



WEEKEND READING

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

Canada Wins! (?)



Canada wins the Nations Cup.



Source: CBC

Why Ukraine matters to Europe...and Canadians

Donald Trump's 'negotiations' with Valdimir Putin on the Ukraine war followed speeches from Vice President JD Vance and Secretary of Defense Pete Hegseth sending clear signals of the Trump Administrations views on trade, NATO and the global world order.

US defence secretary Pete Hegseth delivers opening remarks for Ukraine defence meeting – watch live – Guardian News (starts at 13:40) Feb 12, 2025

<https://www.youtube.com/watch?v=3TUbelAyAdo>

JD Vance goes after European allies in Munich Security Conference speech | DW News - Feb 14, 2025

<https://www.youtube.com/watch?v=9dNv9tH0dkU>

Donald Trump's claims of Ukraine's responsibility for Russia's 2020 aggression, (see The Rest is Politics – US YouTube videos below) dismissal of Ukraine President Vladimir Zelensky as a dictator with 4% polling support amongst Ukrainians and thus an illegitimate leader (the correct figure is 54% - higher than Trumps US support), insulting neighboring countries and allies leaders, threats of territorial expansion, (Greenland, Panama Canal, Canada) claims that Europe's primary risks are not Russian aggression but 'from within', challenge decades of western political, economic and military supremacy.

Europe clearly needs to build military capacity. The UK military has active personnel of 136,000, Germany 186,000, France 270,000. Ukraine's active military has 1,260,000 and growing. Ukraine has by far the largest, most experienced and tested military force in Europe. Europe needs Ukraine as much as Ukraine needs Europe. US attacks on non-US, NATO member countries spending slack is not new (see below), following US complaints from Clinton onwards. The direction of travel however is. There's more to worry about.

Trump's fomenting the Jan 6, 2021 attacks on the US capitol showed a disdain for rule of law, let alone norms and tradition. There's probably more to come. He is displaying imperial tendencies.

Trump repeats alleged Napoleon quote: 'He who saves his Country does not violate any Law' – Snopes Fact-check Feb 17, 2025

<https://www.snopes.com/fact-check/trump-quotes-napoleon/>

How Trump Could Snatch a Third Term — Despite the 22nd Amendment Politico Jan 31, 2025

<https://www.politico.com/news/magazine/2025/01/31/trump-defy-constitution-third-term-00200239>

We expect the Trump Administration to fight judicial decisions curtailing Presidential power up to the Supreme Court. Courts make judgements, they have no direct power to enforce them. The assumption is all will abide by the rule of law. Richard Nixon voluntarily resigned to avoid impeachment. We doubt Donald Trump would do the same. Given Trump ignored the results of the 2020 election, we expect Trump to ignore these judgements, forcing Congress to step in. So far, a GOP thinly held Senate and House has yet to challenge Trump’s path to power. Their strategy appears to let the courts decide against Trump, hoping he’ll comply, avoiding confrontation with the Administration. If Trump challenges judicial legitimacy, Congress is next. Congress has the authority and power to restrain a President. A logical politician would be nervous of granting too much power to the Presidency. The next administration might be Democratic. Will the guard rails hold? There’s more craziness.

Trump wants to ‘abolish’ the IRS and replace it with tariffs. Can it work? – Feb 20, 2025 CNN

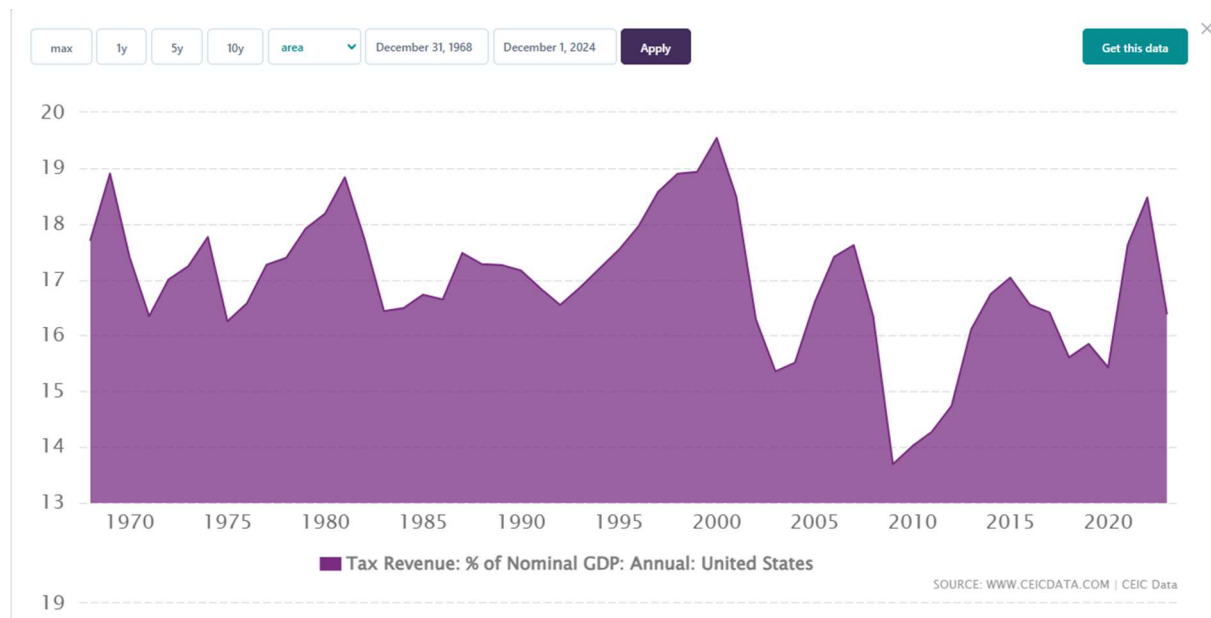
<https://www.cnn.com/2025/02/20/economy/trump-abolish-irs/index.html>

CNN notes US imports total value roughly equal US income tax revenue. Attempting to replace income tax with tariffs harkens, again, to the late 1800’s when William McKinley served as US President from 1897 until his assassination in 1901, leading to Vice President Theodor ‘Teddy’ Roosevelt’s rise to prominence. At the time, tariffs were the prime source of US Federal Govt revenue. We’ll assign boning up on the history of US taxation. It appears the current administration is either attempting to ignore history or to re-write it .

The history of taxation in the United States. Wikipedia

https://en.wikipedia.org/wiki/History_of_taxation_in_the_United_States

United States Tax Revenue: % of GDP CEIC Data 1968-2024



<https://www.ceicdata.com/en/indicator/united-states/tax-revenue--of-gdp>



The above link also provides a global table of tax to GDP for major countries. The average burden of all forms of US taxes (Fed and State and municipal, income, capital gains, corporate, social insurance, inheritance, gift, excise, customs duties, tariffs, etc.) has averaged 17% of GDP since 1964. 2024 came in at 16.6%. Some blame the spike from late 2019 to 2020 on the arrival of the Democrats led by Joe Biden. There's a little thing called COVID-19 that contracted the economy sharply while maintaining incomes, meaning tax revenues didn't fall in lockstep with the economy. A surge in COVID related inheritance tax revenue was a factor. This relationship is proved by the subsequent sharp fall of tax to GDP back to the 17% range 2021 onwards confirms the relationship. The current US president's hunger to reduce income taxes doesn't reflect an outsized and growing consumption of US GDP from 'government waste'.

What is the 'Mar-a-Lago Accord' and why is Wall Street taking notice? **Investment News Feb 21, 2025**

<https://www.investmentnews.com/industry-news/what-is-the-mar-a-lago-accord-and-why-is-wall-street-taking-notice/259403>

All the above is likely to fracture western alliances, military spending and trade agreements, breaking down trust between western allies. We can safely assume Trumps insults and attacks on European leaders will result in those countries realizing they've left themselves victim to TWO giants. Reliance on cheap Russian energy permitted Europe to pursue green dreams. Reliance on US military umbrella permitted Europe to convert defense spending into social programs and entitlements. Both will have to change.

Battle Lines: Trump Edition: Can Europe defend itself without America? Feb 14, 2025 Telegraph Podcast

Mr. Trump's 'sphere of influence' ideas harken back to the Great Power era. We assign this two-part podcast. The first half examines Europe's Pre-Trump history of US military support from the administrations of H W Bush onward, pointing out that Trump's NATO stance continues increasing US frustration with UK and Western European avoidance of its NATO obligations to support social entitlements. Canada is not spared. The second half interviews previous Canadian Liberal party leader Michael Ignatieff on Canada's past and future relationship with the US. He lists stark choices for Europe and Canadians. Canadians have work to do.

<https://podcastaddict.com/battle-lines/episode/192265654>

History of military spending as percent of GDP 1960-2025

You can select countries in the 'search 200 countries' field.

Canada

<https://www.macrotrends.net/global-metrics/countries/can/canada/military-spending-defense-budget>

UK:

<https://www.macrotrends.net/global-metrics/countries/gbr/united-kingdom/military-spending-defense-budget>

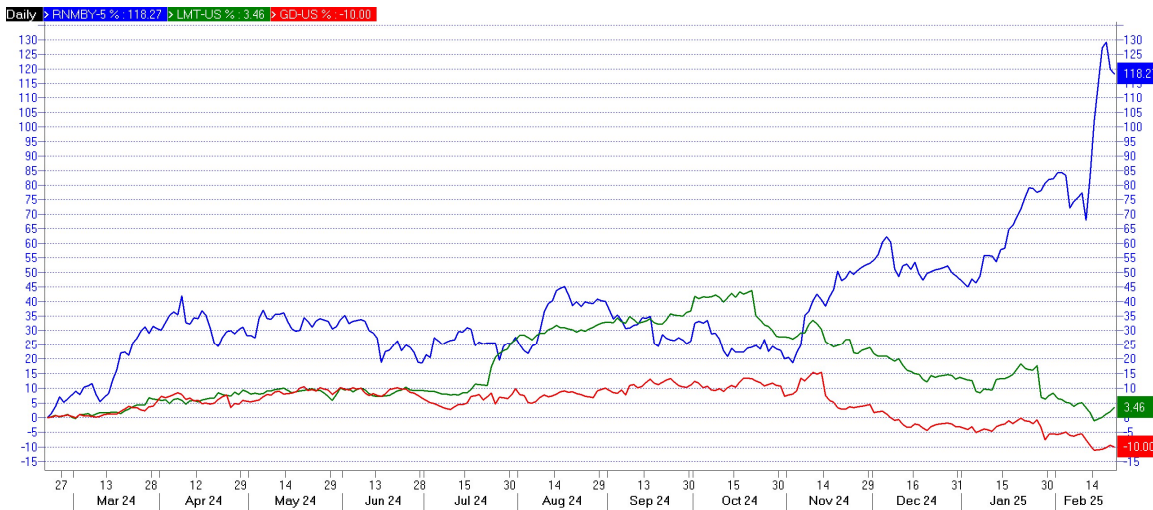
USA: <https://www.macrotrends.net/global-metrics/countries/USA/united-states/military-spending-defense-budget>

The Trump administration has made much of US military spending increasing sharply in the past 3 years (under Biden). As % of GDP, US military spending fell from the 2nd Obama term, through the 1st Trump administration and flatlined under Biden. Defense is the US Federal budget super-tanker. It takes years to alter the money flow.

The 1991 collapse of the Soviet Union encouraged the West to significantly reduce military spending at the advantage of social programs. Lower military spending helped reduce inflation. As noted, we believed this trend was destined to reverse, regardless of US election results. The US unchallenged military and economic dominance was always likely to fade.

If governments will be reallocating tax-payer funds to defense, they will spend those tax dollars within their economies. Paired with declining confidence in the US, we believe the US defense industry could face subsidized challenges from external competitors. Investors believe it.

Rhinemettal (blue) Lockheed Martin (green) General Dynamics (red) % chg 12 mos.



Source: Refinitiv, NBF, Hilberry

Donald Trump’s tariffs, trade threats and anti-NATO stance harms the US defense industry. Are any of these moves in the best interest of the US economy, security or democracy? How can we explain these ideas? If not the US, who benefits?

America’s slow divorce from Europe – The Rest is Politics – US. Feb 19, 2025

<https://www.youtube.com/watch?v=QRfbZMCn-TU>

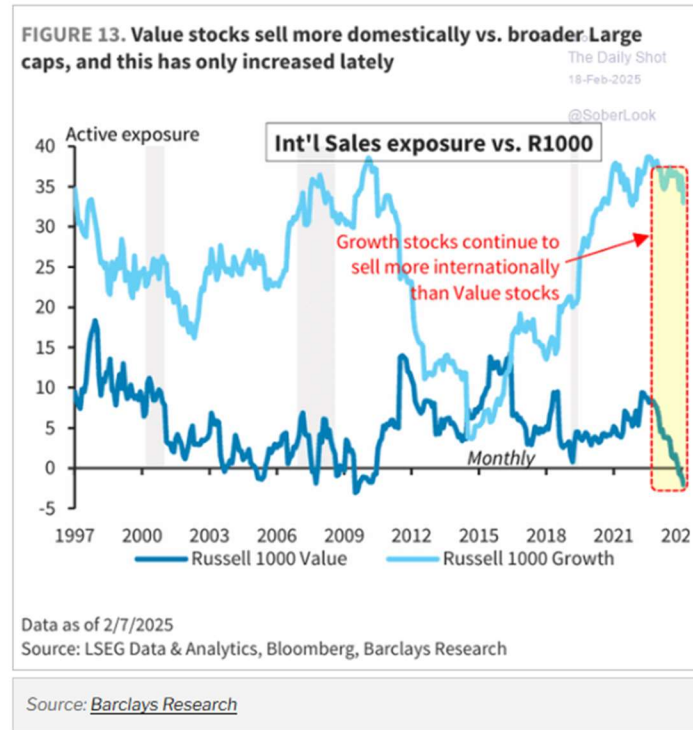
The United States of Russia – The Rest is Politics – US. Feb 21, 2025

<https://www.youtube.com/watch?v=e1TsB3NTVGA>



Worried about international exposure?

Equities: Growth companies have significantly greater international exposure than value companies.



Source WSJ Daily Shot Feb 18, 2025

Conservative Leader Pierre Poilievre Pitches Major Natural-Resource Revamp to Counter Trump

On the US/Canadian relationship: *"You have your grievances with us, we have ours with you, but I would ask you this question: which other country would you rather have as your neighbor? And if Canada is not your friend, who is?"* Pierre Poilievre Feb 15, 2025

<https://energynow.ca/2025/02/conservative-leader-pierre-poilievre-pitches-major-natural-resource-revamp-to-counter-trump/>

Canada Has Badly Misjudged the Future of LNG – Energy Now Feb 19, 2025

<https://energynow.ca/2025/02/canada-badly-misjudged-the-future-of-lng/>

As Canadian politicians suddenly awaken to the existential risks of a lack of West to East purely domestic energy infrastructure and tidewater egress... what do Canada's major pipeline operators think?



ClVarcoe: What would it take to revive Energy East or Northern Gateway? 'Real change,' says Enbridge CEO – Calgary Herald Feb 14, 2025

<https://calgaryherald.com/business/reviving-energy-east-northern-gateway>

TC Energy CEO throws cold water on pipeline revival talk, but 'bullish' on LNG – Calgary Herald Feb 14, 2025

<https://calgaryherald.com/commodities/energy/tc-energy-ceo-pipeline-revival-lng>

Canada: Will the BoC look past the recent uptick in inflation pressures? – National Bank Economic News - Feb 18, 2025

<https://nbf.bluematrix.com/links2/pdf/03d60f17-d1a6-4c38-8880-1537054dc877>

Canadian economy under threat – NBC Monthly Economic Monitor February 2025

<https://nbf.bluematrix.com/links2/pdf/de25a03c-e26a-4653-8280-c8969c76fc67>

Canada: Uncertainty weighs on home sales in January NBF Economic News Feb 18, 2025

<https://nbf.bluematrix.com/links2/pdf/0b561082-0ce4-407a-acc8-fff2af73da2b>

NBHC Housing Monitor: (more detailed)

<https://nbf.bluematrix.com/links2/pdf/870e7de8-e217-4099-bc93-372eab1a2789>

CONCLUSIONS

We may (or may not) be entering a new global world order. At minimum, we'll see more caution, less trade, less agreement and less sharing. Will the Five-Eyes security agreement hold? Is NATO Article-Five worth the paper it's printed on? These are not insubstantial risks. Why we're not panicked.

Trump has a history of overplaying his hand. His MO is to go to failure, evade the consequences. There is little downside for Trump’s presidential ideas...for him. His worst outcome is being ‘fired’ by Congress, retiring to far greater wealth than he held prior to 2016. We suspect a repeat. We believe the 2026 mid-terms will wrest control of at least one house of Congress from the GOP, forcing Trump into a lame-duck Presidency with no 3rd term. He may end up being removed. MAGA can’t survive Trump. The US citizenry has a long history of resisting power-grabs and corruption. There are too many politicians with too much to lose to grant unlimited power to Trump. There is too much private money and self-interest at stake to support a violent overthrow or coup. We think the US guardrails hold. We see non-NATO military spending and EU-Canada trade increasing. We think inflation will be higher. We don’t know when these trends will become clear.

The North American economy faced down the 1960-70’s Cold War (threatened) nuclear obliteration. 1980’s Inflation was double digits. Past defense spending was triple current levels. Canada, the US and Europe did just fine. Stocks and dividends earned investors returns. Today the Loonie is low, Canadian stocks trade at reasonable levels vs. US stocks trading at premiums. We have trimmed US holdings in favor of Canadian dollars. We expect to deploy this cash in the near future. Hang on to your hats!

Whew! Have a Great Weekend

Steve & Anna Hilberry



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FOR THE RECORD Feb 20, 2025

DOW INDUSTRIALS:	44,176
S&P 500:	6117
S&P/TSX COMP:	25,514
WTI:	\$70.56
LOONIE IN \$USD:	\$0.7029 \$US



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