



WEEKEND READING

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

2024 ends with a bang

It's been a great year for investment returns. Clients are calling in with glad tidings of comfort and joy. Some of the more wizened have asked if it's all about to come crashing down in 2025? They point to the craziness in US politics, geopolitical tensions, the malaise in Canada with an exceptionally weak Loonie. More on gains, losses and the Loonie below.

Ben Franklin advised fish and visitors start to stink after three days. Given the pending holidays we're providing additional reading material on the chance you need an excuse to duck out.

We start at the top with US president re-elect Donald Trump's parade. He's not in the seat yet and is already stirring the pot. This week saw drama in Washington as Elon Musk used his X platform to stir up MAGA pressure on Capitol Hill to, at the very last minute, kill a spending bill that would have prevented a shut down of the US Government.

Anthony Scaramucci and Katy Kay explain the arrival of Mr. Musk, what he's likely in for, the limits of Presidential power and how the K-Street lobbyist are likely to get their knives out for Musk and friends. There are some sugar plums and lumps of coal.

***'The Trumpeteer: Musk's Presidency Begins'* The Rest is Politics – US Dec 20, 2024 YouTube**

<https://www.youtube.com/watch?v=26pQRJ40Kgk>

The Canadian the Loonie has a bright and shiny red nose... the result of diving headfirst through previous lows. At this writing the Loonie trades under 70 cents US. NBF handed out lumps of coal to the Canadian Federal Government in their Dec 6 Market View.

NBF Economic Market View Dec 6, 2024 Canada: Bureaucrats "R" Us?

<https://nbf.bluematrix.com/links2/pdf/4bf5e963-e517-4bb1-bbc2-e21d4509ab84>

“In what might be described as a sort of ‘economic vertigo’, Canada’s labour market looks to be losing its balance. Consider today’s Labour Force Survey, which our colleagues thoroughly analyzed in our **Dec 6TH Economic News** commentary, [here](#).”

Dec 6th Economic News full link:

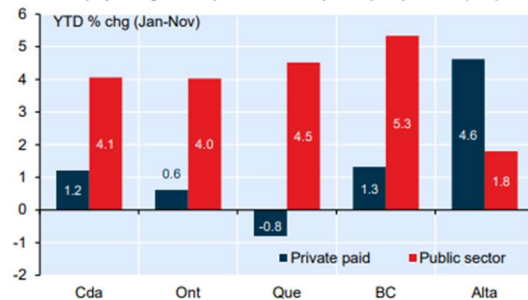
<https://nbf.bluematrix.com/links2/pdf/a91857b0-b17b-48d5-ba02-117c73db7309>

“Given an underperforming domestic economy and highly uncertain geopolitical outlook, businesses simply aren’t hiring aggressively. Who can blame them. But in the government sector? Well, that’s another story. Of the ~50,000 jobs Canada created in November, almost 90% were in the public sector. There’s plenty of noise in these monthly LFS guesstimates, with the trend likely to be more trustworthy. But even on a year-to-date basis things look unbalanced. In the first eleven months of 2024, public sector employment advanced more than three-times faster than private-paid positions. So has Canada’s labour market been re-branded ‘Bureaucrats “R” Us’? In a sense, yes.

“The current public sector share of total Canadian employment isn’t far removed from the pandemic-related peak when businesses were forced to close. On this metric, we’ve (unfortunately?) turned the clock all the way back to mid-1990s. Recall, that was era of bloated government and structural imbalance that required years of remedial action to clean up.”

Chart 1: Heavy reliance on public sector hiring...

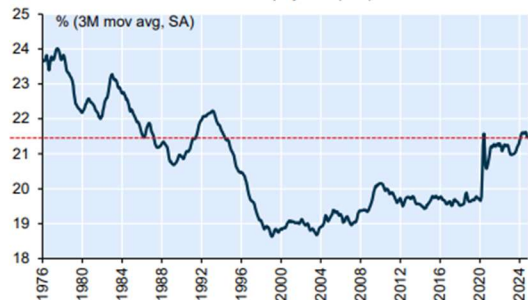
Canada employment growth in public sector vs. private paid positions (LFS)



Source: NBC, StatCan | Note: Data to Nov-24

Chart 2: ... with public share of all jobs structurally higher

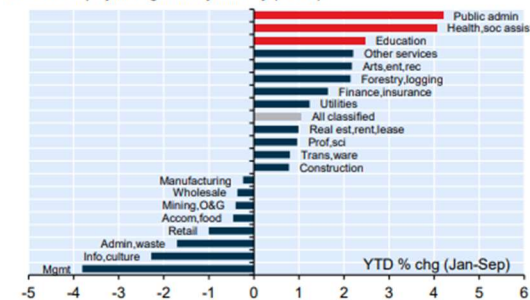
Public sector share of total Canadian employment (LFS)



Source: NBC, StatCan | Note: Data to Nov-24

Chart 3: A larger government architecture...

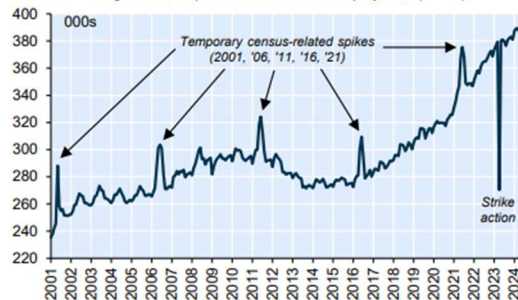
Canada employment growth by industry (SEPH)



Source: NBC, StatCan | Note: Data to Sep-24

Chart 4: ... including more bureaucrats in Ottawa these days

Canada federal government public administration employment (SEPH)



Source: NBC, StatCan | Note: Data to Sep-24



Our Takeaways:

Chart 4 says start date of the head count ramp up in Ottawa bureaucrats is late 2015. The current government came to power in October/2015. Maybe a just a coincidence?

The report confirms our previous complaints about Canadian economic productivity. History repeatedly confirms falling productivity brings rising inflation. Government policy focusing on wealth distribution, social justice and 'helping the middle-class' by 'looking out for Canadians' (versus enabling Canadians to look after themselves) guarantees more power for government, more bureaucracy and more tax to pay for it all. It's an inconvenient truth.

The report also appears to explain domestic and international investor disappointment in Canada's prospects as reflected in a weak Loonie and low relative asset prices vs. our closest trading partner. It's a bear market for Canadian optimism. The silver lining is that things change. Reminder: I've never met a rich pessimist. The time to be bullish is when optimism is in short supply. We've been adding to our Canadian risk assets lately.

What about those tariff threats?

'Tariffs Could Wreak Havoc on North American Oil Flows' Energy Intelligence Dec 5, 2024

Most economists say a potential 25% US tariffs on energy imports from Canada and Mexico suggest it would be a lose-lose-lose situation. Recently, **Energy Intel** published its own take on the oil tariff thought experiment last week, with the consultancy adding that tariffs on Canadian energy exports would be unlikely as Canada remains the largest supplier of crude to the US (~4 MMb/d) and key strategic supplier of heavy crude for the Midwest (2.7 MMb/d) - tariffs on Canadian crude would be difficult to digest. The firm also argues that Canada is not totally defenseless as there is 0.9 MMb/d of international crude oil egress through the TransMountain Pipeling (TMX) and another 0.4 MMb/d of crude that can be directly transported from Hardisty, Alta to US Gulf terminals to offer leverage in trade discussions. As for Mexico, the country is too important a destination for US gasoline (~1.2 MMb/d) to alienate in an energy tariff war, as there is no other suitable destination for US exports of gasoline. In any case, it's clear that US energy tariffs would serve to both increase US energy costs and hurt US domestic refiners while not achieving much in return, and the most plausible scenario is that potential energy tariff threats are more than likely a scare tactic to bring Canada and Mexico to the negotiating table.

US CRUDE OIL AND PRODUCTS TRADE WITH ITS NEIGHBORS

('000 b/d)	Canada		Mexico	
	Crude	Products	Crude	Products
US Imports	3,977	573	466	170
US Exports	340	470	--	1,160
Net Trade	3,637	103	466	-990

Trade for Sep'24. Source: US Energy Information Administration

Article link : <https://www.energyintel.com/00000193-9810-de9f-a1d3-bdf81eaf0000>

Russia loses 'vital' bases in Syria as Assad falls | Ukraine: The Latest | Podcast Dec 9, 2024 YouTube.

'Ukraine The Latest' should be on your Christmas gift-to-yourself wish list (its FREE!). Recent podcasts say things are going from bad to worse for Mr. Putin. We're not surprised

The first half of the Dec 9 podcast asks if the collapse of Assad in Syria signals Russia's declining influence in North Africa and potential signs of a turning point in Russia's war in Ukraine, reflecting over-stretched resources. The second half of this podcast features Jacob Heilbrunn Editor, The National Interest, author of '**America Last: The Right's Century-Long Romance with Foreign Dictators**'

<https://www.amazon.ca/America-Last-Century-Long-Romance-Dictators/dp/1324094664>

Mr. Heilbrunn discusses the appeal in the United States beginning in the 1920's of Russian's Bolshevism for the far left and European fascist dictators for the far right. Many of those trends continue to the modern era. Conclusion: The 'America First' movement is not new.

https://www.youtube.com/watch?v=3HAuSFafJog&list=PLJnf_DDTfIVCYIsANGtNkzMeM9Fdmqzxr&index=1

'Ukraine The Latest' is also available as a daily podcast on your favored podcast app. I use Podcast Addict: <https://podcastaddict.com/podcast/ukraine-the-latest/4805122>

TSMC's Semiconductor Production in the USA || Peter Zeihan YouTube

Mr. Zerihan looks at the notion of moving semiconductor production back to the US.

<https://www.youtube.com/watch?v=sDlpSPfIMQo>



NBF Economics and Strategy

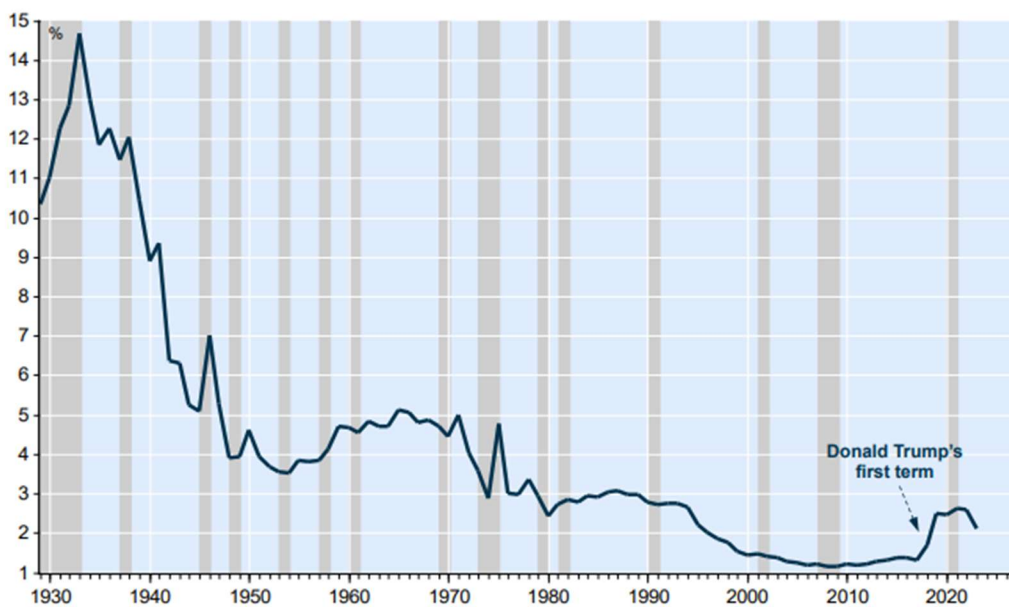
Monthly Economic Monitor: U.S. elections add layer of uncertainty to global outlook

Summary

- *Of all the events of the past month, the U.S. election is undoubtedly one that will continue to impact the global outlook for the foreseeable future. This is not only due to the protectionist policies advocated by the President-elect during his campaign, but also to the fact that the implementation of these policies has been made more likely by the Republican Party's takeover of both houses of Congress.*
- *Taking several factors into account and bearing in mind that any projection made at this stage is highly uncertain, our base scenario incorporates only a modest intensification of Washington's protectionist measures in 2025. We expect China and Mexico to be the main targets of new tariffs, with the latter country bearing the brunt of collateral economic damage due to its greater exposure to U.S. demand. Canada, Vietnam, Germany and Japan could also be affected, but to a lesser extent.*
- *The shock of new tariffs should be manageable, but that doesn't mean that global growth will be solid in 2025. This is because the escalation of trade tensions will occur at a time when many parts of the world are already showing signs of weakness.*
- *Our global growth forecast for 2025 remains unchanged at 2.9%, with downward revisions in China and Mexico largely offset by a significantly more robust trajectory in the U.S. Looking further ahead, we expect global growth to accelerate slightly to 3.1% in 2026.*

United States: The end of a century-old trend?

Custom duties as a percentage of total imports



NBC Economics and Strategy (data via Fred St Louis)

Full report:

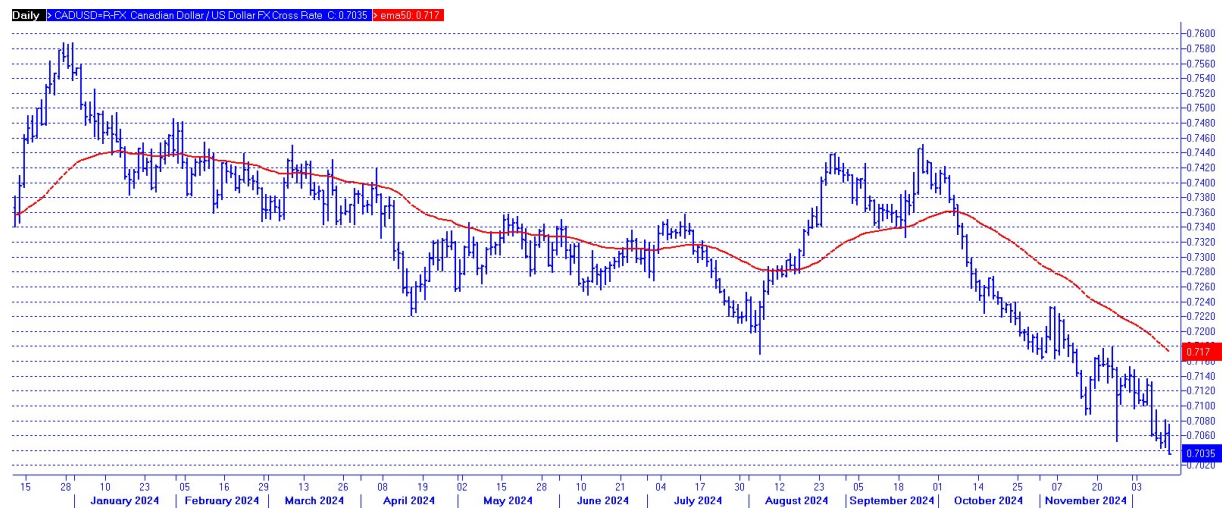
<https://nbf.bluematrix.com/links2/pdf/43697742-0cc9-4475-9733-1d2f32f51c04>

Economics and Strategy - BoC Policy Monitor:

It's beginning to look a lot like neutral

<https://nbf.bluematrix.com/links2/pdf/adae7c5e-423b-4a20-83cc-386af908d851>

A series of 'jumbo' .50% rate cuts now seem off the table, implying higher Canadian short-term rates than previously anticipated. Higher cash rates should be supportive of the Loonie. Nope. The Loonie continued to sell off this week heading down to the psychologically important 70 cents US mark.

\$1 CDN in \$US funds \$0.7036 - 12 mos daily ranges

Source: Refinitiv, NBF, Hilberry

Rumours of tensions between Prime Minister Trudeau and Deputy Prime Minister/Finance Minister Chrystia Freeland over deficits well in excess of a committed \$40 billion, 'delayed' Federal budget updates while talk of Mark Carney being wooed to replace Freeland may also have weighed on the Loonie. Where are the adults? Then Minister Freeland quit and started throwing political grenades.

Read Chrystia Freeland's letter of resignation from Trudeau's cabinet – CBC

<https://www.cbc.ca/news/politics/chrystia-freeland-resignation-letter-1.7411607>

Ouch! The Canadian political news flow got faster and more furious.

‘Canada issues Federal Fall Economic Statement 2024’ E&Y Dec 17, 2024

Mdm Freeland’s much touted \$40 deficit cap disappeared like Santa up the chimney, replaced with over \$61 billion.

<https://globaltaxnews.ey.com/news/2024-2318-canada-issues-federal-fall-economic-statement-2024>

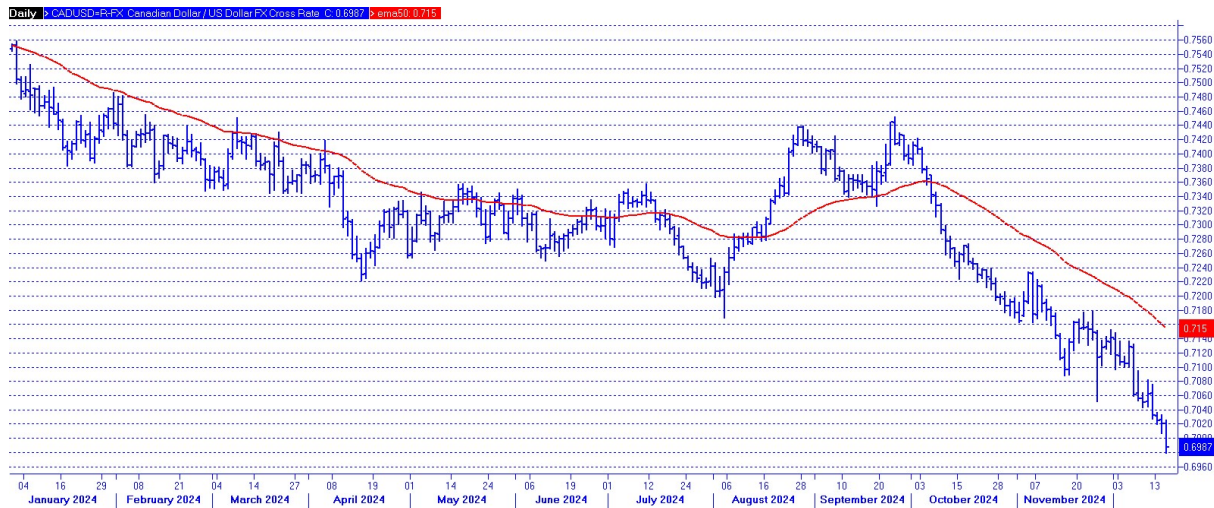
‘Mark Carney not joining Liberal government, Finance Minister Dominic LeBlanc says’ Globe & Mail Dec 18, 2024

The rumoured wooing of Marc Carney proved to be just that. Mr. Carney has ruled out re-entering Canadian politics at this time. Given the state of play for Canada’s ruling party why would he?

<https://www.theglobeandmail.com/politics/article-mark-carney-not-joining-liberal-government-finance-minister-dominic/>

The Loonie sold off further, breaking below 70 cents this week. Year-to-date the Loonie has lost -7.5% vs. the US dollar.

Dec 17, 2024: \$1 CDN dollar in US Funds (\$0.6988)– Year-To-Date



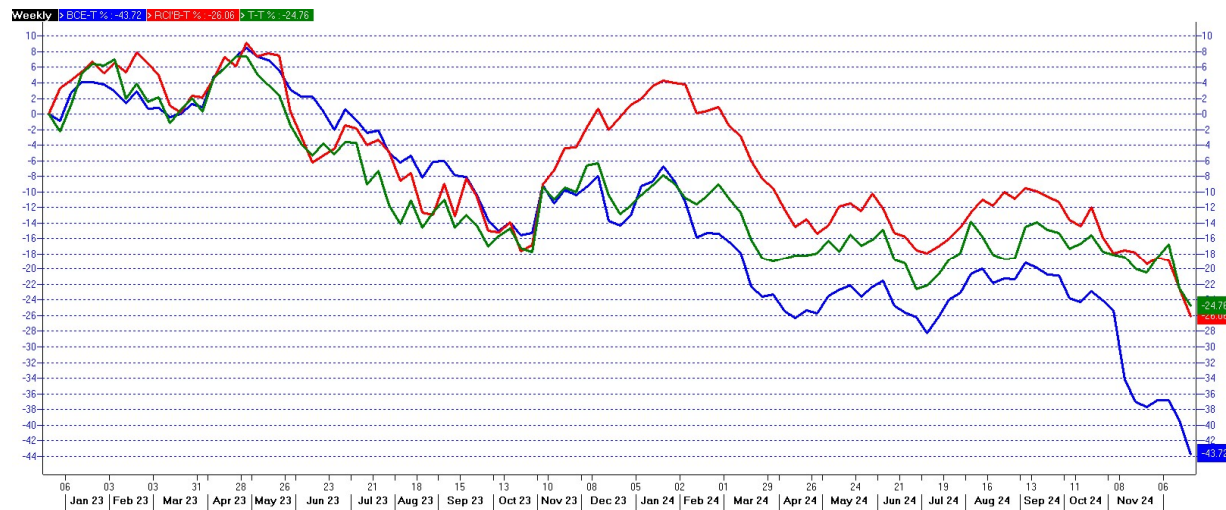
Source: Refinitiv, NBF, Hilberry

With our 3 to 5-year time horizon, we think it’s a bad time to sell Loonies for USD and a great time to do the opposite.



Telco's stuck in the land of misfit toys.

BCE Inc (blue), Rogers (red) Telus (green) share price percent change 2 years



Year to date, In \$CDN funds YTD, Telus **-15.8%**, Rogers **-26.8%** and BCE Inc **-37.3%**.

The Loonie under 70 cents is pushing Cdn Telco share prices losses well into the **-20%+** range for USD investors. Why the declines?

One narrative holds Cdn Telco's face intense pressure from a government desperate to redirect consumer anger over inflation. This narrative holds that CDN Telco's aren't competitive internationally and need to be 'brought to heel'.

Do Canadian's pay excessive costs for mobile data?

Canadian politicians repeatedly claim Canadian data costs are too high, while rarely providing acts. They follow these claims with calls for government policies to increase competition to drive down costs. Investors have not been amused.

Are these claims valid? How do our costs compare globally? Would increased competition drive costs down and if so, who would do the added competing?

Canadian users do in fact pay more for data than most other countries. However, Canadian data is cheaper than our closest trading partner and economic competitor (see chart below), the United States. Comparing Canadian data cost in other countries needs to factor central government subsidies and population size. Voronoi provides a comparative chart.

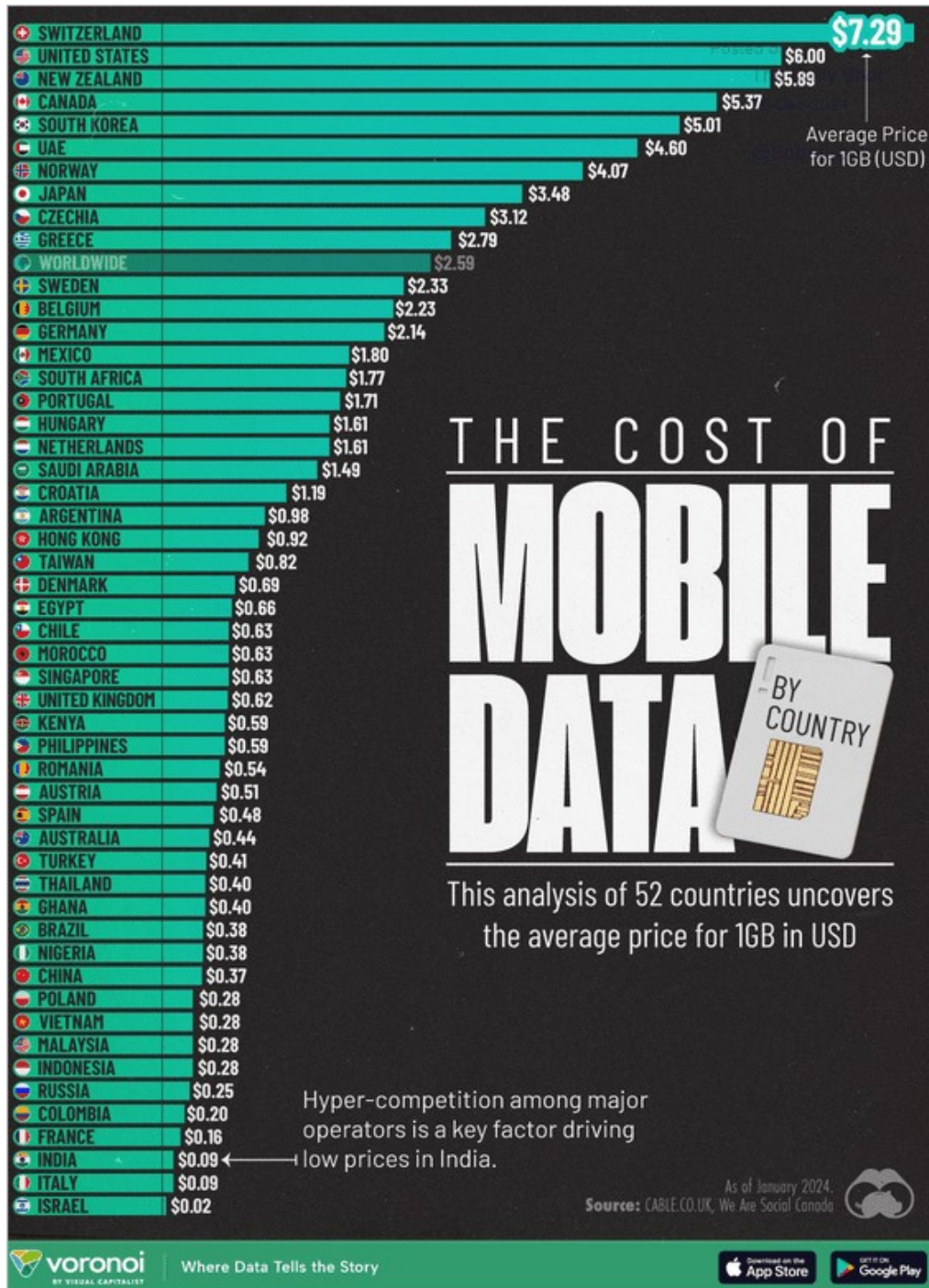


Chart source: WSJ Daily Shot Dec 17, 2024

How Much Should a Gigabyte of Data Really Cost? Firsty Jun 14, 2024

<https://www.firsty.app/post/how-much-should-a-gigabyte-of-data-really-cost>

CONCLUSION: Canadian Telco's are reasonably competitive to their nearest comparable.



NBF reviewed BCE Inc, Telus and Rogers this week.

BCE Inc.

4Q Comes Feb. 6 (Along With 2025 Guidance), Street Revs/EBITDA Look OK With FCF Too High

<https://nbf.bluematrix.com/links2/secure/html/4b279580-ff4e-40d1-964c-26df3adcc53a>

Rogers Communications Inc.

Valuation Updated for Immigration Risk & Evolving Pricing, MLSE EBITDA Estimates Revised

<https://nbf.bluematrix.com/links2/secure/html/f054ba37-a0dc-4164-9ee9-c74c8e07091b>

TELUS Corp.

Downgrade to SP, Valuation Updated to Reflect Immigration Risk & Wireless Pricing Pressure

<https://nbf.bluematrix.com/links2/secure/html/c71ce0aa-3ee4-44c3-b640-b9be98bb6b76>

What's our view on Canadian Telcos?

2024 was a surprisingly good year for many investors, particularly US based ones. Realized capital gains are likely higher than average, encouraging investors to 'crystallize' losses to offset gains. The strategy is to sell losers to offset taxable gains, await a required 30-day stand off period then repurchase the losers at hopefully the same price or lower. In the past, such periods saw stocks that were down in price sell off further during tax loss selling season, ending in December. Once the loss offset window closes, the same share prices often rebound after the 30-day tax loss standoff period ends and investors re-enter the position in mid to late January. For US investors holding Canadian stocks, the sub-70 cent Loonie has added fuel to the tax-loss fire. History says the Loonie rarely trades under 70 cents US and doesn't stay there long.

BCE Inc. (BCE-TSX-\$33.44) board of directors recently announced their intention to maintain the current \$3.99 annual per share dividend 'for 2025'. Investors aren't buying it, pricing BCE Inc for at least a 50% dividend cut soon. This means a dividend cut is already priced into today's price implying potential annual dividend around \$2 per share. There's no guarantee a cut will happen. Compared to today's price, the resulting yield would be a still hefty 6%. That's a lot of bad news priced into BCE. Not a great time to sell.

Telus T-TSX-\$20.40) is priced to pay an 8% dividend yield. We've haven't seen signs Telus can't cover their dividend. We think it's a BUY.

A 7.5% weaker Loonie benefits Canadian exporters – predominately energy and commodity producers. The opposite is true for Canadian consumers as we rely on imported goods from the US. Food stuffs from the US will be higher in price... again. Travel to US dollar friendly destinations has become more expensive. Canadians are more likely to shop a home.

We think the current low share prices for CDN telco's combined with a low Loonie add up to an opportunity to HOLD or BUY Canadian Telecom stocks. Investors seeking 30-day tax loss sales should consult their tax advisor (and us).

DISCLAIMER: We hold BCE Inc, Telus non-voting common personally, for family members and for client accounts over which we have trading authority. We have traded in both securities within the past 60 days. We do not hold Rogers Communication Class B personally, for family or for client accounts over which we have trading authority. We hold legacy positions in Rogers for 'buy/hold' accounts.

Looking for Financial Year End Prognostication?

To save hunting, here's a LinkedIn source for 2025 predictions for many major financial institutions (thanks to Mark Massullo of our Victoria Branch for the link).

Anthony Cheung LinkedIn: Major Financial Institutions Predictions

https://www.linkedin.com/posts/anthonycheung10_Market Calls

If the hyper link won't work for you, please 'copy and paste' the full link text below into your web browser field.

https://www.linkedin.com/posts/anthonycheung10_markets-banks-assetmanagement-activity-7275057244432392193-Go66/?utm_source=share&utm_medium=member_desktop

In Closing: Predicting some hangovers and headaches in Jan/2025, we trimmed holdings raising cash over the past 3 weeks. We do not see a need for a significant market slump but expect some sober second thought to provide some buying opportunities in mid-winter. ON balance we remain optimistic for the economy, for the stock market and for Canada

The closing scene from one of our favorite holiday films sums it up.

Trading Places:

https://www.youtube.com/watch?v=ksCr_J0_GPO

We're giving our staff a chance to hang with family and friends. Our offices will be closed for client meetings from December 24 to Jan 2. We can still be had for emergencies. Hopefully there won't be any.

Have a Great Holiday

Steve & Anna Hilberry



FOR THE RECORD December 20, 2024

DOW INDUSTRIALS:	42,146
S&P 500:	5,930
S&P/TSX COMP:	24,250
WTI:	\$69.46
LOONIE IN \$USD:	\$0.6957 \$US

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