FARM STUDENT ASSOCIATION

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MAY 2022

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How to Interpret the May jobs Report: What Is Happening and Why Employment Matters

By Lorraine Lin and Shilp Shah, Market Research Analysts

What is happening?

Due to the compounded damage from the COVID-19 pandemic and the war of Russia against Ukraine, global economic growth has slowed tremendously. We are entering what could become a small period of growth and elevated inflation, transitioning to an ever likely recession. This risks the price of goods increasing at an uncontrollable rate, which will have harmful consequences for the low-middle income class.

The importance of employment

Employment is the condition of being paid when performing services for someone. Employment is an integral part of the economy, as it can give an indication of an economic slowdown. This is because when individuals are not working, that means that they are not spending, which also results in businesses not investing in capital and labor to try to meet the customer demand.

Monthly Jobs Report

Since employment is so integral to the economy, the monthly jobs report has become the most comprehensive employment gauge as well as one of the timeliest monthly economic indicators. [1]

The report consists of two main components: the household survey used to estimate the unemployment rate and the establishment survey providing data on payrolls, hours worked, and earnings. The report often moves financial markets and is used among other data by the Federal Reserve to assess the state of the economy in setting monetary policy. The jobs reports are a crucial economic indicator. Understanding what the Employment Situation Summary measures, and why, it is a must for investors and policymakers seeking to assess the state of the economy. [1]

Key numbers in May Jobs Report

With the fears of an economic slowdown and a roaring pace of inflation, many economists are paying close attention to the U.S. May jobs report which was released on June 3rd.

The report showed that the U.S. economy added 390,000 jobs in May, representing a pullback from the upwardly revised 436,000 in April. At the same time, the unemployment rate held at 3.6% for the third month in a row. [2] Total employment remains 440,000 below the pre-Covid level, and labour force participation rises to 62.3% but is still 1.1% below February 2020. [3]

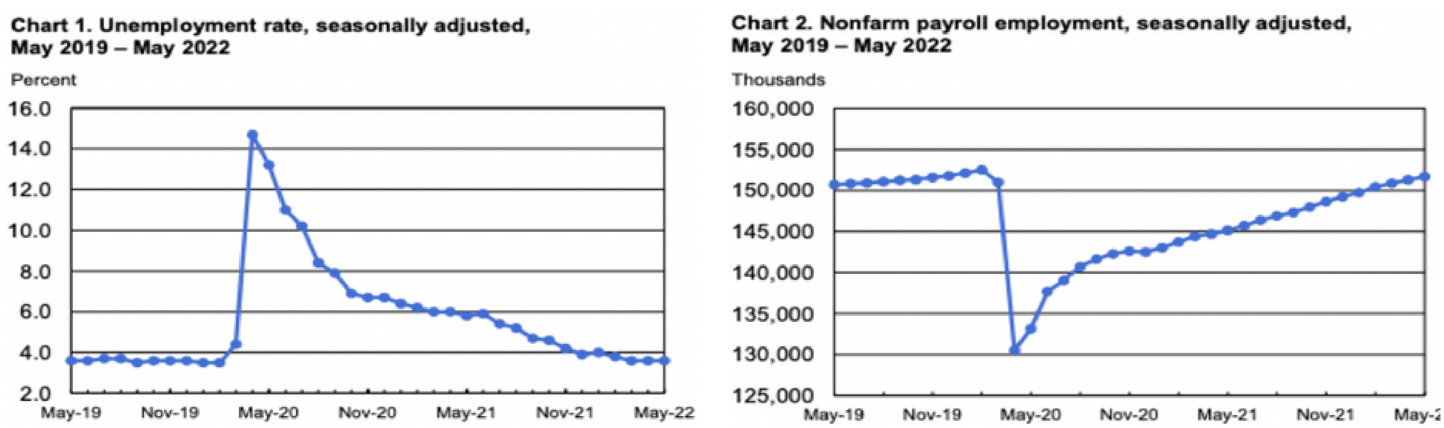

Figure 1 [1]

Sector

Job gains were broad-based. Leisure and hospitality led, adding 84,000 positions. Professional and business services rose by 75,000, and transportation and warehousing contributed 47,000. [2]

With restrictions easing up due to the pandemic, tourism has increased by around 130% (almost 2.5x) [8], which has resulted in an increase in jobs in hotels, theme parks, and restaurants. Also, in the last couple of years, there have been various M&As that have occurred in that industry including the acquisition of Starwood Hotels and Resorts by Marriott, which has resulted in around 6,000,000 jobs being created worldwide in that industry itself. This has increased the earnings in the tourism industry by around 6%. [8]

Employees and employers have gotten comfortable working from home, which has increased the role of project managers, as there is more coordination and communication required between teams, in the professional and business service sector. Additionally, due to a 159% increase [9] in the number of people working from home between 2020-2022, also increasing our reliance on technology has opened up roles in digital marketing and IT services in companies all around the world. In May, earnings increased in the retail industry.

Even though only two industries were mentioned above, the entire job market has seen an increase in payrolls, as there has been an increase in average earnings in most sectors.

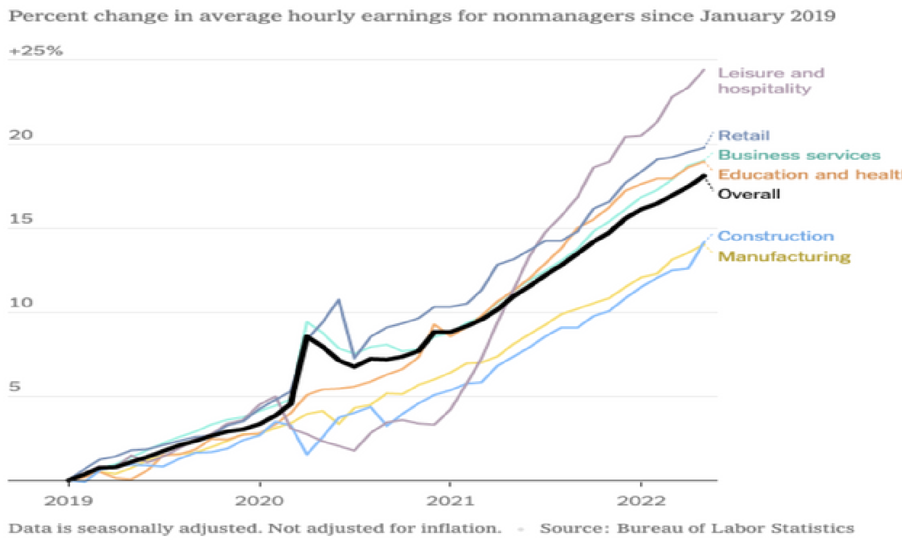

Figure 2

Wages

Due to the shortage and demand of workers available in the market, it has had an impact on the hourly wage. The average hourly wage has increased around 5.2% and is around $28.53 an hour in the last year [6]. Although, this might not sound as good for workers as it looks.

The real hour wage increase can be calculated using the average increase in hourly wage by % and subtracting that with the inflation rate. When doing that we see there is a - 1.5% difference [7] and so although the hourly wage might be increasing, it can be seen that the value of the dollar has decreased. In other words, if you were making $28 last year, it would be worth more than if you were making $28.05 this year, as the inflation rate is greater than the hourly wage increase.

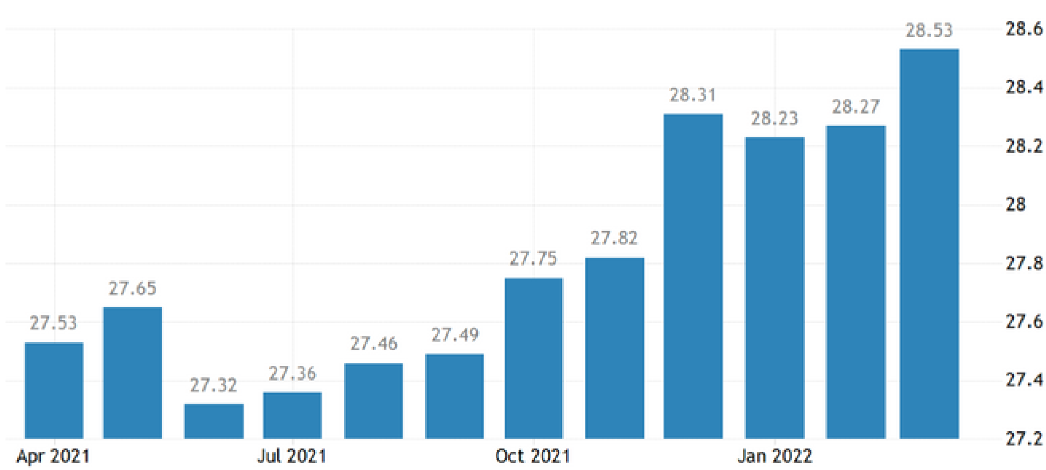

Figure 3 [9]

What led to a cool labour market?

The central bank lifted its benchmark interest rate by 0.5 percentage points in early May, marking the first increase of that size since 2000. This monetary tightening strategy is aiming to put greater downward pressure on inflation, which could also sap fuel from the labor market's rebound. Higher rates weaken demand by raising borrowing costs. This forces companies to put less focus on expansion and hiring more employees. [4]

Good News or Bad News

Following the report, stock market futures pointed to a lower open on Wall Street and government bond yields are moving higher. As the market continues to anticipate a higher interest rate and a slowing jobs market, it is expected that the stock market will be moving against the wishes of investors. [3]

In addition to the pessimistic market reaction, a cooling labour market is certainly not good news for workers. The monetary tightening policies have led to a wave of corporate layoffs and hiring freeze announcements, particularly from Big techs. Large-cap companies like Tesla, Coinbase and Meta all announced layoffs amid the broad market selloff and are cutting down on costs by squeezing their workforce. [5]

This means that job opportunities will be fewer, wage growth will be slower, and workers will have less leverage to demand flexible schedules or other perks. [4]

On the other hand, slow job growth might be a positive sign as we are not in normal times. With nearly twice as many open jobs as available workers due to pandemics and inflation running at its fastest pace in four decades, many economists and policymakers say a slowdown is just what the economy needs right now.[6]

Figure 4 [7]

In fact, the jobs report indicated that labour force participation edged higher, rising to 62.3%. That, in conjunction with slightly slower job growth, is an encouraging sign that the labour market is coming back into balance as demand cools and supply improves. [3]

However, we should be mindful that the labour market has not fully recovered from the pandemic recession. Total employment and labour force participation still remain below the pre-Covid level. If the economy slows too much, it could undo much of that recovery progress from the pandemic. [3]

In conclusion, slowing job growth might be worrisome for workers like you and me, but just as Brian Deese, a top economic adviser to Mr. Biden said, “what we are going to is a period of more stable growth, more resilient growth, that should look different than that historically fast recovery”. [6]

Figure 5 [8]

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The impact of Gasoline Prices on the Canadian Travel & Tourism Industry

By Aman Halwasia and Nikhil Ratesar, Market Research Analysts

What is happening?

Since the past 12 months, the prices of oil have been increasing drastically. In Canada, the price of gas was around $140 in May '21 and has risen to $205 in May’22, indicating an increase of around 50% YoY and an increase of around 4.1% MoM. This increase in prices has discouraged adventurous travellers to take trips across the country or even across countries causing the travel industry to take another hit along with a disastrous 2020-2021 downfall due to COVID 19 pandemic. With the increasing gas prices and the incoming summer season, it is becoming hard for travellers to take a trip across the country.

Post the Russia Ukraine war the travel and tourism industry has been in turmoil as one of the largest suppliers of oil in the world has been taken off the market. Russia has been sanctioned heavily and has decided to stop supplying a lot of countries that did not come out in its support with oil and its other natural resources. This has put the travel and tourism industry in a state of shock as suppliers are now having to pay higher prices to find alternatives.

Canadian Tourism

The once $105 billion dollar Canadian tourism and travel industry was already recovering from the damages of COVID-19 when higher gas prices and inflation once again collapsed the industry. The elastic demand for the industry’s services has led to it being one of the first expenses consumers are willing to avoid and it is important for Canada to revive it at its earliest.

Travel and tourism is one of Canada’s largest industries and is currently majorly funded by the Canadian government. This is because most of the revenue that is brought in from this industry is linked to tourists flocking to see national parks and the abundant natural beauty Canada has to offer. Canada’s focus on this industry has been two fold, the first being the large revenue numbers it was bringing prior to the pandemic. More importantly however, it was to make migrants want to come settle in Canada. This fits extremely well with the country's policies encouraging immigration. Recently Canada has been facing increasing competition as more economies have come to realise the value in immigration. With an increasing geriatric population in Europe, Canada would need to be fighting to insure they come out on top and maintain the steady influx of immigrants.

When covid hit the markets, the prices of crude oil tanked along with the other financial instruments such as stocks. As the government imposed lockdowns, it drove unprecedented economic disruptions, resulting in less energy demand and falling crude oil prices. But it was not too long until they rose back up again and sharply this time. Since the past 12 months, the price of gas has increased by 50%. Crude oil demand came back strong later in 2020 as national governments and central banks pumped trillions of dollars into the global economy to support workers and the unemployed.

The main reason for the increase in gasoline prices in Canada

As mentioned above, the Russia-Ukraine crisis significantly changed global crude oil supply forecasts which is a key input into how crude oil is priced globally. Although the demand increased after the Covid 19 pandemic with everything going back to pre-pandemic levels, the oil supply has not been able to keep up with the demand. Due to this, the price has increased due to the supply not increasing at the same rate as the demand. The supply became more constrained after Russia (a major producer of crude oil) was placed under sanctions for its invasion of Ukraine causing prices to go up by $20 US a barrel since the invasion on Feb24. As we can see in the figure below, crude oil is the main reason for the increase in gasoline prices in Canada.

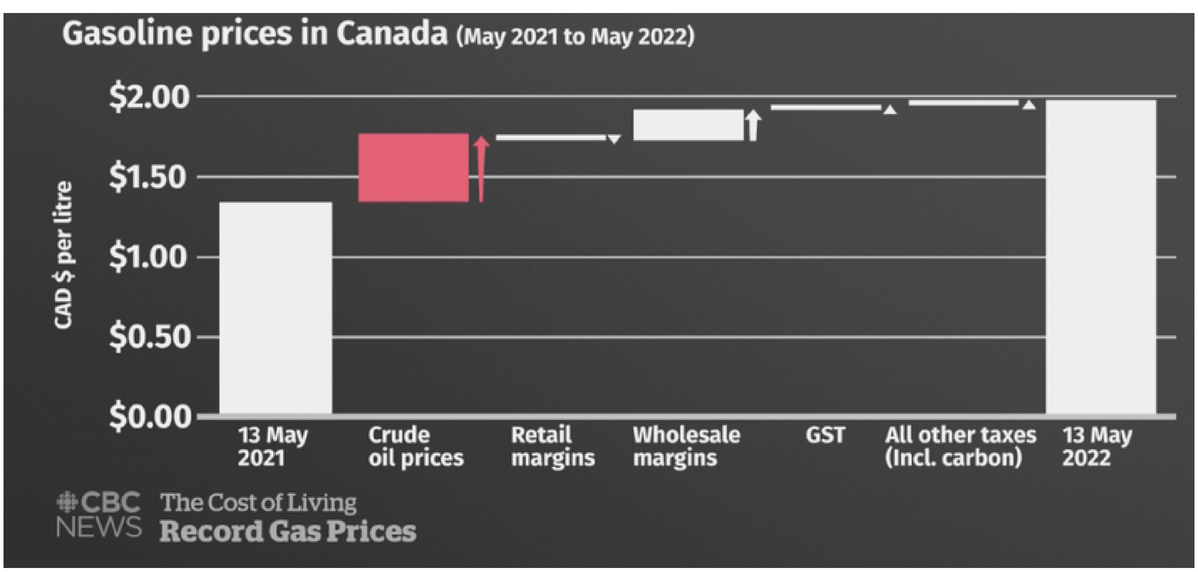

Figure 1

Gasoline Industry in the United States

The US oil production is slow to respond. Biden said “The idea that Russia and Saudi Arabia and other major producers are not going to pump more oil so people can have gasoline to get to and from work, for example, is not right,” in the most recent G-20 summit. This statement is completely right but the US oil rig is also not operating at its maximum capacity. The rig count is currently at 520 compared to 295 a year ago. This is not comparable to the 2014 high of 1609 rigs operating. The reason why so many oil rigs do not operate now is that they don't want to invest heavily in new wells to see supply increase, prices decline and their profits dwindle.

National Travel Industry

Although the international travel industry is on the curve to its normal route, the domestic travel industry doesn't seem to be in favour of increasing rates. The increase in gas prices is going to make recovery slower and more painful for the tourism industry which is already struggling.

In Canada, people are carpooling to split money on gas, they're choosing closer destinations, and they're choosing to stay overnight to try and take advantage of the Ontario Staycation Tax Credit — under which Ontario residents can claim up to 20 percent of eligible accommodation expenses this year.

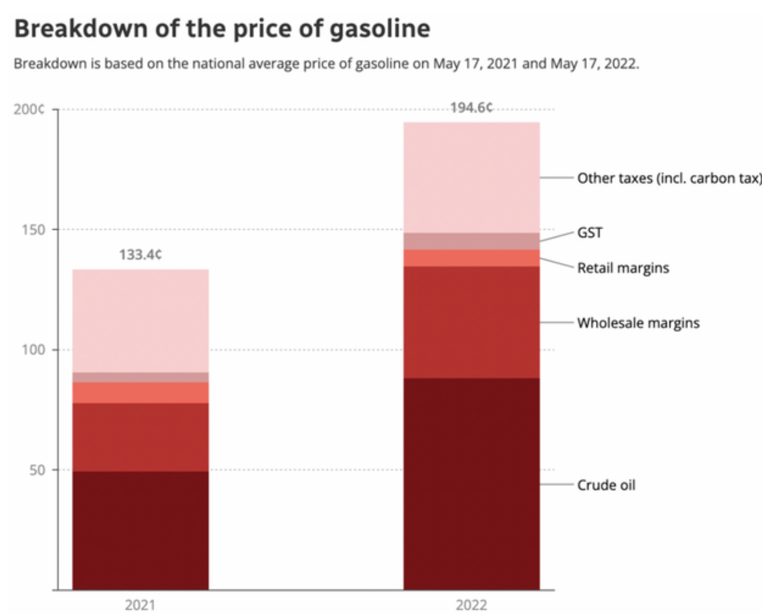

Figure 2

While it might seem like the tourism and travel industry have weathered the storm of COVID. The future of the industry is in no way a clear path and would require macro-economic factors such as a change in customer mindset of travelling to play in as well as the continued growth in the domestic industry to maximize potential income.

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What's going on in housing market? What should we expect?

By Abdullahyler and Tim, Market Research Analysts

What is happening?

Since the beginning of the Covid-19 pandemic, housing prices in Canada have been on the rise making many Canadians unable to afford a house or forced to take on huge amounts of debt. Within the span of just two years, Canadian housing prices have increased by as much as 53%, largely due to the imbalance of demand and supply combined with the low interest rate environment. With the recent increase in interest rates to fight inflation, the Canadian housing market is now facing immense downward pressure in terms of housing prices and sales volumes.

Supply and demand

The Canadian housing market has been going through a supply and demand imbalance since the early 2020s. As the pandemic started, new listings for residential properties experienced a sharp decline in the second quarter of 2020 during this period of high uncertainty. Although new property constructions resumed as people navigated through the pandemic, the supply was far from meeting the demand, especially in large cities such as Toronto and Montreal with limited residential spaces. The influx of immigrants during the pandemic also added fuel to the already heated housing market, with over 400,000 new permanent residents in 2021 [2].

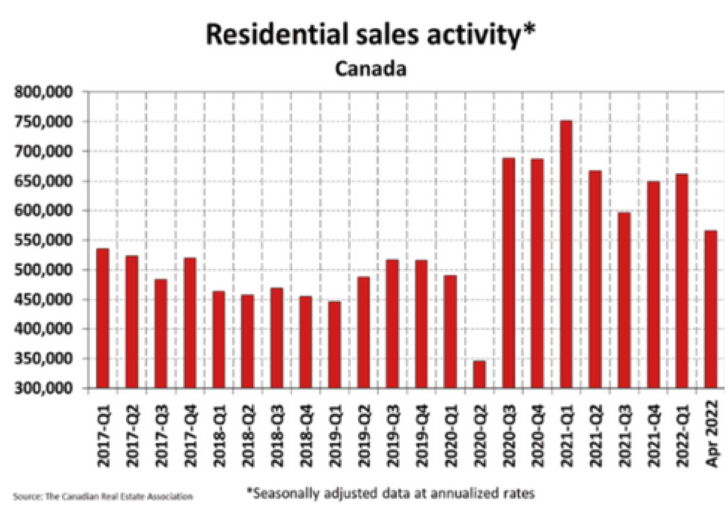

Figure 1

Both domestic and foreign buyers using the Canadian housing market as a speculative instrument only amplified the imbalance. As seen in Figure 3 below, the sales to new listings ratio has been well above the pre-pandemic levels, reflecting the supply shortage in the residential market. Since so many prospective buyers submitted offers to a limited number of listings, it naturally resulted in bidding wars, pushing the residential property prices to record highs.

Impact of interest rate

Since the beginning of the pandemic, the economy has been under immense pressure with production halts, supply disruptions and labor shortages. In March of 2020, Bank of Canada lowered the target overnight rate from the previous 1.75% to 0.25% in 50 basis point increments three times to stimulate the economy, along with other expansionary measures such as tax deferrals and worker benefits.

With overnight rates as low as 0.25%, banks were able to borrow at much lower costs from each other, resulting in lower mortgage rates passed on to new and existing homeowners. The variable mortgage rate has decreased from 3.65% in 2019 to 2.15% in 2020, while the 5-year rate decreased from 5.34% to 4.94% [4]. With lower overnight rates and mortgage rates, the Canadian housing prices skyrocketed immediately, as shown in Figure 5 below.

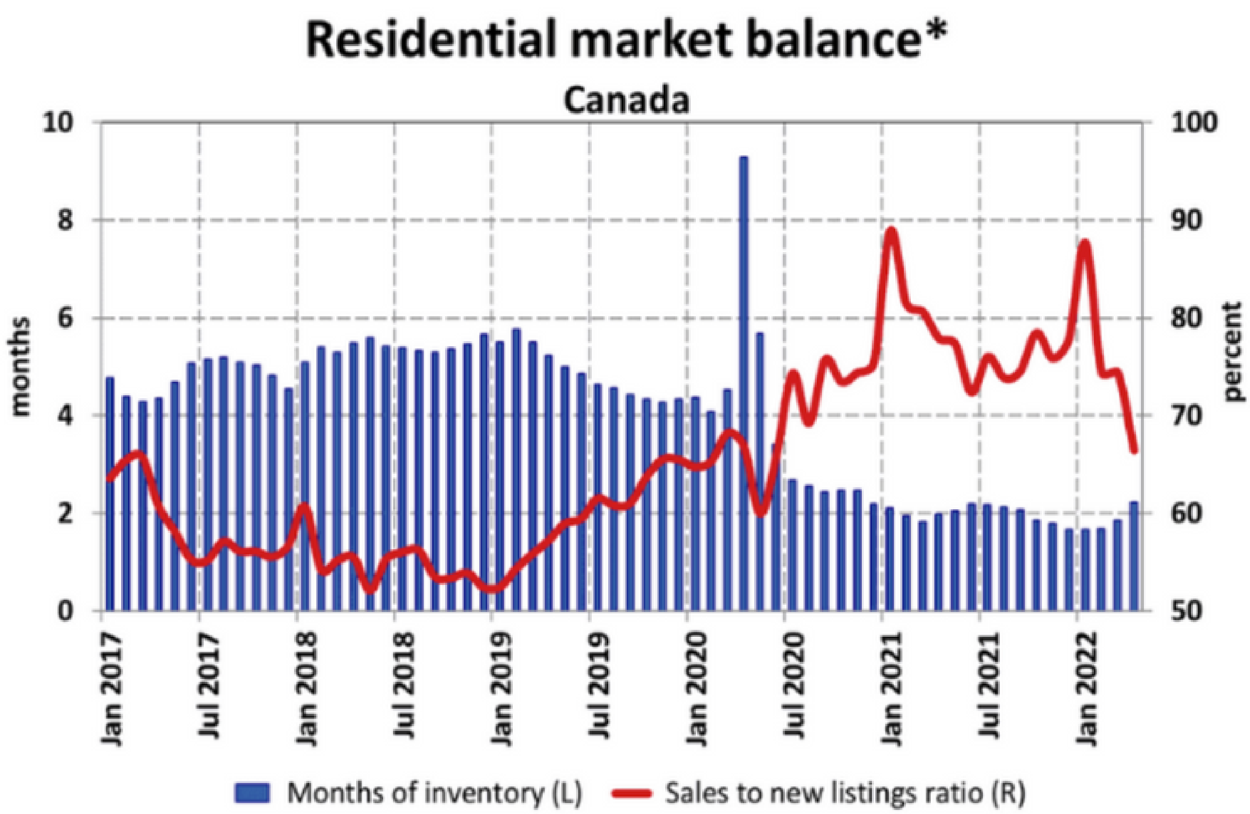

figure 2

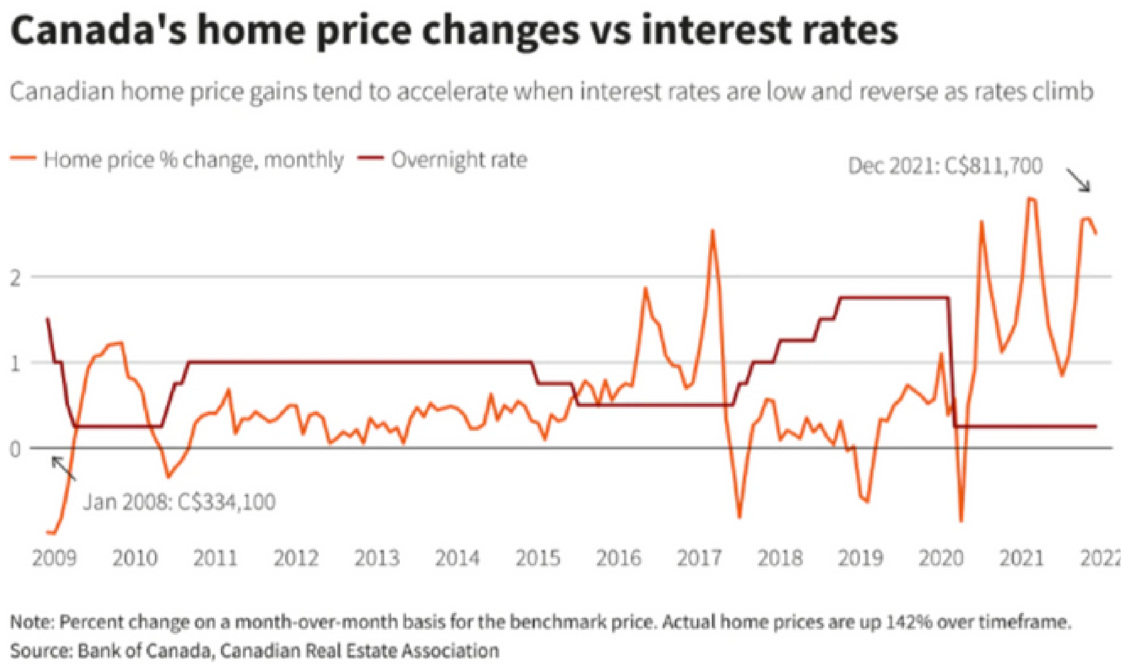

Figure 3

What's the road ahead?

Since the Bank of Canada lowered its target interest rates, inflation has jumped to 6.8% in April 2022, a record high since January 1991. Other factors such as the Russia-Ukraine war and recent COVID lockdowns in China have put more uncertainties and tension on commodity prices and the global supply chain [6]. To combat inflation, the central bank has raised the target overnight rate in March, April and June to a current level of 1.5%, and is expected to raise the rate even further in the coming months. A survey from Bloomberg has shown that analysts expect the overnight rate to range between 1.75% to 2.75% by the end of 2023, while the market is priced in a 1.75% rate by the end of 2022.[7]

Although many Canadians could take on cheaper mortgages to get the dream house they wanted in the beginning of 2020, the rising housing prices soon made it more difficult to afford a property and forced people to take on more debts to pay for the house. This can be problematic once the housing bubble bursts or when the low-interest environment ceases to exist. As interest rates and mortgage rates increase in the future as expected, the mortgage and other debt payments that used to be cheap would soon grow into a huge burden for average Canadian households. The interest rate risk is especially high for those who got into the real estate market late, as they are forced to take on mortgages at higher rates and in larger amounts to afford the property. Soon as the mortgage rate continues to climb and the housing market starts to cool down, the risk of mortgage default poses a significant threat to the financial health of many Canadians.

Is Water Utility A Future Investment

By Ian and Lexi; Market Research Analysts

What is happening?

The global water industry is currently valued at over $500 billion dollars and the US market size is estimated to be $100 billion, or one-fifth of the global market [1]. The US water utilities market represents between 40 and 50% of the US water industry, and major utility company American Water Works Co Inc (NYSE: AWK) represents just under 64% of the total market [2]. This monopoly represents fantastic investment opportunities, as AWK has the power to raise prices without fear of losing business to competitors. (Buffet, 2011) [3]. This potential future return is further compounded with ETFs and Indices, such as the Invesco Water Resources ETF, which tend to be the ideal investments for growth investors looking to make steady returns over the course of their lifetime.

Industry Insights:
Water ETFs and Value Chains

<u>What is a Water ETF?</u>

A Water ETF is an exchange traded fund that is primarily composed of companies that treat, purify and distribute water, otherwise known as water utilities. Companies that find themselves in a Water ETF are major utilities such as American Water Works Co Inc, which currently holds a weight of 8.53% in the Invesco Water Resource ETF. [4]

<u>A Water Utility's Value Chain: what is it, why is it crucial, how does it look?</u>

An entity's value chain represents all the activities a business uses in order to create a product or deliver a service. The primary activities of a value chain are: inbound logistics, operations, outbound logistics, marketing/sales and service. This form of analysis is very important for businesses as it gives them insights into areas they can improve efficiency and cut costs, leading to higher returns for internal and external stakeholders.

A water utility company, like most utility companies, has a typical value chain which starts with marketing. Customers need to be acquired through marketing and branding, which are vital for their growth. They provide services which the UN deems a “basic and fundamental human right” [5]. Therefore, every contract that a water utility completes must be as close to perfection as possible, otherwise it can damage branding and lead to poor publicity, which in turn could very easily lead to asset liquidations or reorganization of the company, where it would operate on a smaller scale. Moving on to inbound logistics, A water utility has many income streams which needs to be fulfilled, both transaction and service based. For instance, individual customers will buy or rent water heaters, while municipalities will contract them to build and maintain the sewage and stormwater systems. Thus, materials, such as copper pipes for sewage and stormwater, or water heaters for householders are purchased on a frequent basis. Utility companies tend to have multiple forms of operations, and water utilities are no exception: they are typically contracted by municipalities or construction companies to set up sewage, water piping, wastewater treatment plants and stormwater drainage but also provide services to customers in their homes, by supplying water heaters and repairing piping. However, not all water utility companies provide the same services, which is why it may be ideal for a growth investor to invest into a Water ETF or Index.

What is the Invesco Water Resource ETF?

The Invesco Water Resource ETF (NASDAQ:PHO) is based on the NASDAQ OMX US Water Index, and it invests at minimum 90% of its total assets in common stocks, American depositary receipts (ADRs) and global depositary receipts (GDRs) of companies inside the water industry that are included in the Index. This fund was created by Invesco, an investment management firm to give investors the opportunity to diversify their portfolios while promoting the companies inside the ETF, as their services and products are vital for the economy[6]. This fund is relatively new compared to well known ones like the S&P 500 or the NASDAQ, which were first created in 1957 and 1971, respectively.

ROI for Invesco Water Resource ETF and S&P 500 from the creation date of the ETF to the present

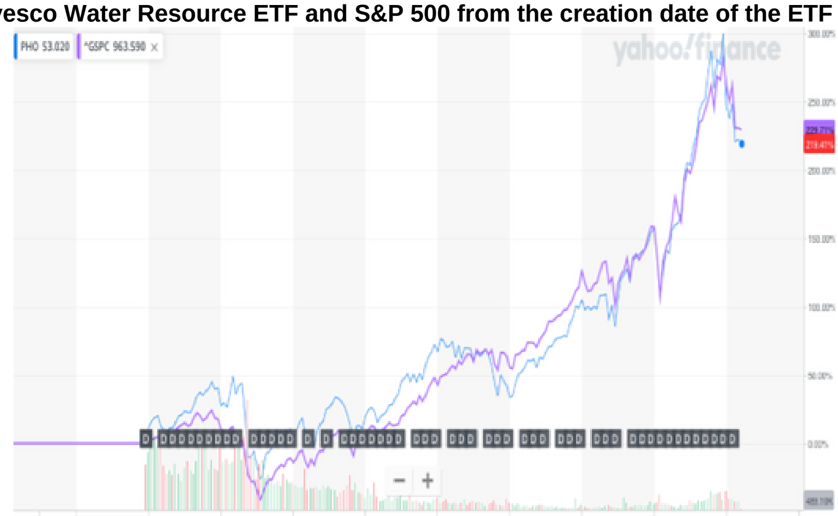

Figure 1 [7]

This ETF was created in December of 2005, but has outperformed the S&P 500 by roughly 10% over the course of its lifetime, as shown in Figure 1 [7], where we can observe a 229.71% increase in the ETF’s price versus a 219.41% increase in the S&P 500. The three largest weights inside of this ETF are American Water, Works Dahaner Corp and Xylem Inc, which represent 8.62%, 8.04% and 7.91% as of June 11. [8]

The water utilities industry has a potential for growth in the future, as the US population is expected to reach 404 million by 2060, or an increase of roughly 22.6% from its 2020 population of 329.5 million [9]. This will lead to denser populations, which may force cities to expand outwards, which in turn will give water utilities more valuable contracts in greater numbers. This population growth also gives way to an anticipated 7.5% compound annual growth rate (CAGR) from 2022 to 2028, or a $182.02 billion dollar increase in the water utility market [10]. There are also more current growth opportunities: for instance, the US democratic party’s infrastructure bill includes over $55 billion dollars to be used to improve water infrastructure and other water systems [11] throughout the United States, giving each and every water utility huge opportunities to grow and build their brand.

Water: A Growth or Value Investment?

American Water Works Co Inc

American Water Works Co Inc (NYSE: AWK) is the largest and most geographically diverse American water utilities company which provides water and wastewater services in the US, including regulated and regulated-like drinking water and wastewater treatment.[12] For the past decade, AWK’s revenue has climbed from $2.85 billion in 2012 to $3.93 billion in 2021, while their net income has nearly quadrupled from $357.9 million to $1.288 billion. This enormous increase in profitability is a great sign for both value and growth investors as they can expect a relatively quick turnover. More notably, it has severely outperformed the S&P 500 and the NASDAQ ever since it IPO’d in April of 2008, as shown in Figure 2 [13], which are the two most popular equity indices in the US.

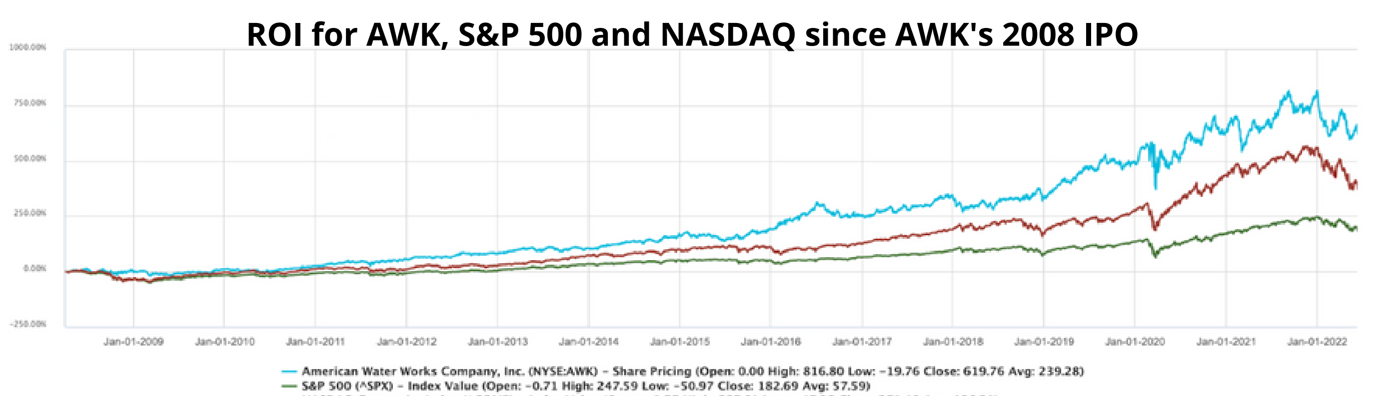

Figure 2 [13]

Danaher Corp

Danaher Corp. (NYSE: DHR) operates as a medical company, which designs, manufactures, and markets professional, medical, industrial and commercial products and services. It operates through the following segments: Life Sciences, Diagnostics, and Environmental & Applied Solutions. DHR's market capital as of June 10, 2022 is $188.14B, which occupies 8.04% of the fund. The Environmental & Applied Solution segment provides products and services to protect important resources and keep global food and water supplies safe. The stock price of DHR is greatly determined by the revenue of the Life Science segment, which offers a range of research tools that scientists use to study the basic building blocks of life, identify new therapies and test new drugs and vaccines. When the pandemic recession just began, DHR's stock price started to go up from US$123.81 (March 10th, 2020) and topped out at US$329.01 at 2021, December 31st's close. In 2022, there was a decline in demand for vaccines and the stock price started to drop and kept falling to US$251.48 at June 10th close. [14]

Xylem Inc/NY (XYL)

Xylem Inc (XYL) is a leading water technology company contributing to solving water problems by creating innovative and smart technology solutions to meet the world's water, wastewater treatment and energy needs. XYL's market capital is $14.433B, which occupies 7.91% of the fund [15]. The stock price of XYL fell heavily from $119.92 at 2021 December 31st close to $89.46 at 2022, February 7th close and then fluctuated between $95.17 and $80.14 [16]. The company's negative exposure to ongoing supply chain issues can be viewed as part of the reasons why Xylem has been hammered down - specifically, revenue and margin headwinds caused by an inability to source all of the components it needs. However, it is a temporary problem that may not cause long-term loss. Based on today's stock price $80.14 at June 10th close, which is close to the lowest price of the 52 weeks range, it is a good time to hold Xylem stocks [17]

Economic Implications of Global Water Scarcity and its Importance

Water is the lifeblood of the economy and its scarcity is supply-induced, meaning water demand exceeds available supply. We rely on it for manufacturing, energy production, to transport materials across the globe, and more. For manufacturing, water plays an important role in fabricating, processing, washing, diluting, cooling, or transporting a product. Large amounts of water are used mostly to produce food, paper, and chemicals, which are closely related to everyone's life [18].

In the energy production process, water cools the steam that spins the electricity-generating turbines in most power plants and refining transportation fuels requires water, as does producing fuels [19]. Without a reliable and clean source of water, one-fifth of the US economy would grind to a halt [20].

On May 3, 2016, The World Bank released a report, stating, “Water scarcity, exacerbated by climate change, could cost some regions up to 6% of their GDP, spur migration and spark conflict” [21]. In Toronto, the average household’s yearly water bill is $937 in 2020, $951 in 2021 and $979 in 2022 [22]. The water rate increase also applied to industrial and commercial users. Although a high water rate can effectively conserve water resources to some extent, it will still lead to the increase of an enterprises’ cost and squeeze their profit. Conversely, companies who provide water and wastewater services have the chance to benefit from the high water rate, such as American Water Works Co. and Primo Water Corp, as their services will now come at a premium. In Figure 3 [23], we can see that the increase in water costs across the US is three times that for all other items, meaning that the majority of this price increase is in fact not inflation related.

Increase in the cost of water vs all other goods and food prices

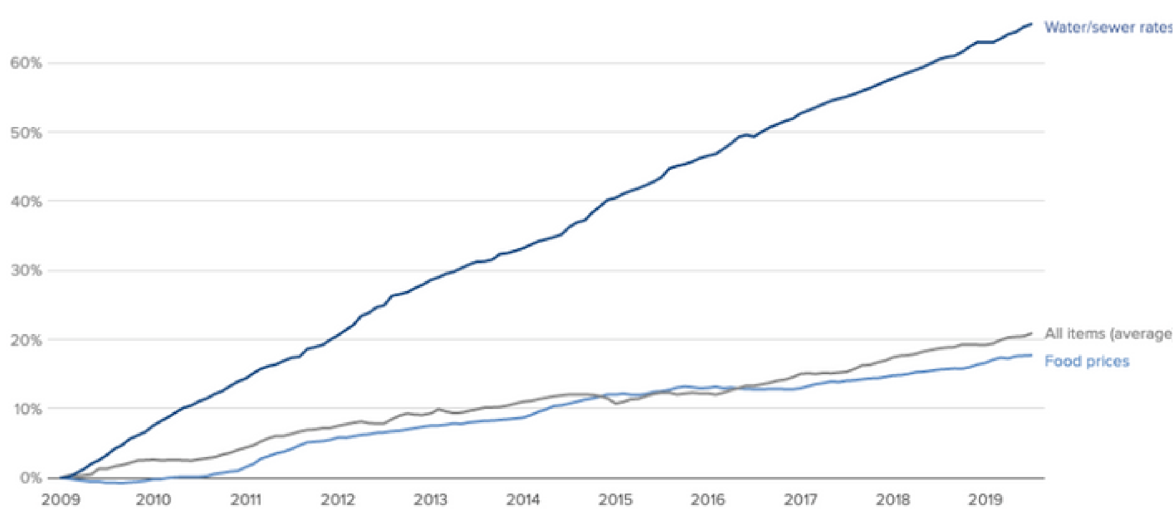

Figure 3 [23]

High water rates have the potential to greatly affect profits for traditional manufacturing companies, but also provide an investment opportunity for companies providing water and wastewater services. As water rates rise, manufacturing companies which use water will be forced to increase their prices, which could turn the everyday consumer away as other more important costs also rise. Conversely, water utilities represent an important branch of the public infrastructure and an important part of every single consumer's life, their future income is nearly 100% guaranteed.

For instance, considering the severe impact on the global economy due to Covid-19, the economy was in recession, but the water utility companies outperformed the economy due to more people staying at home. The chart above tracks the stock price of the American Water Works Co Inc from June 11th, 2018 to June 11th, 2022. American Water Works is the country's largest water utility stock, went public at $21.50 a share in 2008 and was hovering around $150 a share from 2021 to June 2022.

As AWK was founded in 1886, it has had much more time to grow and improve its brand compared to many of its competitors, which has led the US government to instill a regulated monopoly in the water utilities market. The company also faces much less competition in regions where it operates and in exchange, its prices are regulated by state and local governments to give consumers the cheapest possible price [24]. The company's age is also an important factor when looking at emerging competitors: this market is highly competitive and has high barriers of entry due to high startup costs and uncertain cash flows. As mentioned above, the revenue of AWK grew during the pandemic, which had a severe impact on the global economy. At a time when most companies were affected by high interest rates and the world economic downturn during the pandemic. AWK relies on its particularity as a public utilities company, maintaining a good growth rate of revenue, and constantly bringing profits to shareholders. For risk-averse investors who are looking to invest into stable stocks with strong risk resistance capacity, American Water Works Co Inc is a potential option, as is the Invesco Water Resource ETF.

The stock price of the American Water Works Co Inc from June 11th, 2018 to June 11th, 2022

Figure 4 [25]

The chart above tracks the stock price of the American Water Works Co Inc from June 11th, 2018 to June 11th, 2022. American Water Works is the country's largest water utility stock, went public at $21.50 a share in 2008 and was hovering around $150 a share from 2021 to June 2022. As AWK was founded in 1886, it has had much more time to grow and improve its brand compared to many of its competitors, which has led the US government to instill a regulated monopoly in the water utilities market.

The company also faces much less competition in regions where it operates and in exchange, its prices are regulated by state and local governments to give consumers the cheapest possible price [24]. The company's age is also an important factor when looking at emerging competitors: this market is highly competitive and has high barriers of entry due to high startup costs and uncertain cash flows. As mentioned above, the revenue of AWK grew during the pandemic, which had a severe impact on the global economy. At a time when most companies were affected by high interest rates and the world economic downturn during the pandemic. AWK relies on its particularity as a public utilities company, maintaining a good growth rate of revenue, and constantly bringing profits to shareholders. For risk-averse investors who are looking to invest into stable stocks with strong risk resistance capacity, American Water Works Co Inc is a potential option, as is the Invesco Water Resource ETF.

In general, investors who aim to keep investing in a market recession may want to choose firms which work closely with the government. Compared with other enterprises, companies in the public utilities industry are usually stable and risk resistant. Water scarcity caused by climate change is increasingly becoming an issue affecting many enterprises. In this case, those companies that have a good performance in water and wastewater services and are looking for new technologies to improve utilization efficiency of water and re-utilization rate of wastewater are worthy of long-term attention from investors.

Conclusion

One of the key facts pointed out by UNICEF is “Half of the world’s population could be living in areas facing water scarcity by as early as 2025.” [26] Water scarcity will become an increasingly serious problem for individuals, businesses and governments in the future. The stocks of public utilities companies, such as water utilities companies, which are usually regarded as stale, should attract more attention from investors, given the benefit they receive from the government, their inherent stability and risk resistance.

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