

Everything in Life Needs a Catalyst

Happy Valentines Day! One of the biggest chocolate buying days of the year.

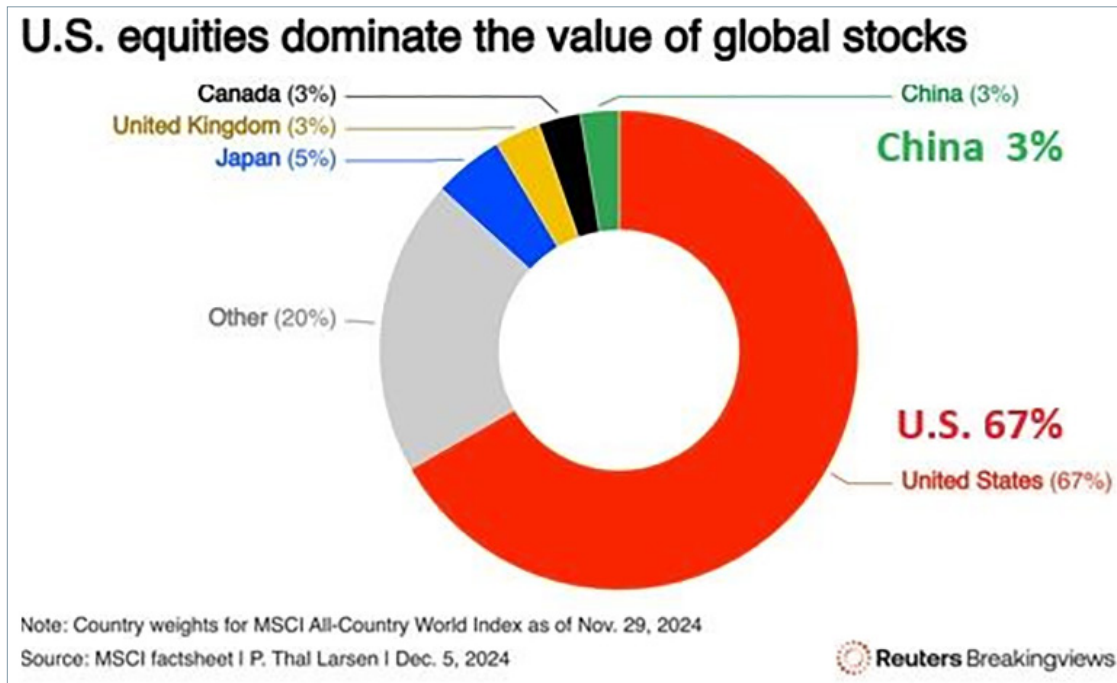
The association of chocolate with love started with the Mayans, who were brewing cacao beans by 500 B.C. and later started using them in marriage ceremonies.

In 1861, candy maker Richard Cadbury started selling chocolates on Valentine's Day. He decorated heart-shaped boxes with cupids and rosebuds, already symbols of romance with Victorians, and a Valentine's Day tradition was born.

It resonates that historically we always have some sort of catalyst that changes the thinking or operating lives we come to assume won't change. As we rolled into the end of January we were introduced to a new technology (Deepseek) that may prove to be groundbreaking AI (Artificial Intelligence). With this introduction the market used the change as a market catalyst to sell down some higher valued AI companies. In some cases, it changed the narrative around some sectors and the repricing was immediate. Animal spirits and bullish exuberance were dashed for a time.

Everyone Get on One Side of the Boat

As we have moved forward over the past year, we have seen the market globally become somewhat lopsided.



Source: Reuters

Historically we had thought of investment mostly domestically or even global diversified the reality as outlined above is that a majority of the global allocation is based in the USA. Surprisingly Canada and China are about the same. China has a population of something around 1.4 billion people and Canada has a population around 40 million. Something seems a bit lopsided. We know this is not really a fair assessment or relationship, but it presents an image of where the largest companies are domicile. Not sure what all the tariff concerns are about?

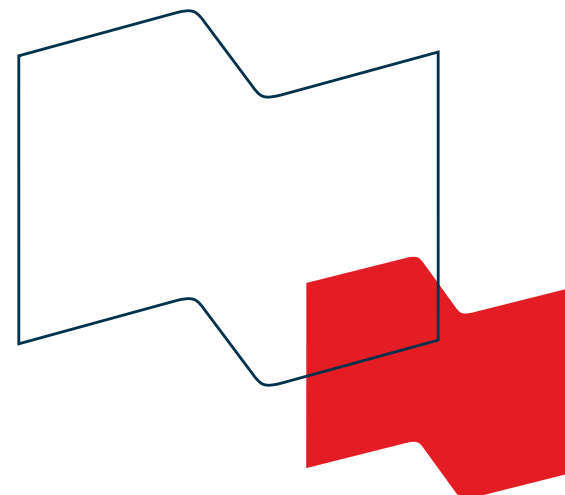
Mean Reverting?

One of our base postures is that the world always means reverts and thereby the market has mean reverting moves as well. Over the last year or so we have tracked the 10 year us treasury yield against the movements of the markets and up to August of 2024 the correlation was pretty strong. Since that time there has been a dislocation. The dislocation has us asking the question of mean reverting activity. One or three things can or should happen or NOT. Interest rates should go lower, the market should go lower, and both go lower. The challenge if things have truly changed is that the dislocation persists. Anything can happen right!



Source: Zero Hedge

Ultimately only the future knows the real answer, but it appears more people continue to gather on one side of the boat still.



Politics and the World

It appears everyone is blinking! Google just announced they would change the name of the Gulf of Mexico on their maps for US users to the Gulf of America and Denali to Mount McKinley. This still seems very weird but it's the world we live in. There are so many things that could, might and maybe happen that we can only prepare for daily updates and respond appropriately. Here are a few highlights from the think tanks we follow on proposed macro-outcomes:

Tariffs – thanks capital obvious 😊 – but maybe not as much as thought or more?

Deals – this is a love affair and the backbone of the narrative.

Globalized – Reframing – Could Canada just trade more with other countries?

Supply Chains get fractured again?

New Alliances – More deals??

Travel and consumptions shifts – This is already starting to happen.

More Competition – This almost seem inevitable.

As you can see the list can keep going and likely will. If the last term was any indication just keep tuned into X (formerly Twitter) for the latest updates.

Final Thought

We have suggested in the past that the world has become noisier. Well, the volume keeps getting louder. We don't expect this to change and have adjusted our noise reducing headwear accordingly. 😊 We pause more and contemplate sometimes for a bit longer, sometimes not. This volume control really depends on the day and the event. Thank you for reading and we hope you have or had a good Valentines Day! We will try to keep balanced on both sides of the boat and measure our chocolate intake prudently 😊!



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