



## WEEKEND READING

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

### **Trump Week One ends with many bangs.**

This week has been 'All Trump, All the time'. Mr. Trump, the oldest president to take the oath of office...again...is a 78-year-old in a hurry. Executive Orders have fallen fast and furious. Some of Trump's pronouncements were predictable GOP themes of lower taxes and less regulation. Markets cheered. Some were naked vindictive revenge – dismissing all Capital Police who had testified under oath at the Congressional Jan 6, 2020 Insurrection hearings.

### **The Rest is Politics – US**

We remind readers of 'The Rest Is Politics – US' Katy Kay and Anthony Scaramucci provide weekly comments each Friday. This link is to their YouTube channel. I prefer to download their podcasts to my phone' then listen while I'm cleaning the barn. As a PTSD inducing reminder, we recommend their 4-part series on the Jan 20/2020 Insurrection.

<https://www.youtube.com/@RestPoliticsUS>

### **Trump 2.0 - China || Peter Zeihan**

Peter Zeihan takes on Chinese demographics, PRC Communist party's dismissive view of Trump, Trump's tariff potentials, impact on global trading partners and outcomes for the US economy.

<https://www.youtube.com/watch?v=kl5onbXSByc>

The US Presidential Inauguration was held on Monday, Jan 20, 2025, the Martin Luther King national holiday. Financial markets were closed. During the event, Donald Trump gave his inaugural address.

### **Inauguration speech full text:**

<https://globalnews.ca/news/10967848/donald-trump-full-speech-inauguration-day/>

From the get-go, Trump was his combative self. He railed about the Southern Border, mentioned Mexico a number of times and repeated his intention to ‘take back’ the Panama Canal. Readers may recognize Trump’s reference to ‘manifest destiny’, a term from the 1800’s implying the United States had a divinely granted right to expand.

<https://www.reuters.com/world/americas/trump-says-us-will-take-back-panama-canal-2025-01-20/>

There was no direct mention of Greenland, Canada or Canadian energy in his speech. Mr. Trump reserved those for his speech at Davos. a classic middle-finger to the global elite.

<https://www.weforum.org/stories/2025/01/davos-2025-special-address-donald-trump-president-united-states/>

### ‘Announcing The Stargate Project’

<https://openai.com/index/announcing-the-stargate-project>

US President Donald Trump touted Stargate in his first day in office. The money is flowing.

### Tech giants announce \$500bn 'Stargate' AI plan in US – BBC

<https://www.bbc.com/news/articles/cy4m84d2xz2o>

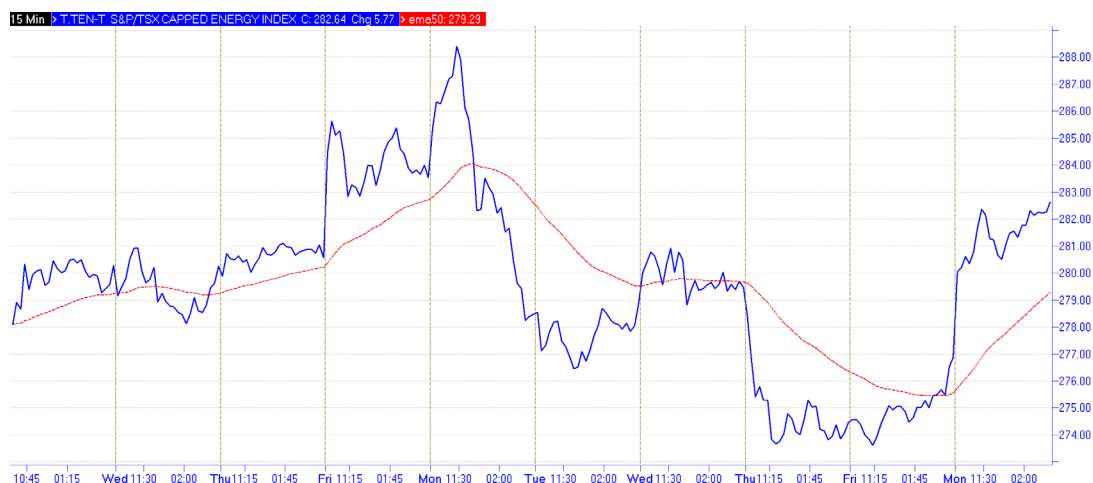
Media fur started to fly after Elon Musk cast doubt on the project’s financing – an unwise challenge to Trump’s enthusiasm?

### Musk undercuts Trump’s Stargate AI investment announcement - CNBC

<https://www.cnbc.com/2025/01/22/musk-trump-ai-stargate-openai-softbank.html>

Canadian energy investors don’t appear to be concerned about Trump tariffs or a hostile takeover of Canada.

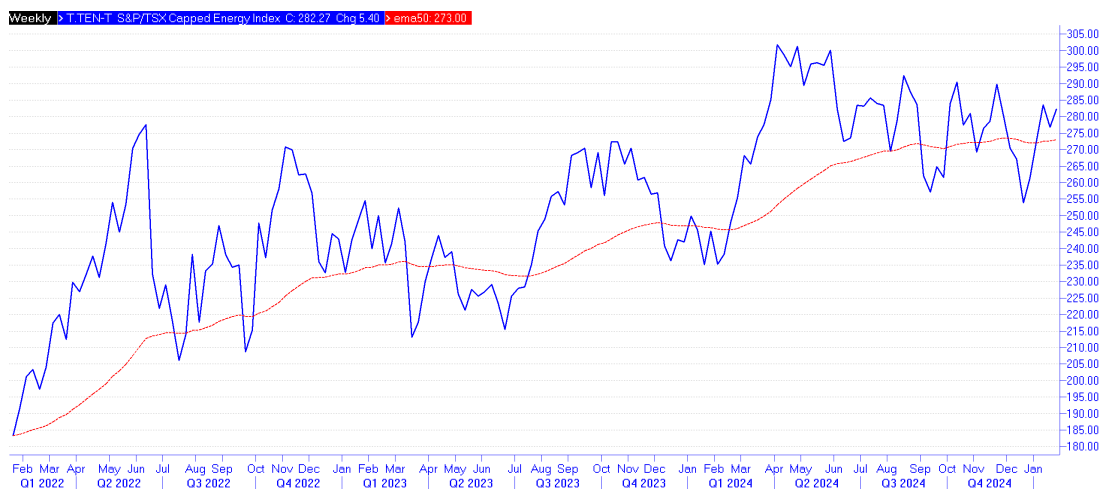
### S&P/TSX Capped Energy Index (TEN-282.32) – 2 weeks – 15-minute intervals.



Source: Refinitiv, NBF, Hilberry Date: Jan 21, 2025

The spike in the middle of the chart around 288 is early in the session Monday Jan 13, 2025. The index then fell to lows around 274. This Monday, the index opened at 276 with the strength continuing closing around 283 up 2.3% on the session. The current level is above the early Jan/2025 range.

## S&P/TSX Capped Energy Index – 3 years - weekly



Source: Refinitiv, NBF, Hilberry Date Jan 21, 2025

The chart high is around 300 in May/2024. Recent tops have been around 290. A break above 300 implies investors believe Canadian conventional energy producers have a bright future. Canadian energy investors do not appear to be pricing in much, if any, Trump tariff risk.

## What about Canadian online retailers?

### 'Shopify: Getting ahead of Tariff Narrative' NBF Research Jan 19, 2025

SHOP (NYSE; TSX) US\$103.35; C \$149.55

Rating: Outperform (unchanged) – Price target \$140 USD (unchanged)

#### Shopify Tariff Impact Analysis

*In recent weeks, we've had a number of investor inbounds on Shopify with respect to the potential tariff implications for the Company. We think the genesis of those inbounds has to do with a perception that many of Shopify's merchants source from China and given the new Trump administration has proposed significant tariffs, it's become increasingly more topical. That had us looking to assess the potential impact which is summarized in this note.*

*Overall, our conclusion is that while we see some impact on Gross Merchandise Volume (GMV) and in turn Merchant Services (MS) revenue should the tariffs be fully imposed, we believe it's relatively less severe in the context of all the current impending growth vectors in front of Shopify. We believe those scaling growth vectors increasingly reduce the potential*

headline exposure from tariffs. As such, we'd view any pullback from a tariff narrative as an opportunity to add a position(s) in the name. Shopify remains one of our Top Picks for 2025.

See the full report here:

<https://nbf.bluematrix.com/links2/secure/pdf/12e90e7e-58c2-4243-a578-9a0402773204>

### **'Canada: The GST/HST break masks a resurgence of inflationary pressures in December' National Bank Economics Jan 21, 2025**

Recent investment media narrative has Canadian inflation falling, implying the Bank of Canada (and lenders) will be lowering interest rates soon and fast. This expected consumer relief had investors positioning back into interest-rate sensitive sectors.

NBF cautions 'not so fast' noting the December month-over-month core #'s accelerated, implying the Bank of Canada (BoC) won't be cutting rates as quickly as hoped. We've been advising Canadian borrowing rates would be 'lower for shorter, then up'. For borrowers, we've advised locking in around now.

<https://nbf.bluematrix.com/links2/pdf/fec2707d-7d26-46f2-ab42-82bc794bbdc8>

### **'Canada: Goods spending got a major boost from car sales in Q4' NBF**

*"November's retail sales report was rather disappointing. Not only did good spending stagnate over the month but, as prices rose, this translated into a 0.4% decline in sales volumes. Outlays of items correlated with the housing market continued to fall, as did spending on food. On a more positive note, auto sales saw another solid expansion in November and were on track to grow by no less than 19.1% in annualized terms in the fourth quarter (18.2% in real terms). These good times may not last, however. Remember that several subsidy programs for the purchase of electric or hybrid vehicles expired in January, which probably encouraged many car buyers to pull the trigger at the end of last year. We therefore expect a significant slowdown in this category in the first quarter of 2025. But in the meantime, the large increase in spending at dealerships will translate into a significant contribution to Q4 GDP growth from goods consumption. Including the December advance reading, we indeed estimate that retail sales volumes rose by no less than 4.9% annualized in Q4, the best performance in a year (see bottom chart). Excluding cars, however, sales volumes may have contracted during the quarter, highlighting the extent to which sales were driven by a single category in the final quarter of last year."*

<https://nbf.bluematrix.com/links2/pdf/fcf1fa43-1edf-476a-9706-65b568b1bb43>



## Worries that Trump will abandon Ukraine appear premature



Donald J. Trump ✓  
@realDonaldTrump

I'm not looking to hurt Russia. I love the Russian people, and always had a very good relationship with President Putin - and this despite the Radical Left's Russia, Russia, Russia HOAX. We must never forget that Russia helped us win the Second World War, losing almost 60,000,000 lives in the process. All of that being said, I'm going to do Russia, whose Economy is failing, and President Putin, a very big FAVOR. Settle now, and STOP this ridiculous War! IT'S ONLY GOING TO GET WORSE. If we don't make a "deal," and soon, I have no other choice but to put high levels of Taxes, Tariffs, and Sanctions on anything being sold by Russia to the United States, and various other participating countries. Let's get this war, which never would have started if I were President, over with! We can do it the easy way, or the hard way - and the easy way is always better. It's time to "MAKE A DEAL." NO MORE LIVES SHOULD BE LOST!!!

15k ReTruths 69.3k Likes

Jan 22, 2025, 8:46 AM

### On 'forcing' US allies to increase military spending

We've long supported Ukraine's struggle against Russia's invasion. We're mystified by right-leaning politician's reluctance to provide military support to Ukraine when the donated hardware is often outdated equipment scheduled to be scrapped. The 20+ year-old equipment remains superior to what Russia is fielding – confirming Russian weakness. This weakness also explains the Russian army's barbarous behaviour. A well equipped, confident, victorious army doesn't do war crimes. The Ukrainians have proven themselves willing to pay the ultimate sacrifice and have not requested boots-on-the-ground. They've been effective with the pittance we've handed them and the restrictions we've applied.

The notion of the US forcing Ukraine, or any nation, to accept a loss of territory in a peace negotiation by restricting Ukraine's access to, or restrictions on, the use of military hardware manufactured by (but not necessarily directly contributed from) the US, is flawed.

Ukraine was the Soviet Union's prime source for sophisticated missile system technology. They know how to make stuff that goes boom. Ukraine produces approximately 1/3<sup>rd</sup> of the military equipment they require. Another 1/3<sup>rd</sup> is sourced from European NATO nations, a hodgepodge mix of US and Euro domestically produced equipment with the final 1/3<sup>rd</sup> coming directly from US supplies. That ratio is quickly tilting towards Ukraine domestic production. US threats to curtail access to US manufactured defense equipment and data resources, encourages Ukraine, and any other nation currently relying on US hardware and cover, to accelerate domestic military hardware production.



Mr. Trump's stated goal is to reduce the cost burden on the US to fund and supply NATO. He appears to believe forcing other NATO countries to increase their military spending will reduce the cost to the US and drive that spending towards US military equipment manufacturers. Mr. Trump, be careful what you wish for. Encouraging domestic production of arms will indeed, reduce the US cost to produce those same arms. A doubling or tripling of % of GDP spent on defense is paid by that country's tax-payers. They will be spent on internal domestic production. Trump threatening to exit or significantly reduce US presence in NATO accelerates this trend. The more bellicose Trump becomes, the more likely those dollars will NOT flow to US manufacturers.

Imagine a future where a large European country has, through massive government-subsidized spending taken military spending from 1% of GDP on hardware largely purchased from the US, to 3% on domestic defense procurement. That country becomes a defense manufacturing power-house. As is the case in the US today, once the defense infrastructure is in place, there is a motivation to use that capacity to manufacture equipment beyond domestic requirements to sell internationally, supporting the domestic industry and directly competing with existing manufacturers for market share.

The US accounts for 40% of global defense spending. Trump's initiatives will guarantee subsidized competition against American military equipment manufacturers. We'll add this was likely to happen without Trump's urging. There is always a Vladimir Putin out there ready to try military adventurism. Europe (and Canada) through successive governments, have denied this risk for decades. Spending on bullets is no fun, but it's necessary. Trump's flawed concept of using tariffs to punish trading partners would accelerate this trend.

### **This week's conclusions:**

- Trump confirms his status as disruptor. Global agreements are passe.
- The markets like Trump's tax and regulation statements.
- Someone always want's your stuff. A Big Stick keeps them in line.
- Buying Big Sticks (bombs) is not productive. Having to use them is even less so.
- Not having them encourages others to force you use them.
- If you don't have some today, you may need a LOT more tomorrow.
- If you're largest supplier threatens to cut your supply off, you'll make your own.
- If your other allies see the same, they will so the same, discouraging sharing.
- This redundancy leads to an excess supply of bombs, never a good thing.
- Accelerated spending on something that does not improve the economy = inflation.
- We believe the military industrial complex will see increased demand well into this decade. An unlikely immediate halt to hostilities in Ukraine will not alter this trend.
- We think inflation will remain higher over the next 5 years than the past 2 decades.
- Longer-duration loan borrowing costs are unlikely to return to sub-3%.
- We remain invested in military equipment manufacturers and cautious on interest rate-sensitive sectors.



## Have a Great Weekend



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### FOR THE RECORD Jan 24, 2025 close

DOW INDUSTRIALS:	44,565
S&P 500:	6,118
S&P/TSX COMP:	25,489
WTI:	\$74.25
LOONIE IN \$USD:	\$0.6975 \$US

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