one for the books. We mean this both literally and figuratively, as DALIS' PMs posted larger portfolio gains in the Maritime Fund than in any other year. As we had hoped, we were able to return to unrestricted in-person events, allowing us to continue fulfilling DALIS' core purpose: bridging the gap from the classroom to the financial services industry.

We are proud to have provided our members with real and meaningful industry exposure through our approach of leveraging internal networks, Dalhousie alumni, industry speakers, faculty staff, and other umbrella societies such as the Women in Business Association (WIBA). We believe that these opportunities have helped our members develop valuable skills and experiences that will serve them well in their future endeavours.

None of this would have been possible without the hard work and dedication of everyone involved in the Investment Society. We owe a debt of gratitude to all our members, portfolio managers, analysts, sponsors, and partners who helped make this year such a resounding success.

As we step down from our roles, we would like to wish the incoming executive team all the best in their new roles. We have no doubt that they will continue to lead the society with the same level of enthusiasm and dedication that we have seen from them. We encourage continued involvement with the Society and to take advantage of the resources we have to offer. Whether it be attending events, participating in case competitions, or connecting with our alumni network, there are many ways to get involved and gain valuable experience.

Thank you once again for your continued support and effort. We wish you all the best in your future endeavours.

Sincerely,
Nick, Noah, Abby, Tac, & Jackie

A Glimpse of What's Inside:

What the Teck is Going On?

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As of late, an intense battle between Vancouver based natural resource group Teck Resources Ltd. and commodity giant Glencore has been the hot topic of discussion in mining. In early April, news broke that Glencore would be trying to acquire the Canadian miner prior to the execution of their long-anticipated spin-off that the company announced officially in late February. In the plan Teck released, they would focus on mining copper and zinc while accessing most of the severed coal companies' profits. Those who hold Teck's "class A" shares would retain control over the firm's strategic moves for six years before the dual shareholding structure disappears. However, in a surprise turn of events following Teck's April 26 shareholder meeting, this spin-off has been cancelled.

Commodity giant Glencore entered the mix with a brutishly blunt acquisition attempt reminiscent of the attitudes from the company's past. Glencore's offer was intended to block Teck's spin-off plan and proposed a takeover that would lead to the creation of two new legal entities. The Glencore plan would combine the metals and minerals businesses of the two firm's and be listed in London with a value of around $100b. Together, this metal giant would be in incredible shape to take full advantage of a green commodity future. The second company would combine the coal businesses and be listed in New York. This new firm would then move all the cash it generates to shareholders as the world moves further away from this side of mining and energy production.

Glencore's proposed merger certainly is not going through without a fight. A week after Glencore offered its original price on April 3rd, they have already manipulated the offer to better suit Teck shareholders after Teck president Jonathan Price exclaimed how he does not want to submit Teck shareholders to Glencore's thermal coal business. Glencore's management then sweetened its bid by offering Teck shareholders up to $8.2 billion in cash to buy them out of the new coal arm, but this new incentive is yet to move Teck's board. For now, the disagreement amongst the firms looks to the Teck April 26th shareholder vote on the proposed internal spin-off.

In past editions of the Schooner, I talked about how the proposed spin-off would make the new 'Teck Metals' an extremely valuable acquisition target, but Glencore has elected to try and bypass a bidding war by acquiring all of Teck's assets now, a plan that if successful would be an incredible win for the Swiss giant. With Teck's division off the table, the question remains: What happens if Glencore gains enough traction amongst Teck shareowners, particularly controlling shareholder Norman Keevil, to go through with this M&A? Well, first and foremost, Glencore will most likely begin negotiations (barring any talked about Canadian Government intervention) in which they would have to be prepared to cough up somewhere in the range of $25-$30 billion to fully acquire Canada's biggest miner. But the details that follow are more interesting...

Teck's coal mines have a reserve life ratio of between 37-41 years without additional exploration and are quite a cash cow. In terms of the base metals side of the business, this aspect has garnered most of the attention from major mining companies around the world and is the reason behind Glencore's swift attempt to purchase the firm before a spin-off occurs. The copper and base metals assets possessed by Teck have long been coveted by competitors given the high ore grade and politically Geo friendly regions of deposits. The newest mine that Teck has exploration efforts in started just weeks ago, but already is viewed as the cornerstone of the base metal's portfolio. Located in Chile, this massive QB2 copper mine will be an immense revenue stream in any firm's base metal portfolio, particularly with the forecasted demand increase in these assets from EV and clean energy production and infrastructure.

If Glencore is unable to sway shareholders blocking the spin-off, my original forecast, now more than ever it looks like it could come to fruition. Reports say more than a dozen major mining companies have expressed interest in various transaction ideas regarding Teck. Included are giants BHP, Rio Tinto, and Vale, as well as a few who have been rumored to already be communicating with Teck: Anglo American and Freeport. I anticipate a few frontrunners amongst the group based on the company's current capital structures, cash on hand, debt/EBITDA ratios, size and need for Teck's BM assets. BHP and Rio Tinto would certainly be in the conversation, both firms have $9b USD (United States Dollar) on hand and debt/EBITDA ratios of 0.36 and 0.5, respectively.

Not to mention, a significant incentive to not let the other get hold of Teck's BM assets. Anglo American could be poised to make a serious run considering the firm's lack of BM assets compared to their competitors, but with the current amount of debt already on the books, their push would take considerable re-financing. Vale too is in a tough spot because of the limited cash on hand. Southern Copper has been rumored to be interested in Teck post spin-off but based on their size and the players surrounding, they may not stand a chance. Lastly Freeport, a firm who has also been in contact with Teck management, is uniquely positioned to be taken seriously. Regarding size, Freeport has loads of cash on hand, and they are already a major player in BM assets with that part of their business accounting for almost 85% of revenue.

Glencore's head start at Teck could prove to be a historical win for the firm who has tried to acquire one of Canada's last remaining miners before. Moreover, if Glencore's current offer is successful, it would ultimately purchase Teck at what I consider a discount considering the expected bidding war that was set to take place post spin-off. While the biggest miners position themselves for a world in which fossil fuel usage could peak, huge mergers like this one could be back on the agenda with the transition to green energy triggering a metals demand increase. By the time you read this in early May, the news very well may have already surfaced regarding a Glencore/Teck merger. Teck, leadership could be in a board room with Glencore CEO Gary Nagle debating terms or Teck leadership could be shining their sales shoes preparing to offer up their mines in a bidding war fashion. M&A is always a process, not an event.

Go Where You're Treated Best

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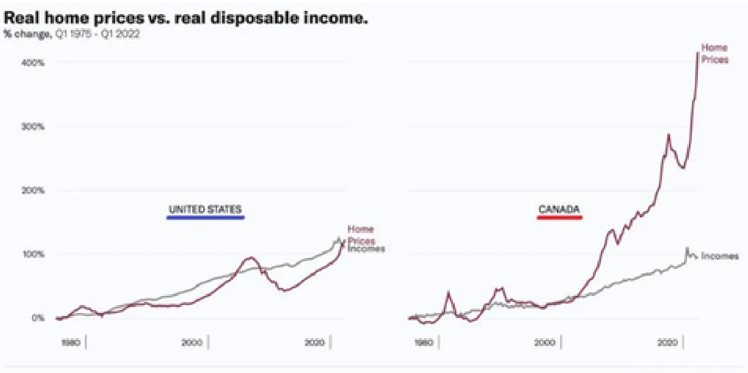
From Vancouver to Halifax, Canadians are suffering. Young, ambitious, talented, and educated Canadians are fighting an uphill battle against increasing mortgage and rent payments, a decreasing standard of living, and an ever increasing cost of living, all the while only having 5 months of warm weather. Sound appealing? It may not be appealing, but it is many of our realities as Canadians.

FThe idea of owning a home one day is slowly getting further and further out of reach for the average Canadian. In both Metro Vancouver and the Greater Toronto Area, many Canadians may find themselves to be close to the age of retirement by the time they have saved enough money for a down payment. Canadian non-profit organization (Generation Squeeze) has released its housing affordability report for 2022 which analyzes the gap between average earnings and home prices in cities across the country. It found that it would take the average 25-34 year old Canadian 27 years to save up 20% for a down payment in the GTA. Even more worrying, this calculation was made assuming that home values will stay stagnant, which is highly unlikely when you consider the current demand for housing in Canada compounded by the Canadian government's goal of 400k new Canadians per year. As of 2022, Canada produced a whopping 13.5% of its GDP in the Real Estate Services Industry, and when you consider that in some provinces, up to 1 in 5 GDP dollars are generated from the industry (StatCan), it becomes very apparent how concerning this situation is.

Humans are inherently emotional creatures, and therefore we often let our emotions get the best of us versus following a more "logical" decision making process. This brings us to the "greater fool theory" which basically states that someone may pay a high premium for a property in hopes that one day they will be able to sell it for an even higher price. In this case, Canadians keen on owning real estate are almost forced into a market based on a bunch of fools. In the short term this may work, and some people may be able to make a lot of money, especially those who have owned their home for a long time. Eventually, however, Canada will run out of fools that are willing to pay a premium. Increasing access to foreign buyers is not a long term solution insofar as it prevents resident Canadians from building generational wealth. And if foreign buyers do not adequetly bring demand into equilibrium with supply – a lickly outcome considering tightness in the condo market – these expensive listings will have no one to take them off the market. This nightmare housing situation leaves many young Canadians extremely frustrated. Limited supply of housing and ever-increasing monthly rent payments are effectively forcing many to explore options outside of their own province, and in some cases, prospective buyers are looking outside of Canada. Unfortunately, this type of dynamic may make it very difficult for Canada to attract and retain young, ambitious, talented, and educated Canadians.

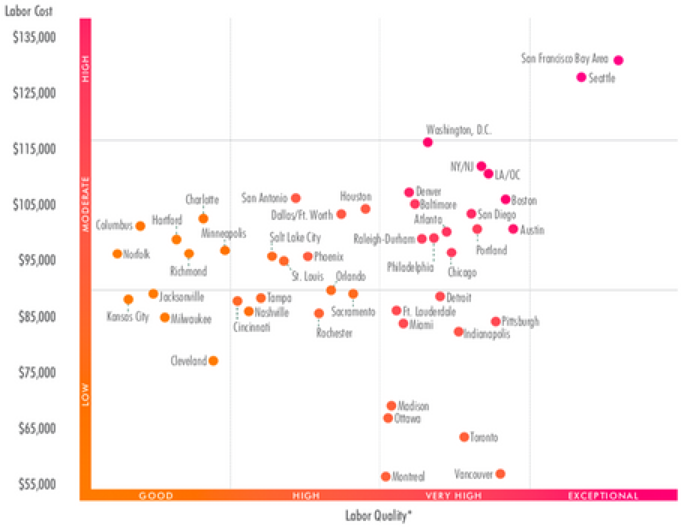


When it comes to cost of living, Canadians end up paying far more than other countries. Think about your monthly bill from your cellular provider: does it seem expensive? Well you would be correct to say "Yes!" According to a report by Tefficient, a company based in Sweden, Canadian mobile operators like Rogers, Bell, and Telus generated the highest revenues per gigabyte in the world in 2018 despite having a subscriber base that uses relatively low amounts of data compared to the rest of the world.

On a different note, universities have faced dwindling government funding since the 1990s, leading to a tripling of tuition rates in turn making the cost of becoming more employable harder to finance. Research indicates that over 20% of bachelor's degree graduates began their careers with debt of more than $25,000 in 2018. A 2019 Canada Student Loans Program statistical review discovered that almost two million Canadian students owed a total of $20.5 billion to the federal government, and the average loan balance at the time of leaving school was over $13,000.

What is even more concerning is that these figures don't incorporate students who have chosen to get a loan privately. Steady overnight interest rates, high food prices, expensive vehicle ownership, high taxes, and inflation, are just some of the key contributing factors to the ever increasing cost of living in Canada. Lack of competition in many industries does not do Canadians many favors. In fact, it is one of the main reasons behind Canada's expensive cost of living. Think anecdotally about how many industries that you notice lack consumer choice? To start, telecom, banking, and airlines, just to name a few. It is becoming increasingly difficult for Canadians to afford to survive in their own country. This is hitting young Canadians especially hard and many feel stuck as they are effectively being priced out of their own country.

FIGURE 13
TECH TALENT QUALITY VS. COST ANALYSIS
Average Annual Salary for Software Engineer (USD)



Source: U.S. Bureau of Labor Statistics, April 2018, Statistics Canada, April 2018, U.S. News & World Report, CBRE Labor Analytics, CBRE Research, 2018.
*Concentration of software engineers/developers with 3+ years of experience that have earned degrees from the Top 25 Computer Information Science programs in North America and including the top-five in Canada as rated by U.S. News, 2018.

A declining overall standard of living leads to a brain drain phenomenon where we lose our brightest and most ambitious professionals, innovators, and entrepreneurs. Many Canadians have decided to go to the United States or elsewhere around the world to work and live, or even more recently work for a company remotely. Canada's appeal as a desirable location to reside, work, and invest is steadily decreasing. With the rise of remote work, this phenomenon of brain drain will likely intensify, leading to a domino effect of further complications. In conclusion, the future appears challenging for Canada...

Two Generals & A Nation In Turmoil

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In the middle of April, fierce fighting broke out between the national military and a strong militia in the capital, Khartoum, and other cities across Sudan. Surprisingly, this battle for power was between the top two generals of the nation, who collaborated closely to remove Omar al-Bashir, Sudan's long-time leader, in 2019.

The future of some of Africa's most valuable strategic resources, including the Nile's waters, access to vital shipping routes, and some of the greatest gold mines on the continent, now rests on the outcome of this struggle for dominance. Let's step back and explore further.

The Nitty Gritty

The magnitude of Bashir's removal cannot be overstated. He led the country for nearly three decades before popular protests began over soaring bread prices toppled him from power. South Sudan broke away from the North during his administration, and Bashir was wanted by the International Criminal Court for alleged war crimes committed in the Western separatist region of Darfur. An uneasy coalition between the military and civilian organizations took control of Sudan after Bashir was overthrown.

The two military juntas:

- The army is led by Gen Abdel Fattah al-Burhan, the junta's president.
- The paramilitary Rapid Support Forces (RSF) is headed by Gen Mohamed Hamdan Dagalo, known as Hemedti, the junta's vice-president.

According to accounts from individuals who have left Khartoum, the RSF looks to have a small advantage there. The RSF is a guerrilla force that is more adaptable than its adversaries who employ traditional combat techniques. They have benefited from this capacity in the ongoing fighting in the heart of Khartoum. In terms of tanks, artillery, and air superiority, the army does have more firepower, however their ability to utilize these technologies are limited by the RSF's guerrilla tactics.
The U.N, the US, along with other governments are trying to call for a cease-fire but each time one of the two warring parties finds a way to break it.

The Stakes in the Middle East

Besides foreign countries trying to extract their citizens from Sudan, a few of them have skin in the game.
Through the Bab al-Mandab strait, Sudan is crucial for access to sub-Saharan Africa as well as to international supply chains and trade routes. The UAE and Saudi Arabia are two Gulf Arab nations with interests in Sudan that are tied to investments, food security, and other areas.
To broaden their sphere of influence, the Emiratis signed a $6 billion preliminary agreement for the construction of the Red Sea port of Abu Amama late last year with two UAE-based enterprises. They encouraged the two military parties during the uprising, especially Hemedti's party, and it has now come back to haunt them.

Egypt, Sudan's northern neighbour, is pleading with Khartoum to help it prevent Ethiopia from building a dam on the Nile River further south. Cairo worries that the project will damage its agricultural sector and cut off freshwater to almost 100 million Egyptians. As a result, Al-Burhan is receiving public backing from Egypt. Since the UAE is supporting Hemedti, Cairo and Abu Dhabi are at odds, which is hurting their relationship and producing more instability in the Middle East.

The Sudanese People and Economy

Since April 15, at least 499 people have died and 4,741 have been injured in the fighting, according to data provided to the World Health Organisation by Sudanese health authorities.
In addition to the direct loss of life, the war has also harmed the nation's already underdeveloped infrastructure, including the health care system, airports, etc. Before the fighting started, a third of Sudan's population experienced hunger because of regional conflicts and a downward-spiraling economy. So, this civil war has amplified these issues.
According to estimates, more than 50% of Sudan's gold (their main export), which makes up their biggest commodity, is currently being smuggled out of the nation. Furthering the trade deficit of Sudan along with the skyrocketing inflation (78%+) and the exchange rate (Sudanese pound to United States Dollar) has dropped to 0.0017 USD as shown in figure 1.

Figure 1: Sudanese pound to United States Dollar, Google Finance

Bonus

The Russian government's influence in Sudan, notably the profitable gold mining operations carried out by organisations under the direction of Yevgeny Prigozhin, a supporter of Russian President Vladimir Putin, is a concern for the United States. Heavy weaponry reportedly has been offered to the RSF, the militia led by Gen. Dagalo, by Mr. Prigozhin's Wagner organization. As of right now, the offer has been rejected.

Fusion Could Be 10 Years Away

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Nuclear fusion is the process that makes the sun shine - someday it will dominate the global energy sector. Employing fusion technology, the average person could power their lives for a whole year, with an amount of deuterium-tritium fuel that fits comfortably in the palm of their hand. While the assertion that fusion is 10 years away has become a tongue in cheek joke – the subtext being that it has been '10 years away' perpetually since the 50's – with recent developments, the 10-year forecast may not be as laughable as it once was. Once fully realized, this technology will completely reform the energy hierarchy; ultimately leaving current energy source staples as relics of the past. Nuclear fusion is more exciting than it has ever been and seems to be the heir apparent for the energy transition. Mike Dennis of Bloomberg Intelligence is quoted as saying the fusion market could one day reach an eye watering 40 trillion-dollar valuation; more than likely, one-day we could live in an economy centered around fusion. However, recreating the conditions at the center of the Sun here on Earth will not be an easy feat.

The Science and Recent Breakthroughs

In a way, fusion is effectively the opposite of fission (the process behind the nuclear reactors we have today). In fission, heavy atoms like uranium or plutonium are split - fracturing into lighter atoms - which consequently collide with one another, creating a chain reaction that releases energy in the form of heat and radiation. Conversely, Fusion combines lighter nuclei like the hydrogen isotopes, deuterium (H-2) and tritium (H-3), under an immense amount of heat and pressure to form a heavier atom (helium). During this process a neutron breaks off and is converted into energy - also in the form of heat and radiation. This process theoretically has zero threat of a meltdown - as the reaction is self-limiting and extremely delicate, does not produce radioactive waste, and does not create carbon emissions. As for the fuel - the deuterium-tritium mix is the easiest and most efficient fuel for fusion. Deuterium can be extracted from seawater on an industrial scale as it is stable and makes up about 1 part in 5000 of our oceans. Sourcing tritium could be a slightly bigger challenge as it is not found abundantly in nature and decays rapidly, however, there are a variety of ways to create it, including through the irradiation of lithium within the fusion reactor itself.

At present the fusion process is highly inefficient, requiring enormous amounts of energy to kickstart a reaction and even more to keep it going. Fusion tests have always taken more energy to create then we are able to pull out of them - that is until a breakthrough last December at the National Ignition Facility in California. In this test, 2.05 megajoules of laser light were pumped into a deuterium-tritium ball the size of a peppercorn creating a measurable output of 3.15 megajoules, achieving a net gain for the first time ever. Although the significance of this breakthrough should not be understated, the energy calculation in this situation does not factor in the roughly 300 megajoules it took to charge the lasers used in the test meaning there is still a long-long way to go before you can rely on power from a fusion plant to microwave your dinner or keep your lights on. Even so, the potential is there. Phil Larochelle - a partner at Breakthrough Energy Ventures - has postulated that the jump to fusion power from the current mix would be something akin to the industrial revolution qualifying the prize of fusion by saying: "if the industrial revolution was a one-thousand-fold increase in energy density, then this is a million-fold increase in energy density above that...when you do the energy balance it looks like the fuel is basically trivial when compared to the amount of energy you get out for it...".

The Growing Fusion Sector

The international megaproject "ITER" is the largest nuclear science experiment of all-time with its roots tracing back to the end of the cold war and the backing of several countries, yet the real hope for commercialization comes from private enterprise. Anticipating the coming paradigm shift, 33 nascent fusion companies have emerged in the last 30 years - not solely confined to the generation of commercial electricity – most also have aspirations in other markets like space/marine propulsion, medical technology, and industrial heating. Mechanical approaches vary among the 33 companies but can substantially be stratified into five general methods: magnetic confinement, inertial confinement, magneto-inertial, electrostatic hybrid, and muon catalyzed fusion.

Canada's dog in the fight is General Fusion (GF) founded in 2002 and based out of Richmond, BC. Unlike most of its peers, General Fusion is leading the way in magneto-inertial fusion. Among the many patented advantages of this method, the two that stick out are the durability of the reactor as well as the inherent tritium-rebreeding that occurs within.

The shell of a standard reactor is solid metal, meaning that when neutrons break off and go careening toward the casing, a small piece is disintegrated, breaking down the reactor over time. GF solves this problem by lining the inner side of the reactor wall with a liquid metal consisting of a lithium alloy, so when a neutron impacts the shell, it does not affect the integrity of the reactor and has a chance to create more tritium fuel as a by-product.

General Fusion is the 4th largest fusion enterprise globally when measured by total funding received - just behind CFS, TAE Technologies, and Helion Energy who are all US based; GF might have surpassed Helion - breaking into the top 3 - had their petition for $400M (CAD) in the 2023 federal budget been approved; the expressed purpose of which was to secure Canada's leadership role in the advancement of fusion technology through accelerated commercialization.

Of the three recommendations put forward in their pre-budget consultation, only one was even marginally addressed. That being increased funding to the Canadian Nuclear Safety Commission, which would do their part to destigmatize nuclear power solutions. Looking forward to the future of General Fusion, the main project currently in the works is the construction of a demonstration plant at 70% commercial scale – forecasted to be fully operational by early 2027.

Private Investment

Breakthrough Energy Ventures, Tiger Global Management, Capricorn Investment Group, Chevron Technology Ventures, Cenovous Energy, ENI, Temasek, Charles Schwab, the Business Development Bank of Canada, Google, and Tencent - along with billionaire names like Bill Gates, Jeff Bezos, David Rubenstein, Ray Dalio, John Doerr, Dustin Moskovitz, Jack Ma, Marc Benioff, and Peter Thiel are among the many who have backed fusion early; amounting to a total of $4.8B (USD) in declared investment thus far. Seven companies have received over $200M (USD) in funding: Four US-based companies - Commonwealth Fusion Systems, TAE Technologies, Helion Energy, and Zap Energy, as well as Canadian-General Fusion, Chinese-ENN, and the UK's Tokamak Energy. More and more financial resources continue to flood the industry as more and more people hear the gospel of fusion. With around 75% of the cumulative private investment in fusion coming inside of the last two years, the prospect of fusion becoming a reality continues to creep closer.

My Concluding Thoughts

The analogy I think best describes how far we've come in fusion technology and the potential yet to be realised, is to compare it to the transistor in its infancy at Bell Labs; saying that - similar to the transistor which became a fundamental building block of contemporary electronics – fusion could be equally as dynamic, leading to unknowable advancements. Among those which can be recognized today is the emergence of a clean, and essentially limitless power source that should be the obvious frontrunner for the coming energy transition. I can draw both exciting and unsettling inferences from the idea of boundless energy: What would happen to the petrostate? Could this lift the rest of the world out of poverty? How does this affect the demand for other commodities? What happens to existing energy infrastructure? There are so many uncertainties.

An idea seeming like science fiction - for those unacquainted with the Kardashev scale, it is a way to classify the advancement of civilizations based on their ability to harness energy. Within this framework, a type I civilization can harness all the available energy of its terrestrial body - giving them even the ability to manipulate the weather. This often comes up in discussions around fusion, and I think may ultimately be the direction fusion takes us in the distant future. As for when I think we could take the first step and have fusion power readily flowing onto the grid; included on the 2022 FIA global fusion survey was the question "when can we expect the first commercially viable fusion reactor to come online?"; out of the 25 companies that tendered a guess, 48% said sometime between 2031 and 2035, with the second most popular response being 2036-2040 at 24%. These perspectives are on the optimistic side from what I have seen, but with the way the industry has been trending, I would call it plausible that we see results of some degree by then.

The US Debt Crisis

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The sitting government within the world's "safest" economy is on the brink of default. The United States is unique because of the way that it polices itself on government spending. In 1917, the United States debt ceiling was introduced to cap the amount of debt the country could owe at a single point in time.

It also yields some political irony because this "ceiling" has been raised 78 times since its creation; 49 by Republican governments and 29 by Democratic governments. For over 100 years, it has been used as a political bargaining chip by both American parties. Those against the debt ceiling argue that there is no need for a ceiling if there is a guarantee it will eventually be raised whereas those in opposition argue that it is important for the government to reflect on its debt issuance and debate the topic regularly.

Currently the US debt ceiling has risen to $31.4 trillion. Funny enough, the US also happens to currently owe $31.4 trillion, which is a problem. The United States issues debt through the form of US Treasury Bills (T-bills) which are often said to be one of the safest investments that someone could make because of the stability of the American economy. The market interest rate, also known as risk-free rate, for US T-bills lays the foundation for bond pricing in the US. The government's issuance of T-bills is intended to fund spending in two main categories: discretionary and mandatory. Discretionary spending consists of defense, education, healthcare, infrastructure, and foreign aid. Nearly half of the discretionary budget goes to the department of defense since the wars in Afghanistan and Iraq. Mandatory spending consists of social security, Medicare, Medicaid, Supplemental Nutrition Assistance Program, and net interest on debt. Mandatory spending consumes two thirds of the national budget, and it is always increasing on autopilot. Following high inflation rates throughout 2022, the Federal reserve hiked interest rates on the US T-bills, directly affecting net interest owed by the US government and contributing largely to the debt ceiling being reached. Over the next 10 years, the American government will pay $10.5 trillion in interest on debt, and since 1940 they have only paid a total of $9 trillion.

On January 19th, 2023, the US Treasury ran out of cash to meet most of its obligations. US Secretary of the Treasury, Janet Yellen, has bought the country some time before default by using accounting gimmicks to find the money to pay the government's bills. Yellen described the actions taken to stave off default as "extraordinary measures," which are unlikely to retain efficacy through the summer. The day the government is unable to meet obligations is referred to as the "X-date" and is projected to be sometime in June or July. If the government were to default, they would not be able to pay bondholders, beneficiaries of mandatory spending programs, or government employees. If the US's creditors are not made whole, then they will be able to meet their own obligations. I hope it is straightforward why a US default will send shockwaves through the global economy. The last time the US government flirted with default was in 2011, and because history often rhymes, it is important to note that the S&P 500 dropped 16%, VIX Index jumped 22.4 points, and the US's credit rating was downgraded from AAA to AA+ by Standard and Poor's. The uncertainty surrounding the debt ceiling and what will happen next is likely to act as a tailwind for the VIX, especially as we approach the X-date without a clear solution in mind.

The US has very few options for resolving its debt crisis – most proposals exist between a rock and a hard place. One solution being considered is the idea of prioritization. The Treasury would prioritize repaying bondholders thereby avoiding default in accounting terms. At the same time, however, other obligations might not be paid on time, especially social security, defense spending, and Medicare. Indeed, one can detect the rock and the hard place in this proposal. A second proposal that has been talked about (as unbelievable as it sounds) is the minting of a trillion-dollar coin. It is ironically also the first solution an 11-year-old would likely think of, if one were to explain to them the current debt crisis. The theoretical plan is to mint 31 coins worth about a trillion dollars each and then deposit them into the bank account of the Federal Reserve, and suddenly, $31.4 trillion of debt is gone. The reason the government can do this is through a legal loophole found in 2011 during the last debt crisis. The law allows the government to legally mint commemorative coins of any denomination. Thankfully it will not be enacted because it is an extremely hyper-inflationary action, and no one would know for certain the economic repercussions. Gold is somewhat soft, but I hope again that the metaphorical rock and hard place is evidentially clear.

Lastly, the government could just ignore the problem, continue to raise the debt ceiling, and continue issuing debt. It is important to remember that US lawmakers control the amount of debt the government owes, and the US is the only country in the world to have a debt ceiling besides Denmark. In Section 4 of the 14th Amendment of the Constitution, it states that the validity of public debt of the USA shall not be questioned, meaning the USA could just ignore the ceiling and keep issuing debt to repay their current debt. American lawmakers control the debt ceiling, therefore there comes a lot of politics and bureaucracy surrounding the raising of the debt ceiling.

On April 17th, Kevin McCarthy, Republican House Speaker of the House of Representatives, gave a speech at the New York Stock Exchange to convince Wall Street to side with him on the raising of the debt ceiling. McCarthy proposed the US raise the debt limit by $1.5 trillion coupled with the spending cuts. Spending would be reduced on student loan cancellation and investments in climate change, two of President Joe Biden's priorities. The proposal included plans to rollback Medicaid and place work requirements on beneficiaries, who are varying minority groups in need of health coverage. Biden has already stated that if the bill were to reach his desk, he would veto it. McCarthy's partisan bill is partially a tactic to get Biden to negotiate with him directly. Currently, the House of Representatives remains extremely divided following the prolonged controversial election of McCarthy as House Speaker in January. For his bill to be passed he must gain the votes of 218 House Representatives which is unlikely. The Biden administration argued that the debt limit should be raised without Republican demands and cited that it was raised 3 times when Donald Trump was president with no spending cut demands. It is common knowledge that the legislation to raise the debt ceiling will have to be bipartisan. Yet, there is no doubt that both Democratic and Republican parties will use the debt ceiling as leverage for their own political agendas (pun intended) as they have many times before.

Apple's High Interest Savings Account: The New Cool Kid in Town?

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On April 17th, Apple launched a brand-new savings account in partnership with Goldman Sachs which allows Apple Card holders in the US to earn a high-yield APY up to 4.15 percent. This new product is called Apple Card Saving. At this rate, users are earning more than 10 times the national average (at 0.37% APY according to FDIC) and ranks 11th overall on Bankrate's ranking. The new service will charge no fees and has no minimum deposits or balance requirements. Apple hopes to offer its users a friendly, easy to use option that can be the next go-to for savings accounts. The only requirement you need to qualify for this new product is to have Apple's credit card.

For those who are looking to earn more in their savings account amidst market volatility, this is one of the best options to earn high-yield interest on your cash for up to $250,000. For those Apple enthusiasts who already have Apple's iPhone, Apple Watch, credit card, or who are enrolled in Apple Pay and Buy Now Pay Later services, this is yet another stone to add to your Apple infinity gauntlet.

The $2 trillion tech giant will make the move further into the fintech world with this new launch. Since the early days of Apply Passbook (now called "Wallet"), Apple has made significant strides to increase its presence in fintech. Besides the new savings account, Apple has recently entered the buy now, pay later space with Apply Pay Later. And with many retail banks struggling, the high-interest savings account is poised to scoop up many depositors, creating significant pressures over potential deposits for the industry giants. So far, Charles Schwab, State Street, and M&T have reported nearly $60B has been withdrawn in the first few days of Apple's launch, and many other banks are expected to face some cash outflows in the upcoming days as well. Many financial institutions across the country are watching closely for cannibalization of deposits from Apple's newest venture.

Despite the high-interest rate and load of features, there are quite a few competitors that are offering the same or better rate, with many doing so absent of any requirements to open or maintain account via card or other products.

Over the past few weeks, many column inches have gone towards comparing these services with Investopedia doing a thorough review that is well worth a read. To summarize a significant takeaway from that piece, most of the institutions offering services that compete with Apple are regional banks and new fintech ventures. Here, one might detect some broad-based concern following the collapse of SVB and First Republic Bank which call into question the viability of regional banks as safe places to park money.

This is why within the first few weeks following the launch of Apple's banking services, this new product has created significant buzz within the financial world. Particularly, those who are looking to earn a little more from their savings have gravitated towards this Goldman-supported initiative. Unfortunately, Canadians are missing out on this opportunity due to the product being offered only to US customers, at least for now. For now, Canadians will have to content with the typical pay out between 1.5 to 2.5

percent on savings accounts being offered by our chartered banks. But from what we know so far, the new Apple Card Saving is set to be one of the hottest financial products releasing this spring.

Rick's Rant: Ducks, Squirrels & Ernest

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So here we are at the end of another April. For most Canadians, this means taxes, lawn issues, camp openings, and summer vacation planning. For most students it means relief from the procrastination stress of term projects and a fleeting prayer of hope that the professor will fall asleep grading and, in the process, give mercy passes to all for the effort.

The professors meanwhile dread the mountain of end of term papers to grade before them. The old, tired joke about throwing them off the balcony on the fifth floor and marking the papers and exams based on where they fall gets brought out of storage, and I make my usual end of semester pilgrimage to the storage room to renew my supply of red pens.

April is the end for a lot of things in the school year, but I prefer to think of April as the beginning. For many of our Commerce students it is a time of starting a new co-op, full of one part eager anticipation and one part dread, (is it really true that I have to twice daily memorize twenty-two unique coffee orders and that my supervisor will fail me on my co-op report if I mess up a single caffeine order?)

April is also the time of starting that new job for our about to be alumni. There are student apartments to close up (or perhaps escape from), last rounds with friends that you vow to keep in touch with, (I envy the youth and their social media upbringing – they have no idea how bad a postage stamp tastes), disposing of all of those COVID masks you collected (why could you never find one when it came to class time or office hours?), and all of the considerations when it comes to what your new professional image in the workplace is going to be (is a backwards baseball cap still cool if the average age in the room is above 19?)

Yes, April is a time of hustle and bustle. Thinking about new jobs and how you, the new employee straight off the education assembly line, is going to go in there and rock it! It is a really fun time to be a professor and hear the excitement in the student's voices. The weariness of exams and term papers diminishes in a flash with the realization that in a few short weeks (days?!) that one will actually be a professional rather than a professional student. If only their employers could appreciate the energy and potential that these freshly minted students bring to the tasks ahead of them.

Believe it or not, this old guy banging with his five-finger typing technique (don't ask, and double please do not video - three fingers right hand and two fingers from my left hand, if you must know.), can actually remember those feelings of graduation. I remember doing a trial run on getting into NYC to make sure I was not going to be late for my first day which was to be spent at orientation.

I also remember that first day of orientation and the sizing up of the "competition" for the top jobs on the trading floor. I was one of the lucky few, as I already had my job guaranteed (an advantage of not going through HR), but I was still going to make sure it was clear to all that I was the top dog of the 80 or so trading room new hires.

You might think I am fibbing about remembering my graduation and first day of work which was more than thirty (thirty!!! – holy cahoots!) years ago. You would be wrong. I remember everything as if it happened yesterday, as de facto it did. What is a blank is the intervening thirty years which sped by in a blur that seems to have lasted about all of ten minutes. And thus finally (finally!!!) we get to the point of this rant.

Many believe that graduation is a leaping off point, and perhaps in many ways it is. However, that does not mean that you need to race through life. Ernest taught me this. You see, Ernest is one of my best friends. Since moving to the burbs of Halifax, Ernest and I have spent many a fine afternoon (like this one) sitting down at the lake, enjoying refreshing beverages, fine Nicaraguan products, and solving all of the world's problems – or at least the world's problems that Ernest is interested in.

Ernest is quite the conversationalist and a keen observer of life. It is Ernest that taught me about the ducks and the squirrels. Ernest pointed out how the squirrels are in a perpetual state of frenetic energy or even worse, mindless play. Squirrels never take note of any of the beauty around them. They never take time to think, to reflect. They just do the hustle of whatever passes for being a socially acceptable squirrel. (Makes one wonder what a squirrel version of TikTok would look like – probably squirrel time videos of humans trying to lick the last bit of sauce out of a Big Mac container without anyone noticing them ...)

Ducks however have a more nuanced approach to life, as Ernest pointed out to me. Ducks take time to pause whenever the heck they feel like it (fortunately they never feel like pausing when the eagle is nearby). Ducks reflect and simply let the worries of the day roll off their back. Ducks are not concerned about appearances, as is obvious if you sit and watch them botch lake landings like a super-clumsy water-skier with an extra great health package. (Ernest especially likes it when a duck does a face plant on landing, and I have to agree that, although cruel to make fun of their lack of grace, it is funny as heck.)

Ernest thinks that ducks have it over squirrels and I am inclined to agree. Sadly, professional society seems to think that squirrels are the ones to imitate. Constant motion – even if useless and pointless – in an attempt to look like a valuable corporate citizen seems to be the norm. Perhaps this late April is a time to question that assumption.

As you head out into your professional careers (and especially for those of you already there) put it in your calendar to regularly take time to act like a duck. I am highly confident your scatter-brain squirrel instincts will not go away, but you just might be surprised what a duck attitude can accomplish. That is straight from the deep thoughts of Ernest.

Wishing you all the best. I thank you all for the privilege of another year of being associated with the wonderful group that is known as DALIS.

P.S. Pic of me and Ernest at the lake, and Ernest also wanted his close-up included. Don't be shy about visiting

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