



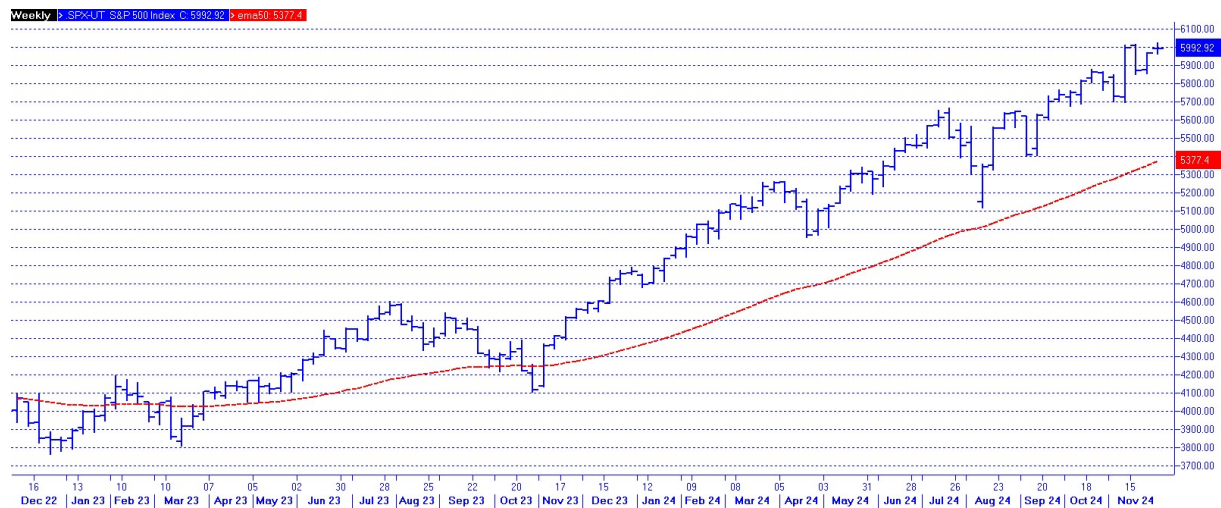
WEEKEND READING

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

Let 'er rip

Market's have cheered the election of Donald Trump. Or have they? History says presidential election years see investors holding their breath from mid-summer, awaiting November's results. Somebody wins, markets shrug and carry on. The waiting builds buying pressure. Stocks often rise. Nov/2024 confirmed the pattern. The S&P500 broke 6,000 level the week following the Nov 5, election. The momentum continued with the S&P breaking new highs this week. Mr. Trump may congratulate the mirror. We're not making that mistake. We're happy to own rising prices... for now. History also says post-election years following a change of administration, may get lumpy as the reality of the limitations on promises/threats (see below) made by the new, in this rare case-old, administration become clear.

S&P500 Index (SPX-5,992) weekly ranges – 2 years Wed Nov 27 mid-session



Source: Refinitiv, NBF, Hilberry – Nov 27, 2024 mid-session

Markets appear to be pricing in post-presidential election year tendencies, lower Fed Reserve interest rates, a continued US economic recovery, lowering geopolitical risk at some

point (all wars end) and business-friendly tax changes. We believe the economic wind remains at the market's back. Speaking of promises and threats.

The Crazy has started...already.

On Tuesday Trump's love of Policy-by-Tweet was in full swing. The President re-elect railed against 'foreign drugs and immigrants', threatening a 25% tariff on all goods imported from Canada and Mexico into the US.

"U.S. president-elect Donald Trump is vowing to impose 25-per-cent tariffs on all products from Canada and Mexico as soon as he takes office, saying he will keep them in place until both countries crack down on drugs and immigrants entering the U.S. illegally from their territories." Globe & Mail Nov 25, 2027

<https://www.theglobeandmail.com/world/article-trump-tariffs-canada-mexico/>

Investors went into panic mode. Automaker shares saw heavy selling on Tuesday. GM dropped 9% during the trading session. Thomson-Reuters 'Refinitiv' division explained how automakers, like most industries, are sensitive to trade tariffs. .

ANALYSIS-GM and other US automakers would take big hit from Trump tariffs

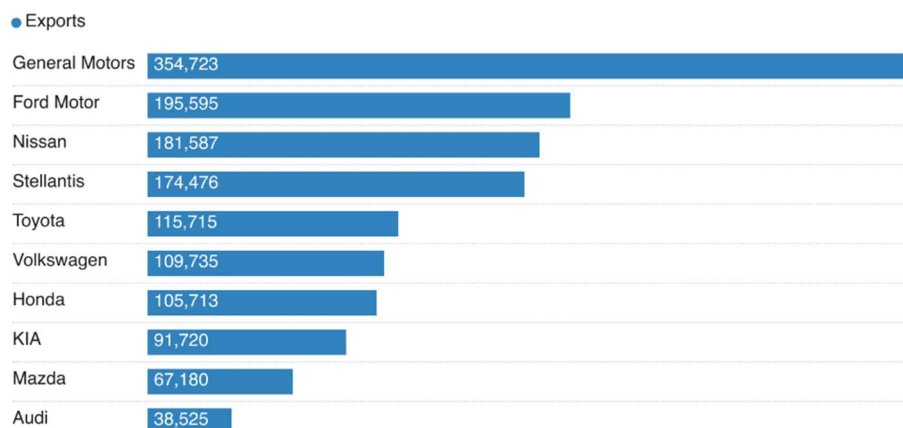
Reuters 3:37 PM (UTC-05:00) Eastern Time (US & Canada) Nov 26, 2024

- Trump's tariffs could raise SUV and pickup truck prices for U.S. consumers
- Tariffs seen by some analysts as negotiating tactic linked to immigration and drug issues
- Mexican President Sheinbaum warns tariffs could worsen inflation, kill jobs

By Cassandra Garrison, David Shepardson, Ben Klayman

U.S. firms lead car exports from Mexico to North America

Exports of light vehicles from Mexico to North America from January to July 2024, 90% of which went to the United States.



Note: Data compiled and published by AMIA from Mexico's statistics agency INEGI.

We suspect investors focused on the 25% tariff headline, missing the why behind Trump's all-caps, tweet-yelling.

"...saying he will keep them in place **until both countries crack down on drugs and immigrants entering the U.S. illegally from their territories.**" Globe & Mail Nov 25, 2027

Nov 11, 2024, CBS News featured a 'flood of illegal immigrants' entering the US from Canada. Following Trump's Nov 5 election win, did CBS sniff an advertising opportunity?

"Illegal crossings at northern U.S. border continue to skyrocket, hundreds of terror suspects arrested" – CBS News Nov 11, 2024

<https://www.cbsnews.com/boston/news/illegal-crossings-northern-us-border-terror-suspects-arrested/>

Open borders and trade with Canada and Mexico reflect US economic reality. Throwing up walls and tariffs would proportionately raise the costs of goods and services inside the US. Trump touts his business acumen. One would expect a 'business man' to understand trade.

'Illegal immigrants' conflated with 'terrorists', has become a partisan political issue.

https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/FILE_6538.pdf

While it may be fair to criticize Canada on illegal emmigration southwards across the US border, past experience asks 'who on earth would want to do this?' Perhaps the more accurate complaint is a lack of both Federal and Provincial imagination on border security.

Back to 25% tariffs.

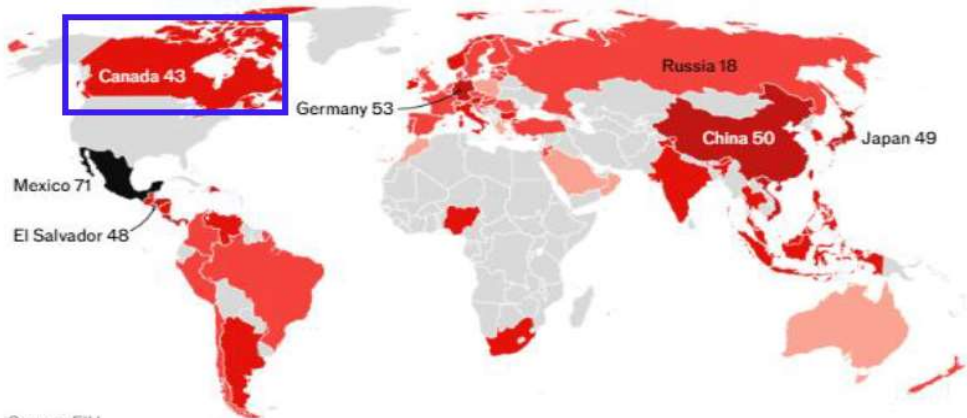
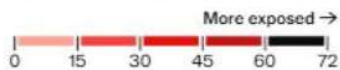
How exactly would a 25% tariff have any effect on border security when the receiving country controls the flow? The complaint seems to stem from the realization that 'fixing the border' will be much more difficult and expensive than simple tweets. Unlike Mexico, Canada's nearest non-US border is shared with... polar bears. Mexico, El Salvador, Germany and China have higher exposure to tariff impacts. Regardless, Canada must take tariff threats seriously.



Trump risk index

Exposure to expected policy changes under Donald Trump

United States' 70 largest trading partners

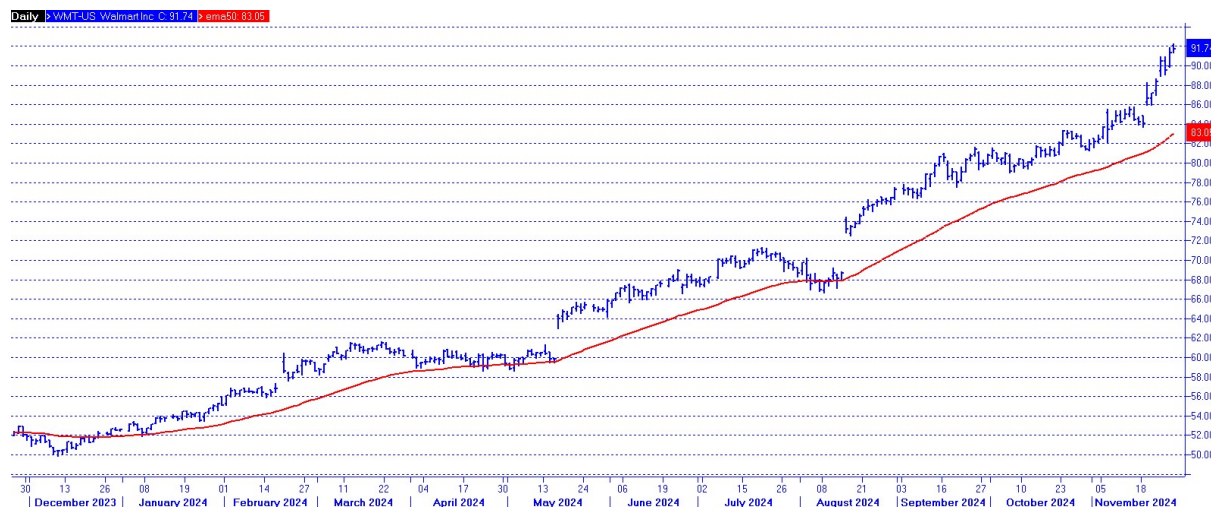


Source: EIU



The good news is Trump swims in public opinion and perception. The perception of forcing Canada to improve border enforcement may be the win for Trump. A show of enforcement (what government doesn't love increasing a departmental budget?!) will be less expensive for both countries than slapping on massive trade tariffs and building walls. Self-inflicted inflationary wounds are rarely politically expedient. We suspect the tariff threat remains just that. What do other market sectors think? If one should panic over autos suffering under a 25% tariff, surely retailers relying on global supply chains would also be hurt. Big Box investors don't seem worried.

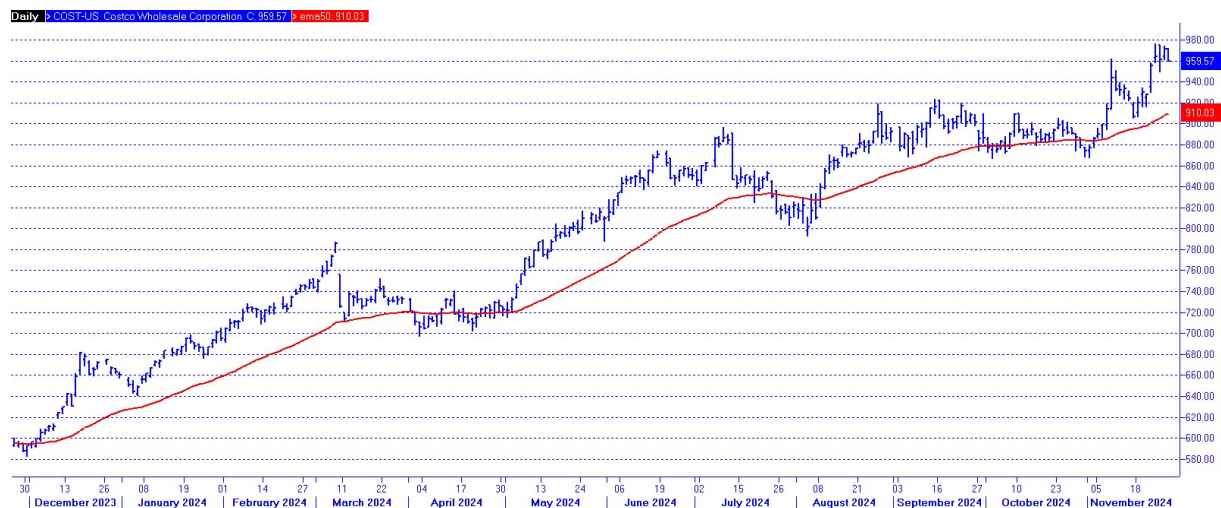
Walmart Inc (WMT-US-\$91.73) daily ranges 12 mos



Source: Refinitiv, NBF, Hilberry Nov 27, 2024 mid-session



Costco Wholesale (COST-US-\$959.57) daily ranges 12 mos



Source: Refinitiv, NBF, Hilberry Nov 27, 2024 mid-session

National Bank waded in on trade tensions this week.

Geopolitical Briefing: Canada's Trump Card in Navigating Trade Tensions – National Bank

<https://nbf.bluematrix.com/links2/pdf/f20de3c1-4a1e-48d0-95e1-f31f935083e5>

As politicians play football with trade optics - some border stats.

Approximately 400,000 people cross the Canada/US border daily. The annual volume exceeds 100 million individual trips.

<https://www.international.gc.ca/country-pays/us-eu/relations.aspx?lang=eng>

'Travel between Canada and other countries, September 2024' Statscan

<https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2023020-eng.htm>

Over the past 5 years, August saw peak travel Canada/US. In August 2024, 5.2 million Canadians travelled outside the country with 75% destined for the US. In September, 2024 approximately 5.3 people crossed the Canada/US border. 2.2 million US residents traveled temporarily to Canada, while Canadians took 3.1 million trips to the US. While the higher Canadian daily cross-border travel includes day-trippers by car, the US benefits from the 41% excess travelers coming into the US and spending money. Northern state governors may not support a contraction in travel.



Economic Calendar for December, 2024

For those following economic news (you REALLY need a hobby)...

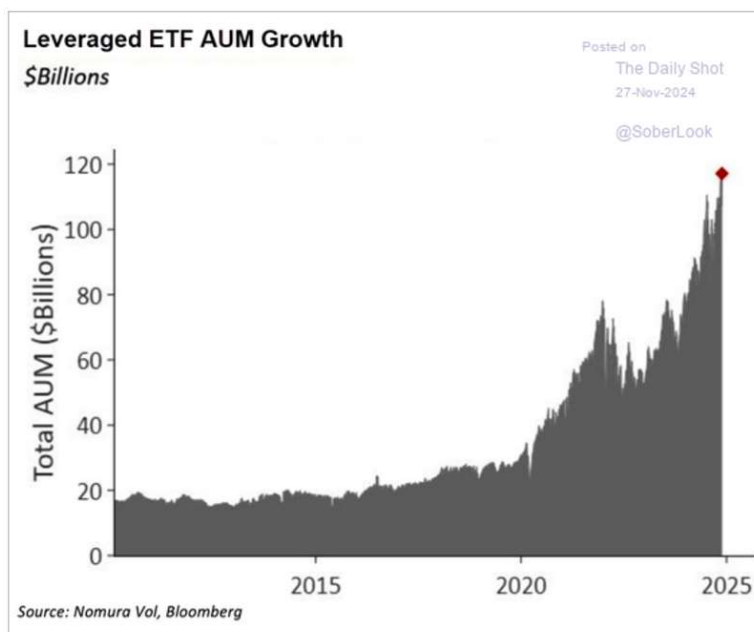
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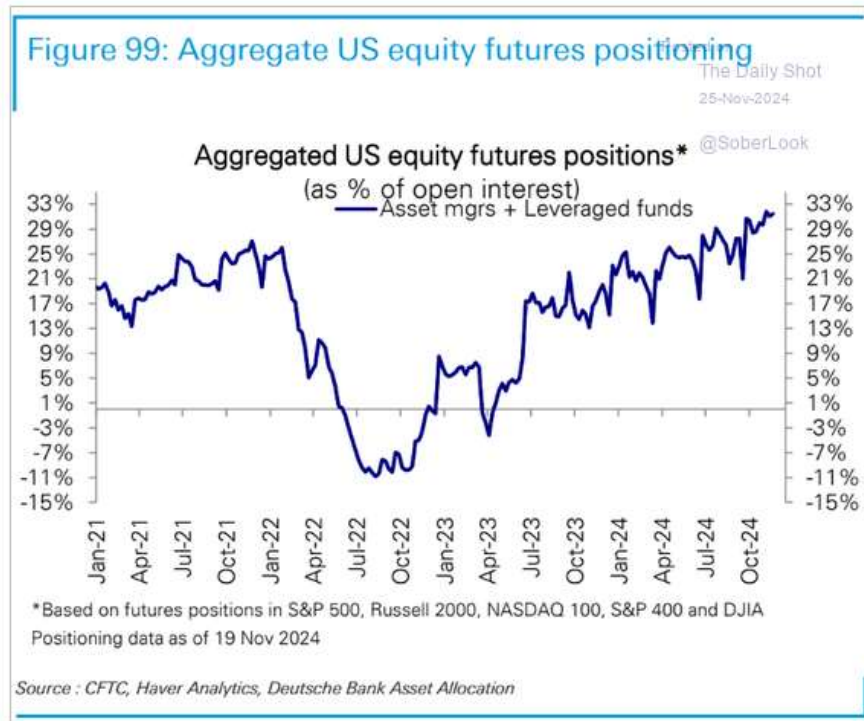
What are we doing?

We eat our own cooking. We're pleased our portfolio 12-month double digit returns. We think markets have the economic wind at their back. Prices are up, dividends are up, interest rates are falling. What's not to like?

We'll remind investors of Warren Buffet's advice to... *"be fearful when others are greedy and to be greedy only when others are fearful."*

'Leveraged ETFs' typically use financial futures contracts to increase exposure to market price returns above 1:1. To achieve this exposure the buyer of the contract (buyer of the risk) promises to pay the seller of the contract, and the risk, a sum representing the dollar change for a given dollar exposure over a defined period. An example would be to 'buy' the change on \$100 over 90 days. If the buyer hopes for a 10%/\$10 change they might pay \$7. **If** they pay \$7 and get \$10, the return is \$3.00 on \$7.00 = 30% over 90-days. Keep that up and the annual return is 120%. If the buyer sets aside \$100 to cover the actual result, they haven't taken on any additional risk. More typically the buyer sets aside \$25 for each contract, buys 4 contracts (4:1) taking on the result of \$400 exposure on \$100 put up. The 4 X \$10 result is 40% over 90-days = 160% annualized. Whoopee!. Ah but there's always a catch. If the market price falls 10%, the loss is \$10 plus the \$7 cost of the contract = -17% X 4 = -68% . An 18% market price decline can wipe out the original capital. Why would anyone take on such risk? We wouldn't and won't, but clearly someone else is.





We see accelerating hunger for exposure to rising equity prices as signs of greed. As we've noted recently the US dollar and US equities are priced above the longer-term averages, while Canada remains more attractively priced. We're trimming US stocks, moving the proceeds to Canadian dollars and Canadian equities. This probably won't be popular.

Have a Great Weekend

Steve & Anna Hilberry



Steve Hilberry
 Wealth Management Advisor, CIM

Anna Hilberry
 Wealth Management Advisor, CIM

FOR THE RECORD Nov 29, 2024 close

DOW INDUSTRIALS:	44,910
S&P 500:	6032
S&P/TSX COMP:	25,627
WTI:	\$68.25
LOONIE IN \$USD:	\$0.7144 \$US



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Sent by

Montreal Office
National Bank Financial
Wealth Management
800 Saint-Jacques Street
Office 79721
Montreal, QC H3C 1A3
Ph: 514-879-2222

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

