

'I'm always looking at what's been hammered down'

Investment veteran Tom Caldwell talks to WP about COVID-19, where he sees opportunities and how U.S. will now be even more isolationist



By [James Burton](#)
Apr 28, 2020

Tom Caldwell has seen most things in his long investment career. But after driving his beloved 20-year-old pick-up truck to work through a near-deserted downtown Toronto, he admitted the COVID-19 crisis is a little different to all that's come before.

The chairman of Caldwell Investment Management, and CEO and director of Urbana Corporation, took time out from analysing the markets to talk to WP about his coronavirus outlook and where he sees opportunities.

A calming voice amid the mayhem, Caldwell believes we will have a handle on the pandemic sooner rather later. "I do not believe this is the Black Death," he

said. “We have some of the smartest people in the world working on it and they will come up with solutions.”

As Caldwell sees it, most people are talking their positions – from medical professionals through to “insulated” government officials. As an investor, his job is to try to think about what will work when the world comes out of this and where the opportunities lie.

He said: “I look for stuff that's been massacred and, say, ‘OK, where will be an opportunity be and when will that opportunity be recognized?’ I'm always looking at what has been hammered down, so this period of time represents a happy hunting time, if you will, although not too happy!”

The key concept, he explained to WP is isolation, and that dictates the big picture. Caldwell used to work for a big, highly political U.S. brokerage where the phrase “incidents are used to do what you want anyway” was prevalent.

“Make no mistake, President Trump will use this to nail China,” he said. “He’s already made noises about if this thing is man-made or contrived or didn't happen by accident, then they're going to pay a price. He wants to do it anyway.”

He added: “America is going to be more isolationist and that's always been their natural propensity. That will include even Canada, I think, and that's something that's quite dangerous to us.”

An isolationist America will mean shortened supply chains and more anti-China and Made in America propaganda. This will create more jobs for Americans, which will suit Trump heading into the November election.

“It’ll be a boon to the US economy, Caldwell said. “He calls himself tariff man – and he’s going to come back with a lot of those. Everybody’s blaming each other, which is too bad, because I think the American public is getting tired of that nonsense.”

He added: “This isolation will mean a different type of economy and if you’re going to have isolation, you want to be in the most powerful economy in the world that will benefit from this and that, like it or not, is America.”

Caldwell has not yet made any moves into the market, biding his time as he works through the markets and collects his thoughts. Sectors that have been hit hard like travel – be it hotels, cruises and airlines – are not areas he typically invests in. An analyst on Air Canada when it came out, he saw how the high costs meant it had to keep its planes moving constantly to avoid a significant financial hit.

Real estate is a possibility but he wants to see how that plays out. He views REITS as having a big problem, with many apartment building owners struggling to collect rent. The relative success of working from home may also result in companies looking to be more efficient and reduce office space.

The financial services, however, look a more immediately appealing prospect. With the lessons and cushions put in place after 2008, the U.S. banks “will get through it”, while in Canada, the big banks are a “protected species” and highly unlikely to cut their dividends.

He said: “We made a lot of money on the Canadian banks in the financial crisis, taking the view that they would not cut their dividends, because that in Canada is almost sacrosanct.”

And then there is energy, which has been pummelled by the impact of COVID-19 and an untimely price war. The "fundamentals are terrible" and Caldwell believes that, even now, when he drives to the office in his pick-up, more cars are slowly filling the road and quarantine is breaking down. It suggests a rebound in demand.

“I was joking that my cup of coffee cost more than a barrel of Western Canadian Select oil! So, there may be an opportunity there from time to time.”

He added: “I have some reasonable cash reserves. I did sell little bits on the way down. Urbana, one of the companies that I manage, is a publicly traded investment company and has no debt. We have lots of cash and we have lots of borrowing power. When I want to turn around and do some buying, I can but I'm just not there yet. I'm looking through the numbers, sorting my thoughts. We're looking at the market a day at a time to wait for a break – and we are seeing little cracks of sunlight.”