True North Strong and Free….and united?

'Can this bank CEO unit Canada?' - John Turley-Ewart – Opinion Globe & Mail May 5, 2025

John Turley-Ewart is a contributing columnist for The Globe and Mail, a regulatory compliance consultant and a Canadian banking historian.

"The 54-year-old CEO of Montreal-based National Bank of Canada, Laurent Ferreira, seems to be trying. He may well cut a path to a pragmatic, national economic plan for another banker trying to unite the country, Prime Minister Mark Carney.

Eschewing the common milquetoast public statements bankers are prone to, Mr. Ferreira is today the most direct and vocal of bank executives. Through shareholder meetings, conferences and media interviews, he is calling for action from Ottawa to reverse the complacent response to Canada's own goals, "excessive regulation and oversight." They put sand in the gears of growth and undermine living standards.

Mr. Ferreira points to Ottawa's Bill C-69 and proposed federal emission cap on conventional energy as examples. The emissions cap on oil and gas production would, according to Canada's Parliamentary Budget Officer, reduce Canada's GDP by $20.5-billion and cost the country more than 40,000 jobs.

Bill C-69's efforts to build energy infrastructure of all kinds are tied up in red tape at the federal level and layered atop of provincial red tape, undermining efforts to build even renewable energy projects.

Neither Bill C-69 nor emissions caps regulations as currently written serve the interests of Alberta or Quebec and the Canadian economy more broadly. Mr. Ferreira is doing Canada a service by pointing this out.

Unlike economists, pundits and bureaucrats that sift through reports and data to spot trends affecting investment, employment, wealth creation and lost business opportunities, Mr. Ferreira has the banker's advantage – the day-to-day experience of his customers, working to build their businesses and realize their full potential.

We have made doing business such an arduous process that many Canadian investors simply give their own country a pass. "We hear it from our clients constantly and we see it in our numbers," National Bank's CEO told a recent shareholder meeting. "I've been president for three and a half years, and 90 per cent of everything that we do in renewable energy infrastructure is in the United States of America. Things don't move here." That 90 per cent amounts to $9-billion worth of investment flowing south.

National Bank was founded more than 160 years ago by francophone business leaders in Quebec City who felt Ottawa and banks led by Anglos – banks which are now headquartered in Toronto – ignored their economic interests. In February, National acquired the Edmonton-based Canadian Western Bank for $37-billion. CWB was founded in 1984 by Albertans who felt their economic interests were ignored by Ottawa and Toronto bankers.

Two provinces of Canada that have felt excluded from nation-building conversations in the past are being given a voice by Mr. Ferreira as he takes the stage on issues critical to our economic progress. Business leaders from these provinces want to be in the middle of the national economy-building conversations of the future. Mr. Ferreira is their proxy. It is what good bankers do (note to other bank CEOs).

The frankness with which National Bank's CEO speaks, saying Canada's economic and industrial policies need a "complete overhaul," reflects the stakes involved. Both Alberta and Quebec share a common aspiration – maitres chez nous: They want to be masters in their own houses.

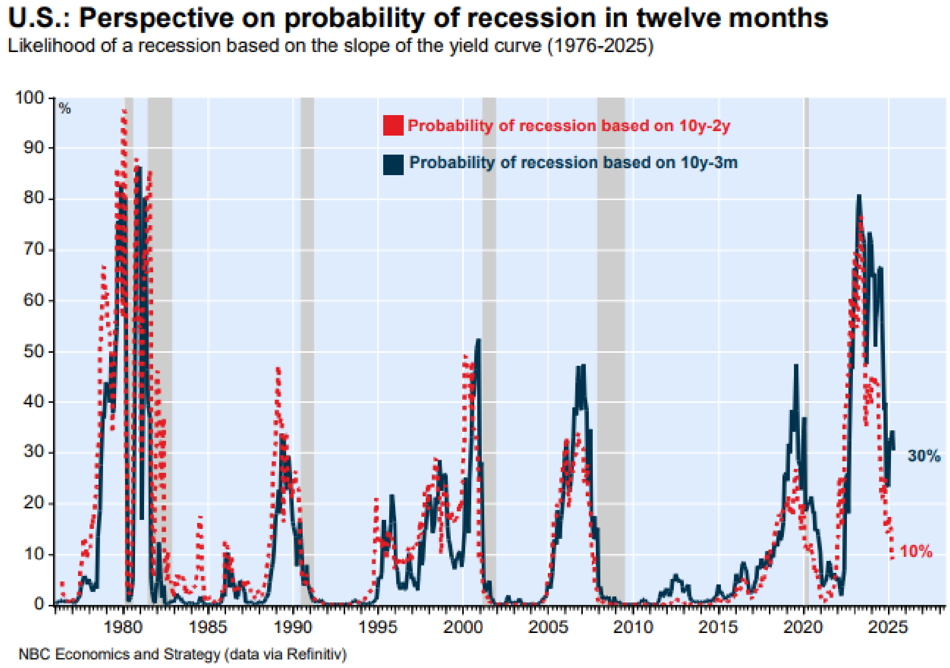
That aspiration has been dashed by the presidency of Donald Trump and his targeting of Canada with economy-killing tariffs. There is an opportunity today, thanks to Mr. Trump, of reimagining our economy and Confederation itself."

Full article link (may require subscription): Can this bank CEO unit Canada?

Mark Carney is in for a whirlwind start – National Bank Chief Economist Stefane Marion May 2, 2025 YouTube

Carney is in for a Whirlwind - NBF-Marion-Youtube

National Bank Monthly US Recession Dashboard - May 5 2025



[National Bank Monthly US Recession Dashboard]()

Chart explainer: The Red dotted line represents the spread (difference) between the US Fed Govt 10 year and 2 year bond yields. The grey areas are recessions. The tighter the spread the higher the likelihood of a recession (spikes on the chart). This indicator has been a good predictor of a following economic slowdown. We won't be surprised of the numbers back this up over the next quarter or so. Stock price typically start to fall around/after such spikes. NOTE: Late 2023 to mid-2024 both indicators approached record high leading indicator over 80% yet no recession occurred (yet). If we're going to have a recession, these indicators says it's right around the corner.

What about stocks? Feb to April/2025 saw the S&P500 peak-to-trough flop -21.35% qualifying for a 'correction', pricing in a recession. The S&P500 rebounded 17.1% from the April lows taking Year-To-Date to -3.7% and rolling 12-mos +8.3%.

The consensus appears to be that the near-term future is within Donald Trump's power to change, that he will 'blink', that the US global trading partners will rush to sort things out and things will return to some kind of normal…soon. After much chaos investors are now 'looking past the valley' of likely tariff-induced earnings declines and inflation.

We don't buy the market, we buy individual securities. We see individual stocks with attractive prices. Regardless of the overall apparent rebirth of enthusiasm, we believe the global trade system was an agreement between parties. It was never a controlled substance to be managed at the whim of the US President. Things may have rapidly moved well beyond Mr. Trump's control. That might not be a bad thing, but it won't be the 20 year 'normal'.

Vladimir Putin is putting on the Big Show this Friday.

Ukraine: The Latest. Putin's war machine 'burns' as Russia strips frontlines to shield Moscow

The Telegraph's 'Ukraine: The Latest' podcast series provides daily updates on the Russia's invasion of Ukraine with international ramifications. The May 7 edition features Russia's plans for Friday's May 9 'Victory Day' parade in Moscow's Red Square, which leaders are attending and what that might imply, the Russian economy and President Joe Biden's first interview since leaving office.

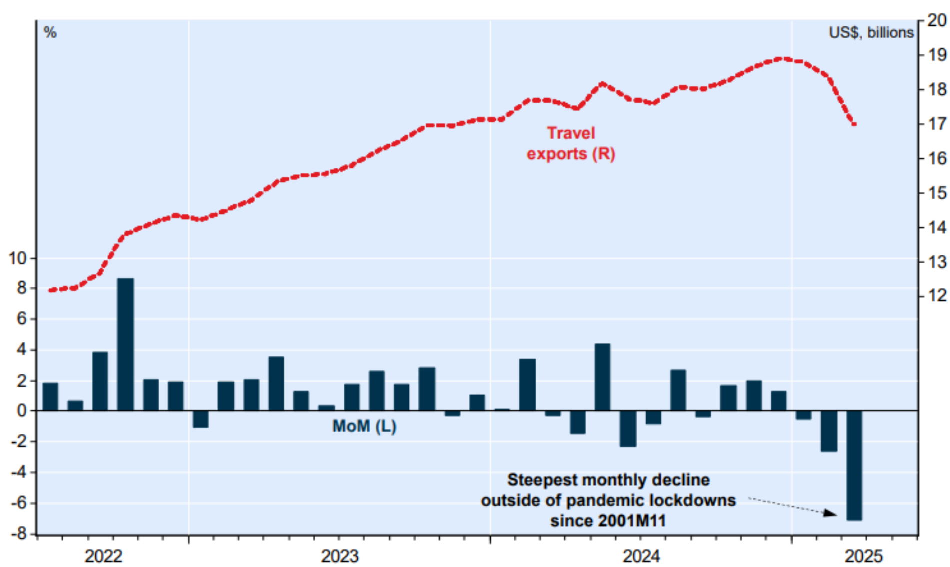
[Ukraine: The Latest. Putin's war machine 'burns' - YouTube]

How's that trade war thing going?

Travelers are shunning the United States NBF Hot Charts May 6, 2025

The March international trade data released this morning in the United States certainly attracted attention, if only because the deficit reached a record high of $140.5 billion in the month. The deterioration was driven by a sharp rise in goods imports (+5.4%), which was linked to businesses bringing forward orders to avoid the imposition of tariffs. But another element of the report caught our attention: the sharp decline in travel services exports, which include accommodations, meals, and travel agency and education fees paid by foreign visitors to the United States. As today's Hot Chart shows, these fell by no less than 7.1% over the month, the worst decline in nearly a quarter of a century, with the exception of the months of pandemic lockdown. Over the last three months, the decline has been a whopping 10%. These figures confirm what airline ticket sales data had already suggested in recent weeks, namely that some travelers are now shunning the United States. We expect this new reality to have a negative impact on production and employment in tourism-related sectors, as well as on the financial results of companies that depend on foreign visitors

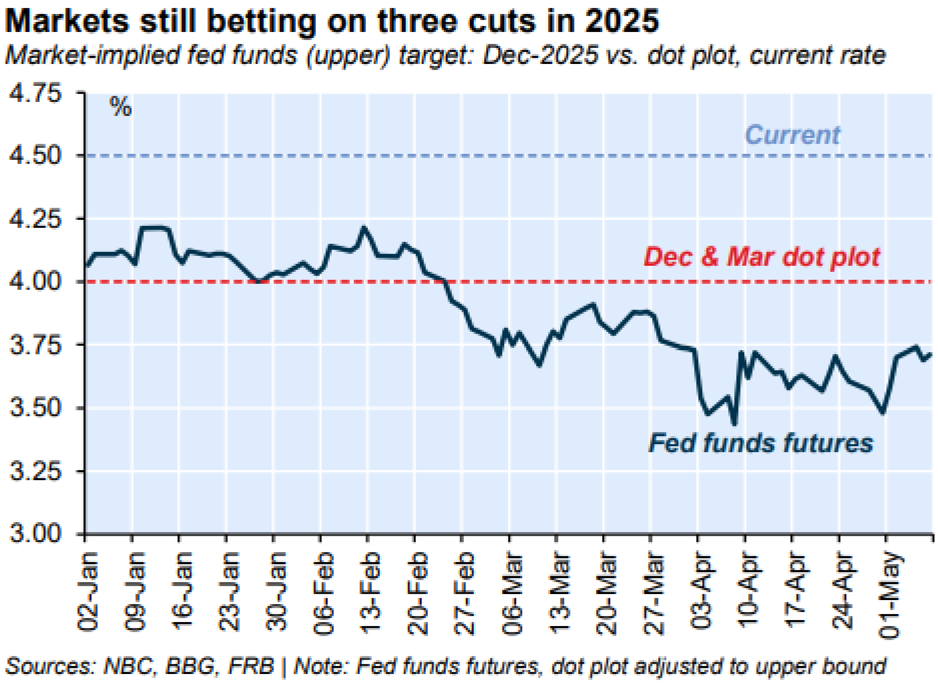
Travelers are shunning the United States
Exports of travel services including education from the United States



NBC Economics and Strategy (data via Bloomberg)

[Travelers shun the United States NBF](#)

'Elevated uncertainty = policy paralysis' Fed Policy Monitor NBF May 7, 2025

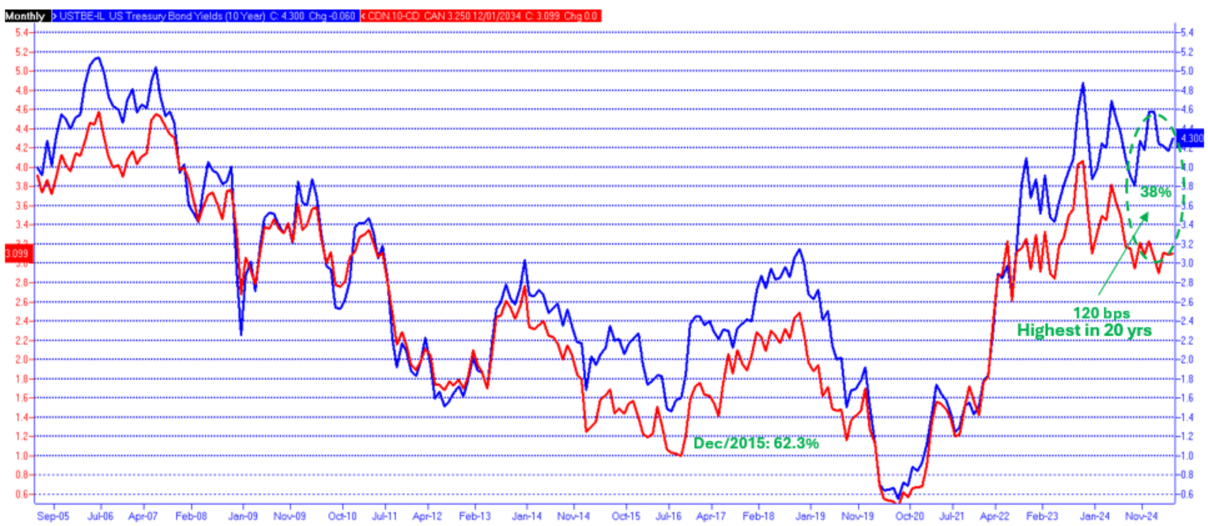


Full Report: [Elevated uncertainty = policy paralysis - Fed Policy Monitor](#)

What does the bond market think? update

10-year maturity yields – May/2005-May/2025:

US Fed Govt Treasury Bond (4.30%) vs Govt Canada (3.09%).



Source: LSEG, NBF, Hilberry May 7, 2025

BOND MARKET TAKEAWAYS:

- For 10 yr maturities, Canada has paid less to borrow money than the US for 20 years.
- 10 yr bond investors are demanding US Fed Government 4.3% vs. 3.09% from Canada.
- The current 1.20% yield spread is the highest nominal difference in 20 years.
- The current yield % difference is 38%. The highest differential was 62% in Dec/2015, when US 10-yr yields were 2.27% vs Canada's 1.39%.
- Either bond investors continue to be less concerned about repayment from Canada vs the US or US bond investors have been more concerned over inflation, or both.
- The bond market does <u>not</u> say Canada is riskier than the US.

Economic theory says tariffs should apply upward pressure on the currency of the country applying the tariffs, and increase inflation in that country increasing borrowing costs. The US dollar has been selling off not rising. Problem.

The current round of tariffs was revealed April 2, 2025 'Liberation Day'. From a baseline of 10% up to 145% on China, the announced tariff rates have been wobbling unpredictably. Investors have rushed in both directions as various tidbits, rumours, social media posts, interviews and statements have made tariff tracking, let alone economic impact…complex.

Projecting the tariff impact is a guess. One thing's clear, it's very early days. Anyone claiming Victory or Fail for tariff policy is blowing political smoke. The above Federal Reserve policy monitor is as good an example as any. If the Fed isn't clear, where does that leave the rest of us? Our guess is damage has been and is continuing to be done to the near-term growth prospects for the US economy. A recession of some kind is coming. The depth will depend on tariff resolutions, the subsequent inflation pulse, and the Fed's policy response.

Tariff negotiations had better be quick. Given the '*tariff everything and let God sort 'em out'* approach we're doubtful this will be easy and quick. We believe the tariff pain has yet to arrive. We're not sure it will be as bad as some have predicted but it certainly won't be a 'Golden Age'.

The White House appears to believe tariff revenue will support their argument for extending the Trump 2017 tax cuts. Some have suggested tariff's area bout giving cover for tax cuts.

Tariffs are taxes. Unlike the predictability of income taxes, tariff revenue is far more volatile rendering government expense coverage via tariffs vs income tax a greater challenge. Unlike graduated income taxes, tariffs hit all consumers at the same rate but clearly harm those with the least income the most. An 8% increase in the cost of golf balls wouldn't attract much attention at Pebble Beach. An 8% increase in the cost of eggs will be front and center for low-income families.

The Trump Administration appears to admire the US Fed Govt budgets of the McKinley Administration. Unfortunately, today the US Fed Govt has this little thing called service on Debt-to-GDP 120%+ in 1890's when Fed Govt debt/ GDP was under 20%.

[Visual Capitalist: History of US tariffs since 1890]

‘Broken Windows and the Broken Logic of Trade Wars’ The Independent Institute May 6, 2025

Mythbusters: Debunking the New Mercantilists, Part 1

We will be following this series from The Independent.

[Broken Windows and the Broken Logic of Trade Wars’ The Independent]

The US-induced Tariff War has hit big S&P500 names hard.

GOOGLE parent Alphabet Inc had a rough 2025

BUZZ-Apple, Alphabet down after report of iPhone maker exploring adding AI search to browser

Reuters 11:46 AM Eastern Daylight Time May 07, 2025

** Shares of Apple [AAPL.O] down 2% to $194.26 and Alphabet [GOOGL.O] fall 5.6% to $155.96

** Apple is "actively looking at" reshaping Safari web browser on its devices to focus on AI-powered search engines, Bloomberg News reports

** Eddy Cue, Apple's senior vice president of services, said that searches on Safari dipped for the first time in April during a testimony in the U.S. Justice Department's lawsuit against GOOGL - report

** Cue said he believes that AI search providers, including OpenAI, Perplexity AI and Anthropic, will eventually replace standard search engines like Google, Bloomberg says

** AAPL down ~21%, while GOOGL has fallen 13.8% YTD

Alphabet Inc (GOOG-US-$154.08) daily ranges – 6 months

Source: LESG, NBF, Hilberry May 7, 2025

After tariff worries and Anti-American backlash travails at Disney, The Big Mouse is back !

Walt Disney Co (DIS-US-$102.18) daily ranges 6 months May 7, 2025

Source: LESG, NBF, Hilberry May 7, 2025

We added to Alphabet and Disney recently

DISCLOSURE: We hold Alphabet and Disney 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. Please see important additional information at the end of this document

Based on P/E ratios, is the S&P500 expensive?

The short answer: Yes…maybe…not really.

Long answer: It's complicated

As of May, 2025, the 12-month trailing average Price to Earnings Ratio (P/E) for the S&P500 is 24.28 vs. the rolling 10-year average of 18.82. At first take this makes 'the market' expensive. Dec/2024 saw the ratio hit a new all-time non-recession high of 28.09 exceeding the previous 1992 record high of 25.60 which was marginally higher than the previous peak of peak of 25.33 in Jun 1933. In retrospect Dec/2025 proved expensive (we were net sellers at the time but not for that reason).

The record peak P/E for S&P500 of 122.41 (!) occurred in the depths of the 2007-09 Great Financial Crisis when earnings collapsed. Selling in late 2009 based on that peak would have been a massive mistake as investors were pricing stocks across the earnings valley (cliff) of Mark-to-Marked debt losses, correctly anticipating better times ahead. This tells us using posted P/E ratio's for a broad market to guide individual security selection is of limited value.

[Macrotrends: SP500 price to earnings ratio chart]

Notes: The Standard & Poor's 500 on March 4, 1957. SP500 valuation charts spanning periods prior to that founding use amalgams of previous data and do not compare well to today's economy. With those caveats, today's P/E around 24 is elevated but… posted P/E ratios for an entire index are trailing numbers. The current 12-month forward SP500 P/E is a more reasonable 20.4. Again, that's complicated by forward' being consensus earnings projections for thousands of analyst opinions covering all 500 companies in the index. The more popular and larger cap the stock the more opinions tilting the bias towards recent darlings.

One thing we have been clear on, avoid Hyper-Growth stocks. The past two years saw Magnificent 7 stocks dominated S&P500 earnings growth and price narratives. In March, data provider LSEG cautioned that the Mag-7 prices predicted difficulties for the remainder of the year for those names. That was proved incorrect in April. DISCLOSURE: our quote system provider.

Mag-7 2024 earnings review. Rotation awaits - LSEG

Canada: The imposition of tariffs disrupted trade flows in March NBF May 6, 2025

The imposition of tariffs disrupted trade flows in March

Meanwhile, here in BC…

'Province takes energy action to electrify economy, increase resilience' Prov BC May 5, 2025

British Columbia launches the Clean Power Action Plan. In partnership with BC Hydro, the plans is aimed at leveraging the province's abundant clean electricity, fostering economic growth, energy security, and climate action. Premier David Eby emphasized that the plan expands clean-energy supply to power communities and industries, create jobs, advance reconciliation, and reduce pollution, strengthening B.C.'s resilience amid external threats. While not stated directly, reading between the lines one gets the sense perhaps a more progressive approach to more natural gas related activity in the province?

The bottom of the announcement site has handy links to stats and data surrounding past efforts to increase BC's power supplies.

Full announcement: Province takes energy action to electrify economy, increase resilience'

Ottawa May Not Want to Get Out of the Pipeline Business Just Yet – Trans Mountain CEO Mark Maki – Energy Now.CA May 6, 2025

Trump's trade threats have only spurred increased interest in TMX, Mark Maki said

Ottawa May Not Want to Get Out of the Pipeline Business Just Yet

CONCLUSIONS:

- The Ukraine war isn’t ending soon. Russia will regret it. China is watching.
- We can’t predict the tariff trade war mess. It’s unlikely to be ‘over by Christmas’.
- Trump 2.0: Canada has outperformed the US.
- We see select value both sides of the border. Marco we’re still cautious.
- We remain tilted towards Canada. We continue to hold US stocks.
- We’re putting together our semi-annual May seminar. Invites are going out soon. If you’d like to bring a friend, please contact us!

Have a Great Weekend

Steve & Anna Hilberry

Steve Hilberry
Wealth Management Advisor, CIM

Anna Hilberry
Wealth Management Advisor, CIM

<u>FOR THE RECORD May 8, 2025 close</u>

DOW INDUSTRIALS:	41,368
S&P 500:	5,663
S&P/TSX COMP:	225,254
WTI:	$59.90
LOONIE IN $USD:	$0.7180 $US

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