

November 2020

Lemonade

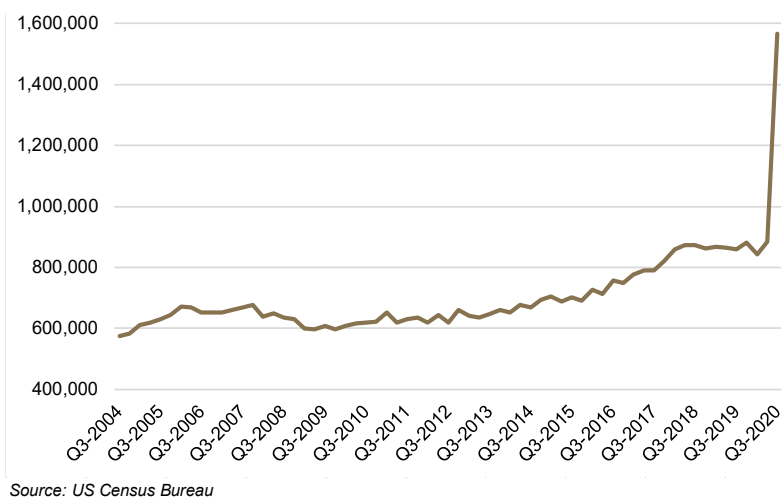
This feels like a year with no end to the dismal headlines. As COVID-19 sweeps the planet, the global population has felt the impact of the surge of disease, unemployment and business closures, and the current second wave threatens to do further damage. The patterns of daily life for many workers, students and retirees have been seriously threatened. It is understandable to feel depressed or worried about what the future holds.

There are, however, also a number of more uplifting trends percolating at the same time. Advancements in technology and cloud-based software are allowing many industries to function seamlessly from home. Renewable energy production is accelerating and becoming an increasingly economic source of power generation. Electric vehicle manufacturing has developed to the point of being more profitable than conventional internal combustion engine assembly. Consumers are embracing online shopping without reserve, providing a level of support for many businesses and, in some instances, sparking an outright boom in demand.

Throughout it all, the entrepreneurial spirit and tenacity of humankind have been on full display this year. New business applications in America, shown on the graph to the right, have spiked to unprecedented levels as individuals adjust on the fly to this new regime.

As the pandemic rolls on and these trends gain a degree of permanence, some stocks have been challenged but other stocks held in Guardian accounts are positioned well to capitalize on opportunity. Profits at grocery retailer Metro rose 29% in the first six months of 2020 as Canadians sheltered in place.

New Business Applications



Users of the “Teams” video conferencing application from Microsoft more than doubled to 75 million in March alone. According to management, cosmetics leader L’Oréal experienced “three years’ of demand in three weeks” in their digital channel, and NIKE reached its online traffic target a full three years early. Utilities like ATCO and National Grid are well placed to expand their existing distribution networks to connect new wind and solar projects to the electrical grid. Subscriptions for Disney’s online service, Disney+, leapt to 60 million as people skipped a crowded cinema on Friday night in lieu of a movie at home. These are just a few examples.

Illness, unemployment and isolation: it is understandable to feel overwhelmed by the sour taste of this daily diet of lemons brought on by the pandemic. Just be aware that there is a strong undercurrent of positive news as well, not nearly as headline-grabbing as daily virus case counts, but equally powerful and potentially far more enduring. It may just be enough to produce some satisfying lemonade.

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