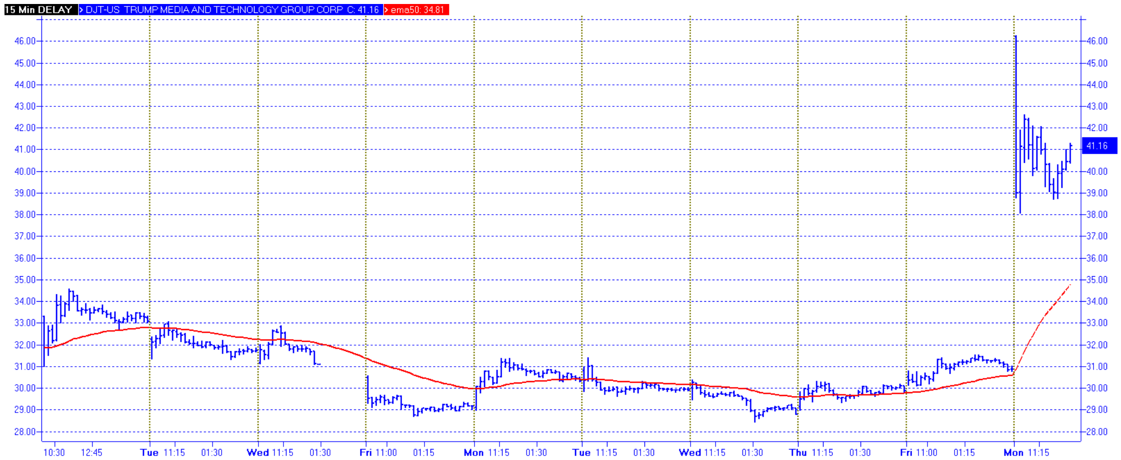
July 19, 2024

Trump Assassination attempt: How are markets reacting?

Presumptive GOP US Presidential candidate Donald Trump narrowly survived an assassination attempt on Sunday July 14, 2024. Political pundits are now projecting this event will propel Trump to election victory this coming November. How did financial markets react on Monday?

Trump Media and Technology Group (DJT-US) 15-minute intervals



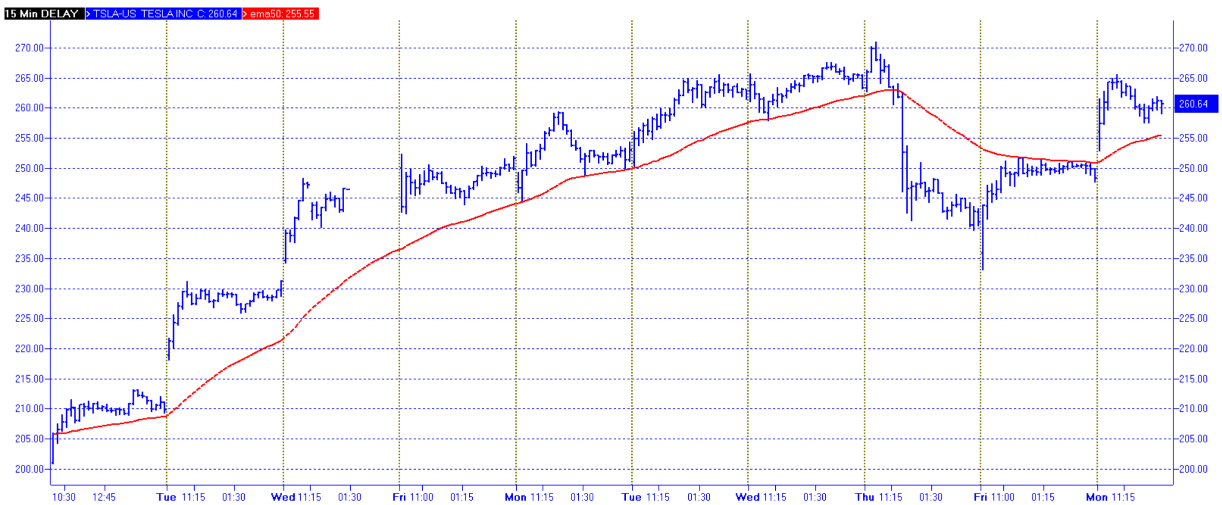
Source: Refinitiv, NBF, Hilberry

Trump Media (DJT-US) closed on Friday July 12 at $30.88. The $46.20 opening trade Monday July 15 was 49% higher. Some investors believed Mr. Trump's fortunes improved dramatically. The DJT stock price moved marginally higher in the first minutes of trading then fell to $39.01. Volume was very heavy with over 11 million shares traded at the opening. By 1:00 Eastern over 60 million shares. The heaviest weekly volumes remain those at the end of the first month DJT went public with over 632 million shares trading hands swamping subsequent trading periods. DJT went public at $10 in the first week in Oct/2021. By Oct 22, 2021 the price hit $175 and closed that week at $94.20. Can't blame someone for willing to sell a lot of stock at those prices, not seen since. Monday saw stock jump broadly, perhaps due to other factors. At this writing Thursday, July 18 DJT closed at $37.38. Stock indices dropped back on Thursday, so it's a guess as to which horse was pulling the cart, politics or financials.

Tesla Inc. (TSLA-US)

Mr. Trump has made clear his intention to roll back the Biden tax and subsidy incentives for electric vehicles. He has stated he favors carbon fuels and intends to dismantle the Environmental Protection Agency (EPA). Should he win the election, one would guess this would be a hurdle for Tesla, yet Tesla's share price also surged at the opening on Monday July 15, +7% in the early trading. Mid-session the price failed at the Thursday peak around $270. Mr. Musk's endorsement of Trump following the shooting appeared timely.

Tesla Inc (TSLA-$260.64 – mid-session July 15) 15-minute intervals



Source: Refinitiv, NBF, Hilberry

Bringing it home…

Canada: Challenging labour market for newcomers – HotCharts July 12, 2024

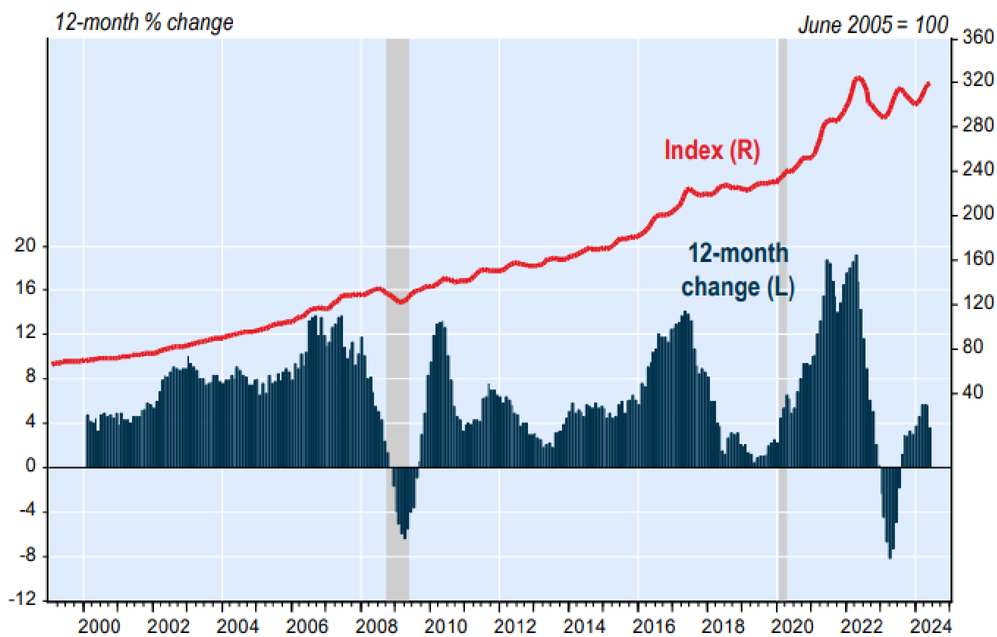
Canada is welcoming a record number of immigrants. We broadly think this is a good thing. There will be teething problems.

[Challenging labour market for newcomers](#)

July 19, 2024

Teranet-National Bank House Price Index: Prices remained stable in June

Teranet-National Bank National Composite House Price Index™

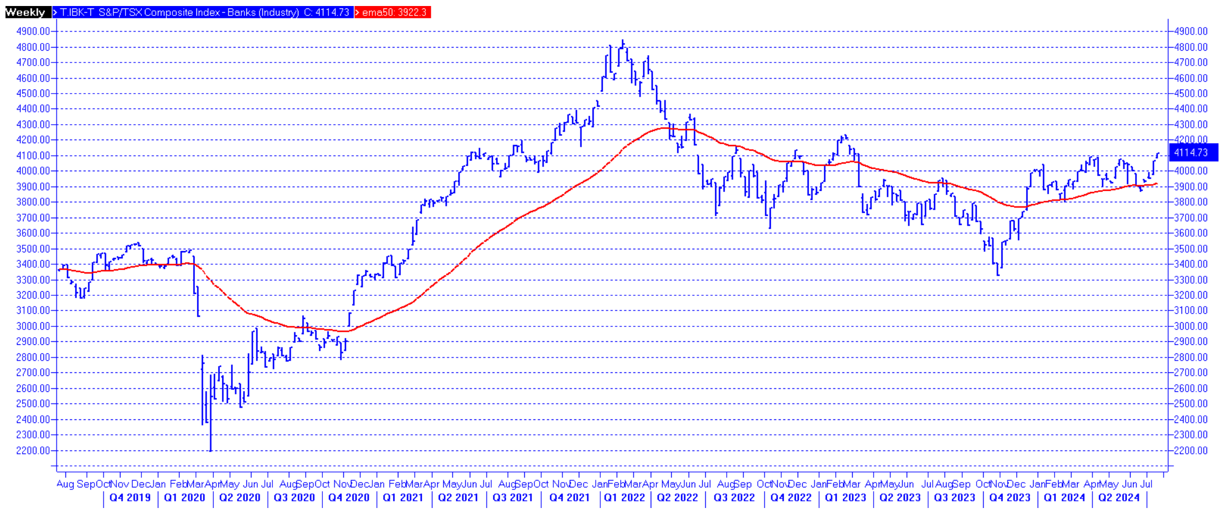


Source: Teranet-National Bank House Price Index Jun/2024

[Link to the Teranet House Price Index Article.]

Media fears over a Canadian house-price collapse appear to have kept Canadian bank investors sitting on their hands since Q1/2022.

S&P/TSX Composite Index – Banks Subindex 5 years weekly ranges July 17, 2024



Source: Refinitiv, NBF, Hilberry July 17, 2024

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

HILBERRY GROUP

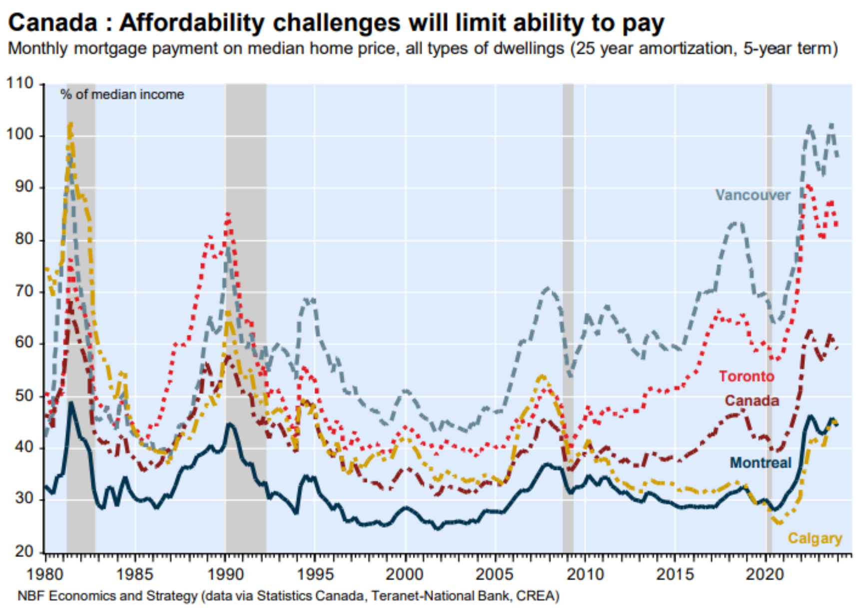
We've maintained Canadian property prices aren't likely to repeat the bursting of the US 2007 Housing Bubble that ultimately led to the collapse of Lehman Bros in Sept/2008.

We've noted the differences in lending leverage, tax deductibility of mortgage payments, mortgage reset terms, downpayment requirements and foreclosure remediation between the US and Canada. Adding surging Canadian immigration should support Canadian residential property prices. We don't think Canadian banks share Lehman Moment risks.

One potential bogey to our stance is rumored Federal fiddling with the Canadian Personal Residence Capital Gains exemption in the name of 'fairness' and 'affordability' – presumably to make housing more affordable (by driving prices down?). We see this as political suicide for those seeking Canadian re-election. A low probability risk.

National Bank explains the capital gains exemption.

We believe rising interest rates will lead to sideways-for-longer Canadian house prices, vs. a spectacular crash. We don't think house prices will skyrocket either. The much-predicted-by-punditry Canadian house price Armageddon has yet to occur. The Teranet Canadian House Price Index is sideways since early 2022, supporting our views on house prices. Ultimately house prices are supply driven. Canada has lots of empty land, building is the problem. As we noted previously, getting anything built is a trial. As we've detailed in previous notes, our construction industry clients tell us provincial and municipal building regulations, all beyond the reach of the Federal Government, are a major impediment to new construction.



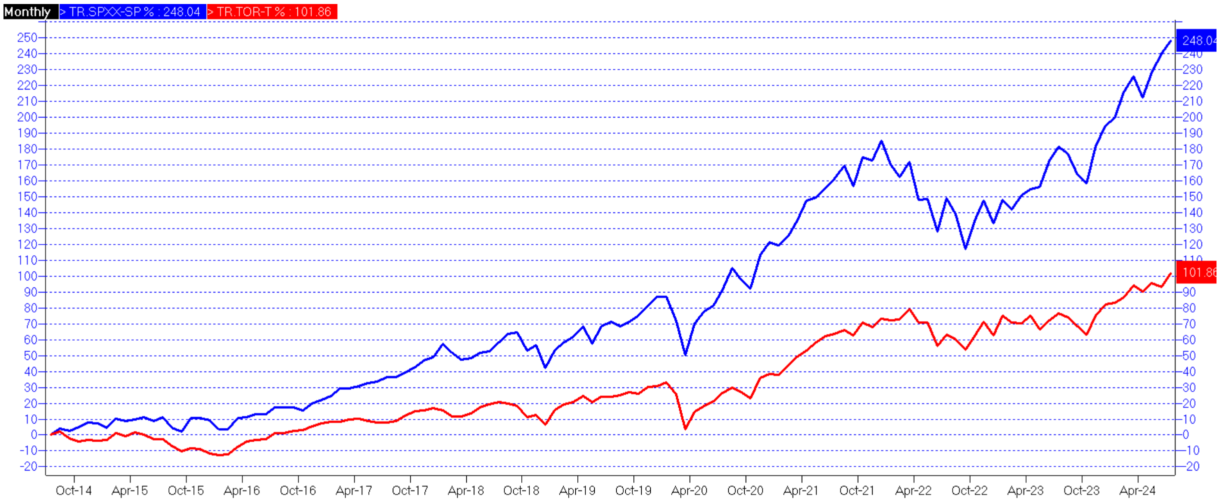
CONCLUSION: House prices going sideways is boring (doesn't sell much advertising). The news media reporting circus has moved on. We don't think houses prices will repeat the 2007 US bust nor the 2020-22 boom. That's a good thing. Under this stable and boring scenario, we see good value in Canadian Bank shares. Boring works.

***"The problem with socialism is that you eventually run out of other people's money." –* Margret Thatcher**

The Canadian Dollar would be weaker without the bond market - NBF

We've noted the bond market hasn't been worried about Canada's ability to pay its debts. The interest rate demanded by lenders (and our borrowing cost) so far remains at or below that of the US. Lucky thing, given our current leadership's affection for 'other people's money'. It's not all roses though. While lenders are willing to extend credit, equity investors who depend on growth and optimism for the future, have exited Canada in droves. The result has been Canadian equities underperforming their US peers over much of the current government's tenure.

Total Return base 0: S&P500 (blue 248) vs TSX Comp (red 101) - 10 years



Source: Refinitiv, NBF, Hilberry July 18, 2024

The S&P500's 248% gain over 10 years trounces the TSX 100%. The exit of capital from Canada is not entirely the Federal Governments' fault. A running race with US High Tech is hard to win. Avoiding self-inflicted injuries to one's foot would help.

Link to the NBF report: The Canadian Dollar would be weaker without the bond market

Speaking of self-inflicted wounds…

Electricity Canada warns of 'flawed' design and 'severe affordability impacts' of Ottawa's Clean Electricity Regulations' 'Calgary Herald July 17, 2024'

As German industry is painfully aware, rising electricity costs are a challenge. Responding to the Russian invasion of Ukraine, Europe restricted imports of Russian gas used to power electrical power generation plants. Climate advocates saw a chance to accelerate the transition from hydrocarbon to renewable energy. Predictions were the electrical power-source transition would generate more power at lower cost, IE improve power productivity.

Germany had been at the forefront of transitioning from coal/natural gas fired power to wind and solar energy. Hooray!

Then reality struck. The cut-off of Russian gas proved a shock to the German power system. Renewable couldn't take up the deficit. From around 49 Euro's per KWh in 2019, prices peaked at over 469 EUR in Aug/2022 . German electrical power prices have fallen from the Aug/2022 highs but remain 47% above the averages for 2019. The German experience has not supported that notion that renewables will bring improved productivity…at least not yet. In response, Germany has brought in regulations constraining power use.

German power price increases have affected industry competitiveness. Consumers have proven unwilling to pay the associated increased cost for German products, favoring less expensive sources often from South East Asia , with looser power generation source regulations, lower power costs and lower product prices. We're not saying this is a good thing. It is what it is.

We doubt our current Canadian leadership will take guidance from Margaret Thatcher. As it appears they are ignoring the political fallout from the Kathleen Wynne - Ontario Liberal government's power policies , they probably won't adhere to this quote either.

"Those who cannot remember the past are condemned to repeat it," George Santayana,

We're confident Canadians will address the current challenges and advance. In the meanwhile, we see great value in Canadian equities with fat dividends. The US will do just fine too.

We're taking a one-week break. No Weekend Reading next Friday.

Have a Great Weekend

Steve & Anna Hilberry

WEALTH MANAGEMENT

FOR THE RECORD July 18, 2024 - close

DOW INDUSTRIALS:	40,665
S&P 500:	5,544
S&P/TSX COMP:	22,726
WTI:	$82.27
LOONIE IN $USD:	$0.7293 $US

HILBERRY GROUP

Terms of Use Confidentiality ABC's of Security

Sent by
Montreal Office
National Bank Financial
Wealth Management
1155 Metcalfe 5th Floor
Montreal, Quebec, H3B 4S9
Phone: 514-879-2222

Toronto Office
National Bank Financial
Wealth Management
130 King Street West Suite 3200
Toronto, ON, M5X 1J9
Phone: 416-869-3707

CIRO
Canadian Investment Regulatory Organization

CIPF
Canadian Investor Protection Fund
MEMBER

HILBERRY GROUP

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT