



## WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

### Keeping Score:

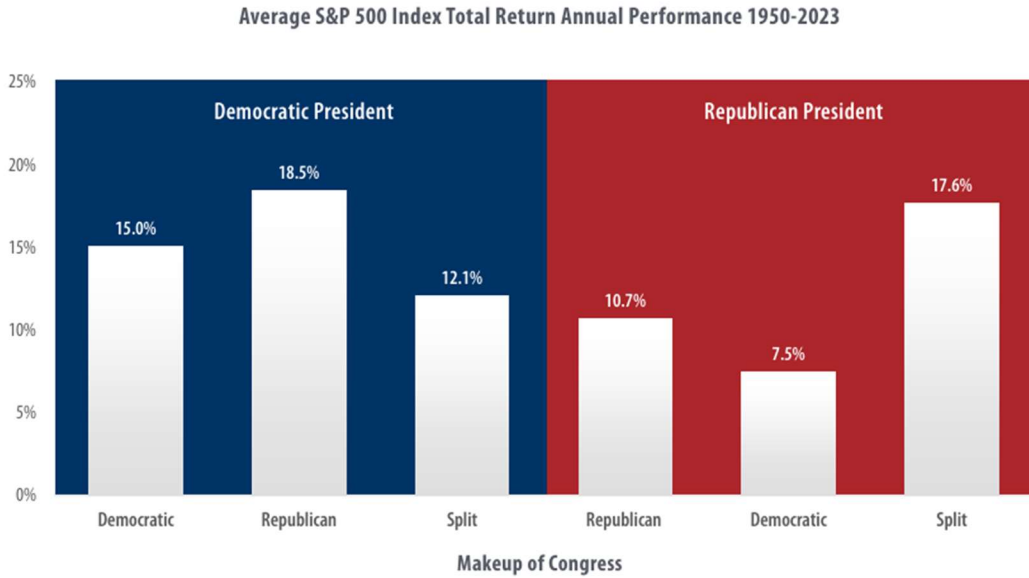
The Nov/2024 US Presidential Election has captured media attention. Will Biden retain the Presidency (we still think so) or will Trump return triumphant? Does history say a return of a Democrat to the White House will be good or bad for stocks? What about a pending Canadian election by Oct/2025?

### How do US stocks typically perform under Democrats vs Republicans?

2024 is a US Presidential Election Year. This one is anything but typical. An 81 year old incumbant vs. an age 77 challenger. The challenger lost to the incumbant last election, continues to claim the election process is rigged, yet is running again while maybe serving time in prison for election fraud. The incumbant's approval rating is near historical lows for a US Presidential in the final year of a first 4-year term, while BOTH nominees have seen their approval ratings falling. 'Typical' it ain't. 538.com provides recent polling.

<https://projects.fivethirtyeight.com/biden-approval-rating/>

US Presidential Election years have been good for stocks. Conservative pundits correctly state the election of Republican Presidents (15.3% avg) have been better for investors than Democratic ones (8.5% avg). The best returns (18.5%) followed Democratic Presidents presiding over a Republican dominated Congress followed closely by Republican Presidents presiding over a split congress (each party controlling one of the two houses of Congress). Investors should NOT hope for a clean sweep by either party (15% Dems, 10.7% GOP). In Jan/2024 **First Trust Portfolios** reviewed the typical returns during election years and under various US political parties.



<https://www.ftportfolios.com/Commentary/Insights/2024/1/3/election-client-resource-kit---december-2023>

### Are US Presidential election years good or bad for stock prices?

#### S&P 500 Index Total Returns During Presidential Election Years (1928-2020)

U.S. Presidential Election Results	Average Return
A Republican was elected	15.3%
A Democrat was elected	8.5%
All election years	11.58%

#### Observations

There have been 24 elections since the S&P 500 Index began. In these election years:

- 20 of the 24 years (83%) provided positive performance
- When a Democrat was in office and a Democrat was elected (or reelected), the total return for the year averaged 15.0%
- When a Democrat was in office and a Republican was elected, the total return for the year averaged 12.9%

The best returns have been under Democratic Presidents presiding during a Republican dominated Congress. Investors should hope for a divided outcome in November.



## What about Canadian elections?

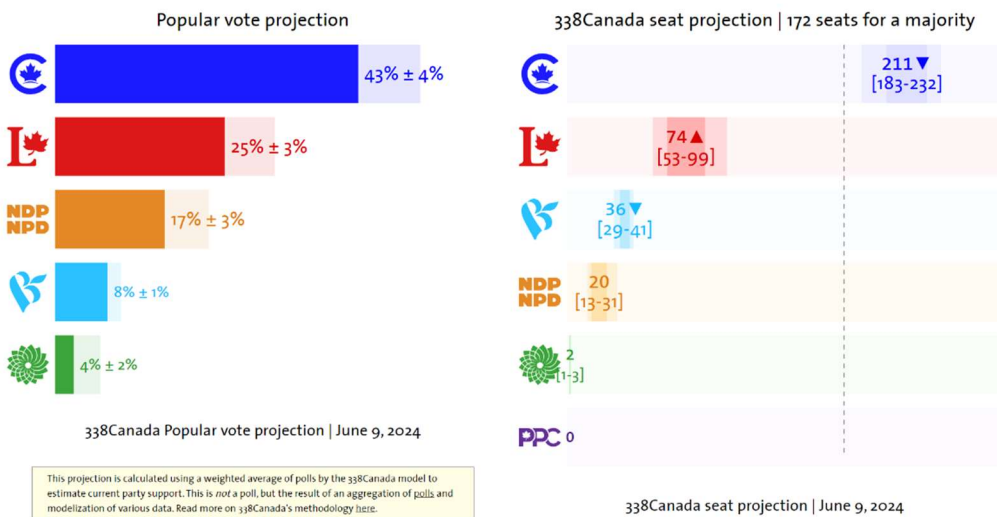
The Weekend Reading has regularly fretted about Canadian government spending, taxes and regulations. We've pointed to falling productivity depressing Canadian standards of living, return on investment private and public, while skewing inflation and interest rates. We've complained about international and domestic investment exiting Canada as the Loonie has declined. We've laid much blame on current leadership.

We're not alone in this gnashing of teeth. Canadian opinion polls lean heavily towards the Conservative party.

### 338Canada Federal Projection

Latest update: June 9, 2024

Outside of campaigns, the federal projections are updated every Sunday.



<https://338canada.com/>

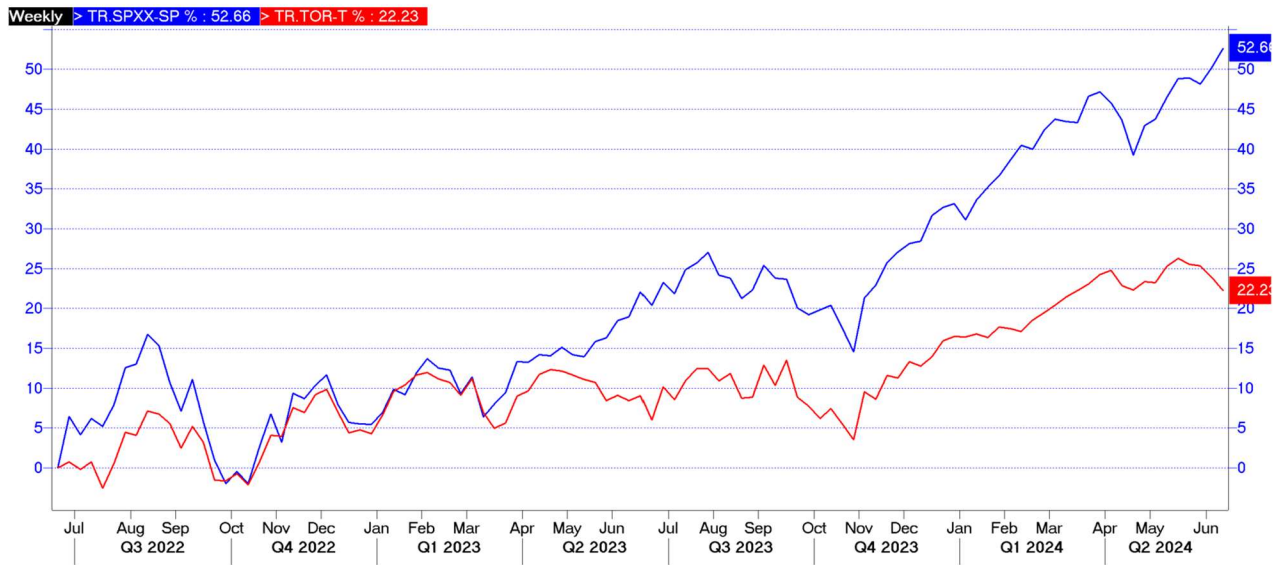
## Canadian vs US equity total returns

Over the past decade, US stocks have outperformed Canadian equities by a wide margin.

We walk through the recent period and since the Oct/2015 election of a Liberal majority

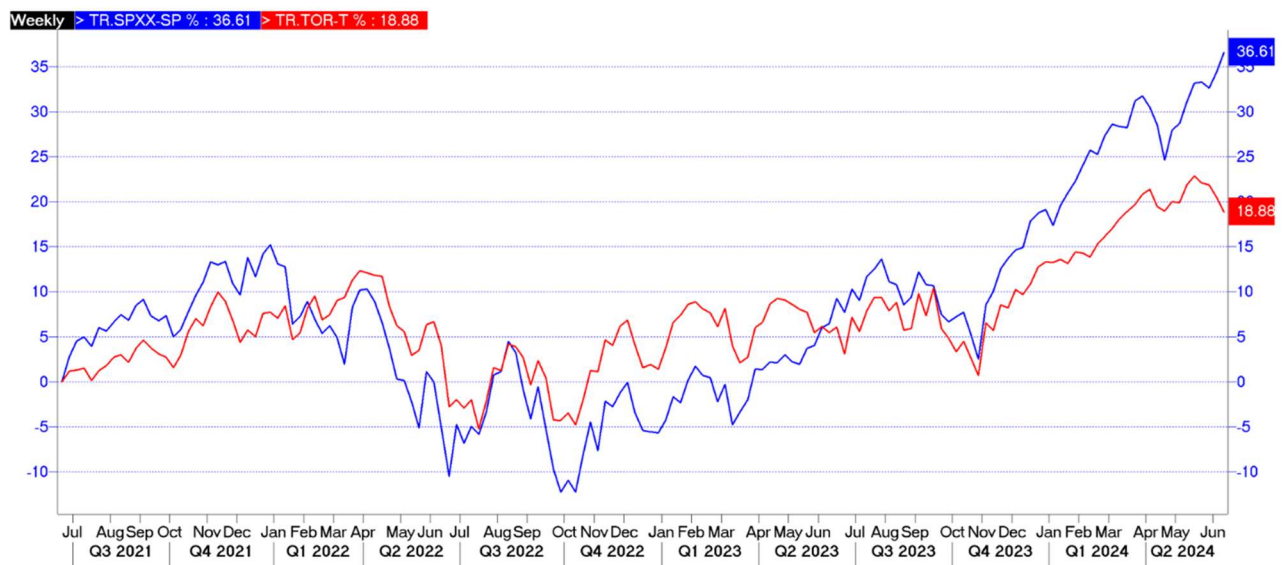


**Percentage Total Returns: S&P500 (52.6%) vs SP/TSX Composite (22.2%) – weekly ranges - 2 years**



Source: Refinitiv, NBF, Hilberry

**Percentage Total Returns: S&P500 (36.6%) vs SP/TSX Composite (18.8%) – 3 years – weekly ranges**



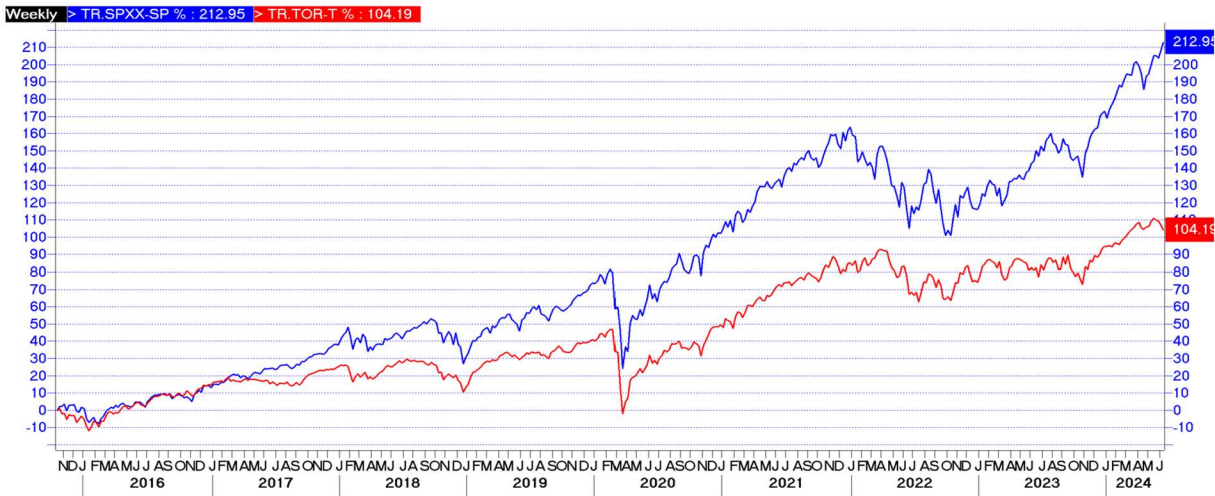
Source: Refinitiv, NBF, Hilberry

Note the S&P500's 3 year return is well below the 2 year result while Canada's 3 year is about the 2 year, IE lower but more consistent.



**Since the Oct/2015 Canadian Federal Election – Liberal majority:**

**Percentage Total Returns: S&P500 (212.9%) vs SP/TSX Composite (104.1%) Oct/2015 – June/2024**



Oct 16, 2015: SP500-TR: 3783.64 | SP/TSX-TR 43176 | FOREX: 1.3076

June 13, 2024 SP500-TR: 11841 | SP/TSX-TR 88162 | FOREX 1.3753

Source: Refinitiv, NBF, Hilberry

Since October/2015 the S&P500 total return more than doubled the Canadian benchmark. The Loonie declined 5% as well. It's tempting to blame the party in power. Is this fair? The Conservative Party led by Stephen Harper ruled from Jan/2006 through to Oct/2015.

**Percentage Total Returns Jan 2006 – Oct/2015 : S&P500 (98.2%) vs SP/TSX Composite (57.5%)**



Jan 20, 2006: SP500-TR: 1909.35 | SP/TSX-TR 2180.4777 | FOREX: 1.1420

Oct 16, 2015: SP500-TR: 3783.64 | SP/TSX-TR 43176 | FOREX: 1.3076

Source: Refinitiv, NBF, Hilberry



Under Conservative leadership, Jan/2006 to Oct/2105 (9.75 years) the TSX total return was indeed closer to the S&P500...but not by much. The S&P500 gained 98% vs the TSX 57%, a 71% outperformance. Both sets of 2006-2015 returns were much lower than the recent run. During the Harper era, the Loonie declined -14.5% vs the Liberal's -5%.

Neither party was able to lift Canada's returns to par with US results. Canada's economic outcomes are dominated by international factors beyond our control. As fun as it is to blame whoever's ruling the roost, at under 3% Global GDP, other factors are likely to be the main drivers. We still think avoiding self-inflicted injury is a useful idea.

One take away from this study is the recent outperformance of S&P500 US returns vs its own history and by extension how far average below Canada's has been. History says a leveling should occur. We remain tilted towards Canada. This week proved it might take patience.

***'Liberals table capital gains tax changes — what you need to know' Financial Post Jun 10, 2024***

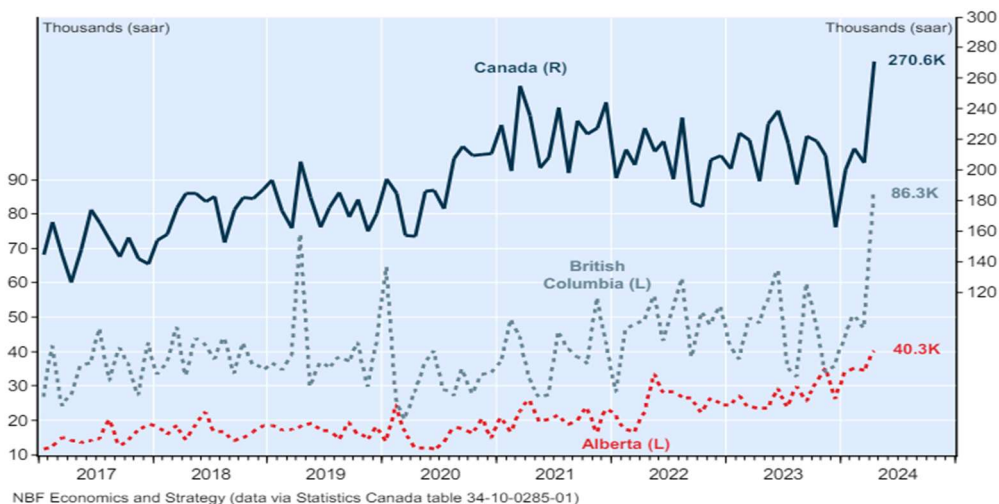
<https://financialpost.com/personal-finance/taxes/capital-gains-tax-changes-what-you-need-to-know>

**How Likely is a US Recession in 2024?**

We've pointed to moderating inflation, moderating (but not crashing) bond yields, easing energy costs, as supportive of the economy and stock prices. We noted the strong price action in JP Morgan (money center) and Goldman Sachs (investment banker) stocks as confirmation the US economy appears unlikely to enter a recession soon. National Bank with a more complete list of leading indicators comes to the same conclusion.

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=c538ed06-b584-4533-b6e3-b64eaa7ac625&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

**Canada: A glimmer of hope for the housing crisis**  
Building permits for multi-family units



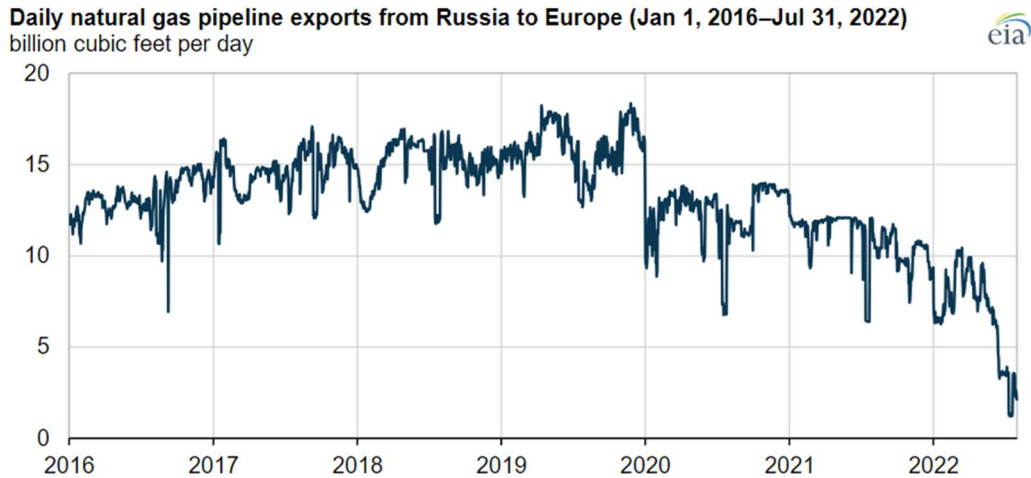
Note 47% of the new housing is split between BC and Alberta. No slackening in demand in Western Canada.

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=ca679d93-48b9-497a-99a1-8d9c34ae02df&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

**How to NOT fund a war: Russian Natural Gas Sales plummet.**

Excerpt from National Bank’s Daily Energy and FOREX notes – June 11, 2024

*Gazprom confirmed outside estimates of its falling gas production in its annual report released yesterday, with the state-run energy company marking 2023’s annual production at 358 bcm (~35 Bcf/d) – roughly ~13% less than the previous year and its lowest production levels since the inception of the company 35 years ago, according to Reuters. Gazprom’s report aligns with third-party estimates that Russian gas exports showed a similar decrease in 2023, with Reuters tracking of Russian deliveries into Europe showing a 56% decrease to ~28 bcm (~2.7 Bcf/d) in 2023. Gazprom also recorded a dismal performance financially with its net loss of ~\$7 billion “its first since 1999 ... amid dwindling gas trade with Europe, once its main sales market” (Reuters).*



**Data source:** Refinitiv Eikon, based on data provided by the European Transmission System Operators  
**Note:** Russia’s natural gas exports by pipeline include exports to the European Union and the United Kingdom as measured by daily flow volumes at the main entry points in Germany, Slovakia, and Poland.

**The AI frenzy continues.**

Last week we featured Nvidia (NVDA-\$!131.88) price going parabolic on the charts. The price was up another 10% this week. We’re taking a pick & shovel approach to this Gold Rush.

**NextEra Says AI Boom Spurs Need for Big City-Scale Data Centers**

- AI is fueling a boom in the development of US data centers
- CEO says NextEra would consider restarting a nuclear plant



**NextEra Energy Inc (NEE-US\$71.94) daily ranges 9 months.**



Source: Refinitiv, NBF, Hilberry

We hold US electrical power producer NextEra in our US dividend portfolio. NextEra’s stock peaked near \$94 in Jan/2022, during the ‘electrify everything’ bubble (Tesla peaked around \$410 Nov/2021). Investors were excited about NextEra’s solar power assets in the Southern US. When the horizon for profits receded into the distance, ESG narrative stocks sagged.

We initiated a NextEra BUY in our model portfolio in mid-November 2023 around \$54. We still hold it. Compared to Nvidia, NextEra is ‘only’ up 33%. We think owning electrical power producers in the US and Canada will more likely generate solid returns and pay tidy incomes. That’s our thing.

**DISCLAIMER: We hold NextEra personally, for family members and for client accounts over which we have trading authority. We have traded in the security within the past 60 days.**

**Have a Great Weekend**

**Steve & Anna Hilberry**







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**FOR THE RECORD June 14, 2024 (Intraday)**

DOW INDUSTRIALS:	38,514
S&P 500:	5424
S&P/TSX COMP:	21572
WTI:	\$78.66
LOONIE IN \$USD:	\$0.7276 \$US

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