



WEEKEND READING

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

Donald Trump has made Canada Great again.

We've been on the road, presenting our semi-annual May review for clients in Comox and Duncan. We're catching up on economic news and providing selected slides from the May presentation. Our seminar theme is one of (the many) unintended consequences of Mr. Trump's actions. Canada is suddenly in a much better place. Thank you, Mr. Trump.

In a typical Canadian fashion, we start with the bad news and end with the positives.

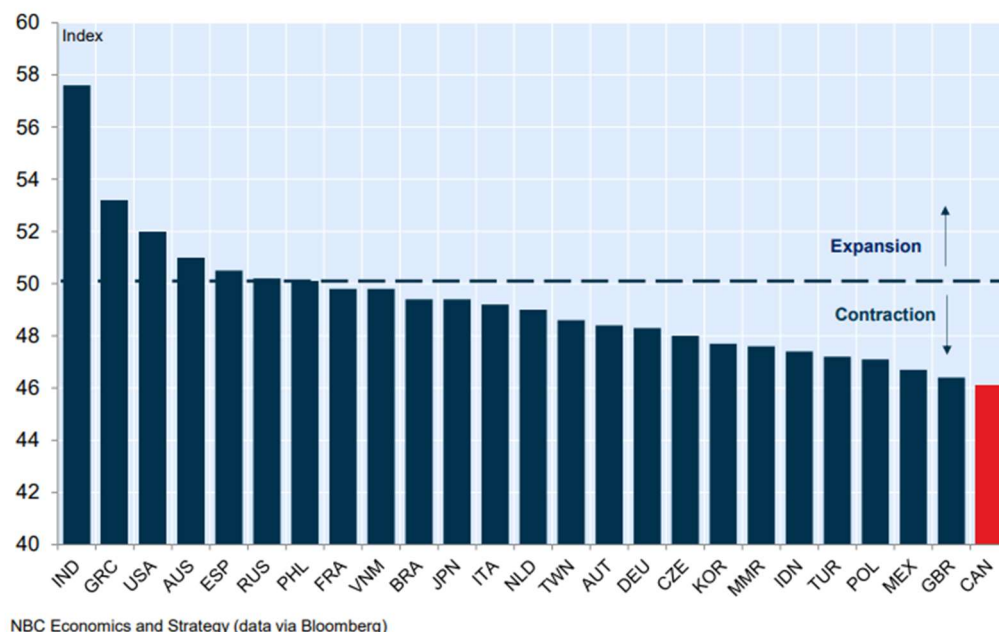
Canadian economic headlines have been glum

Canada Watch By Matthieu Arseneau, Taylor Schleich and Noah Black

Yesterday, S&P Global provided a snapshot of state of the global manufacturing sector's, including Canada. The good news is that 15 out of 25 countries saw their indices improve as global trade tensions eased between April and May. However, factory activity continued to contract in 18 out of 25 countries (below 50 print). Canada finds itself in both situations, with its index rising from 45.3 to 46.1 — still well below the 50 mark that separates expansion from contraction. The most troubling aspect of this data is that Canada ranks last among the countries covered by S&P Global, as illustrated by today's Hot chart. After experiencing strong demand from its US customers prior to the imposition of tariffs, this sector was bound to experience a slowdown thereafter. There is reason to be worried in the medium term as well, given repeated threats from the US administration on Canadian factories. We eagerly await the May services index, which will be released tomorrow. In April, this index was also the lowest among all countries covered (at 41.5), reflecting the widespread weakness of the Canadian economy amid the current tariff uncertainty

Canada: The manufacturing sector was in the worst shape in May

S&P Global manufacturing index by country in May



[Canada](#)

[Watch: The manufacturing sector was in the worst shape in May](#)

From NBF's June 3 'Before the Bell' commentary

Well, there seems to be a pretty constructive tone following a meeting between Mark Carney and provincial & territorial premiers in Saskatoon to discuss fast-tracking major infrastructure and energy projects deemed in the "national interest." Carney has stated he aims to reduce Canada's economic reliance on the U.S. by streamlining approvals from five to two years through a new major projects office. Premiers pitched projects like pipelines, ports, critical mineral mines, and trade corridors, with criteria including economic autonomy, Indigenous support, and clean growth potential. While no specific projects were finalized, a joint statement outlined agreed-upon criteria. The criteria emphasized economic autonomy, Indigenous cooperation, clean growth, and project feasibility. Alberta Premier Danielle Smith seemed to welcome Carney's energy superpower vision, noting a positive shift in federal tone. This gathering of the Prime Minister and Premiers follows a visit Carney had with Canadian energy executives. Media reports have suggested Carney emphasized collaboration with industry to advance both clean and conventional energy projects. The closed-door roundtable focused on fast-tracking major projects, with energy executives reportedly noting needed reforms including scrapping emissions caps and the Impact Assessment Act, to bolster the sector. The right meetings and conversations seem to be taking place with growing consensus on a constructive path forward for Canada advancing energy projects. Next step is taking firm action.

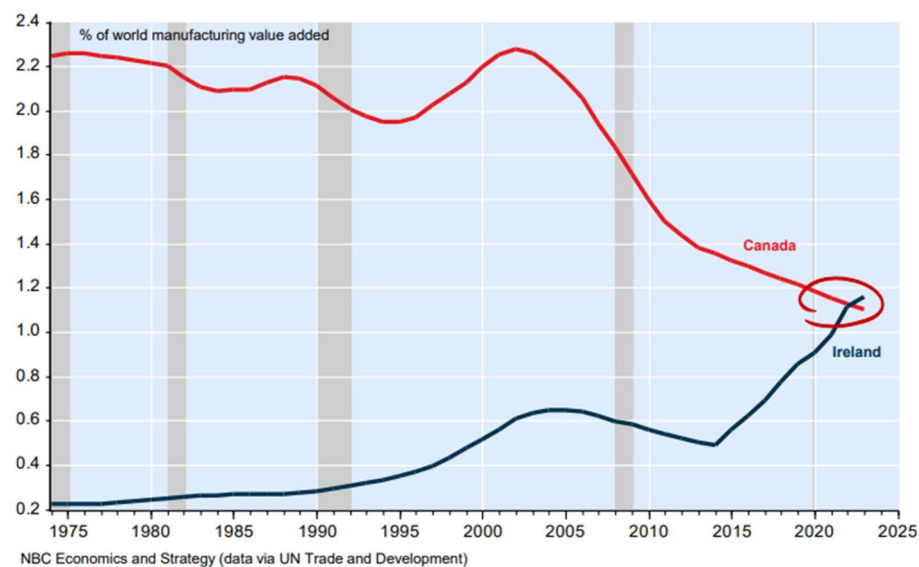


Extract From this week's seminars

Canada's manufacturing sector has been in the doldrums. Blame government over-regulation and 'No' at every step.

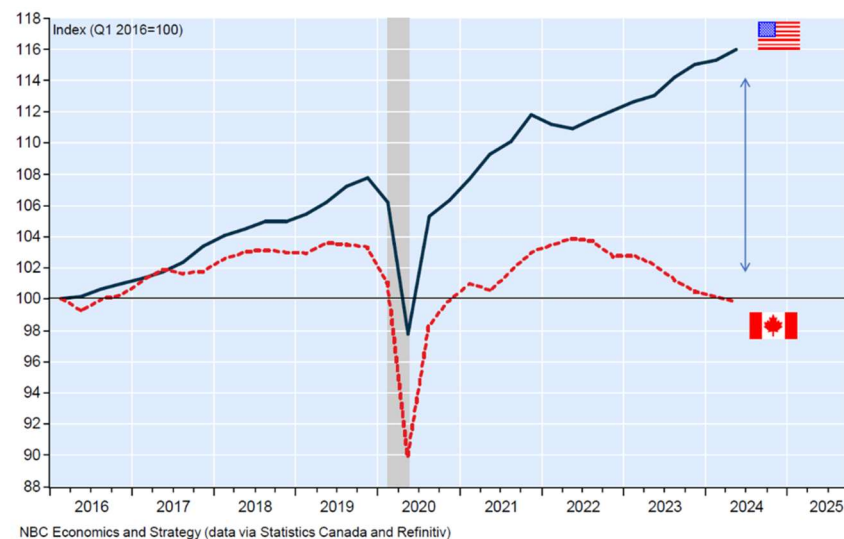
Canada: Overtaken by Ireland in manufacturing—an industrial wake-up call

Manufacturing value added as a share of world total in constant 2015 \$USD, 5Y moving average



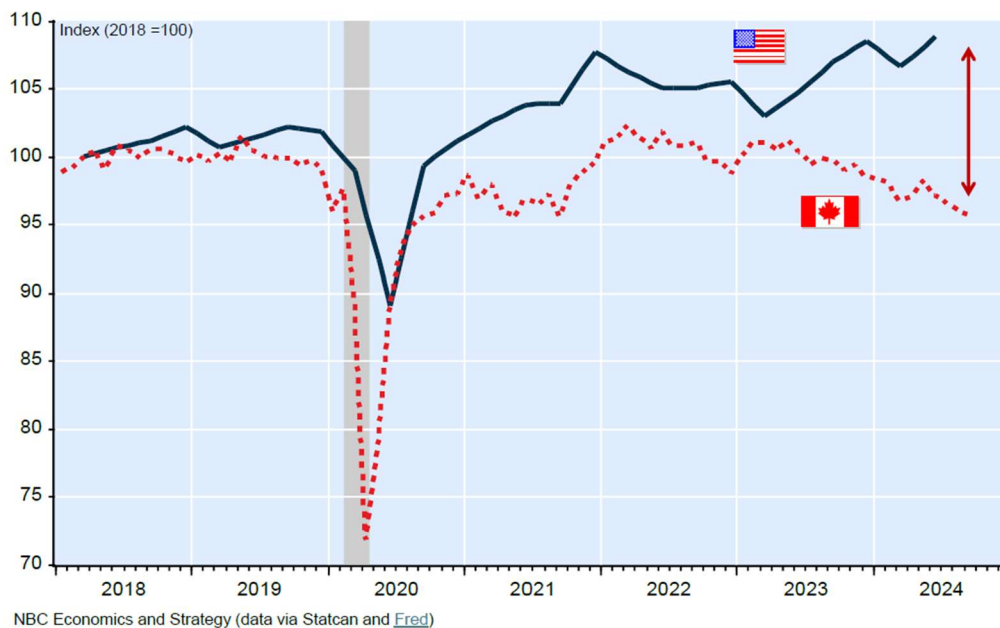
Canada: GDP per capita is below 2016 level

Real GDP per capita



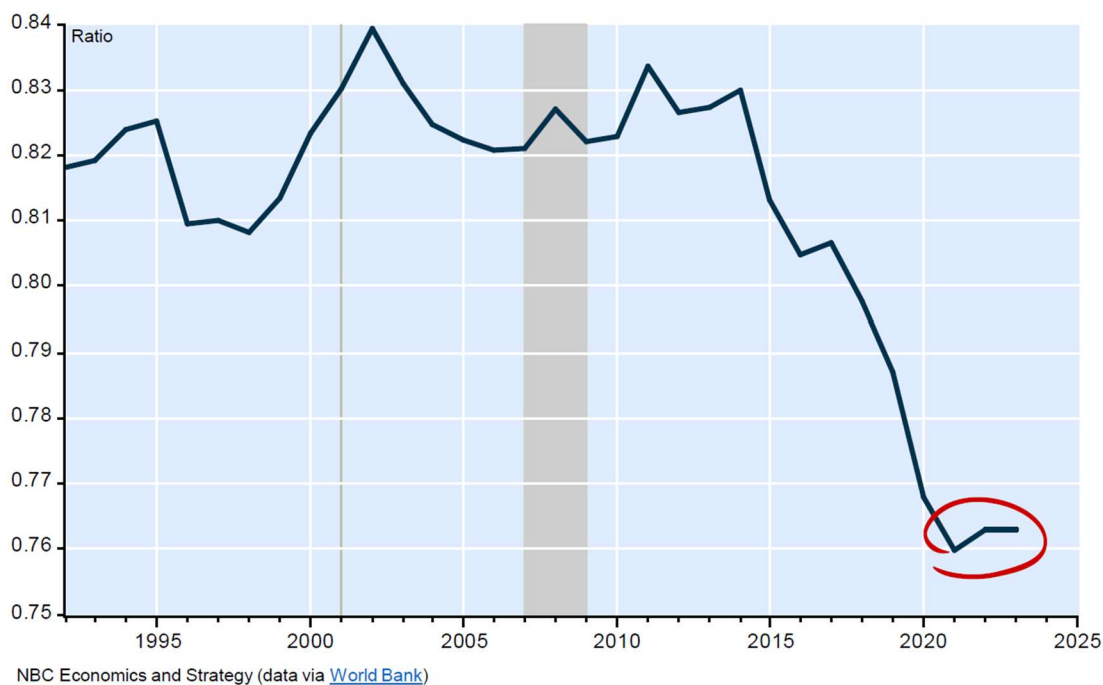
Canada: Factory output down 5% from pre-Covid levels, while US up 10%

Real GDP in manufacturing: Canada and the U.S.



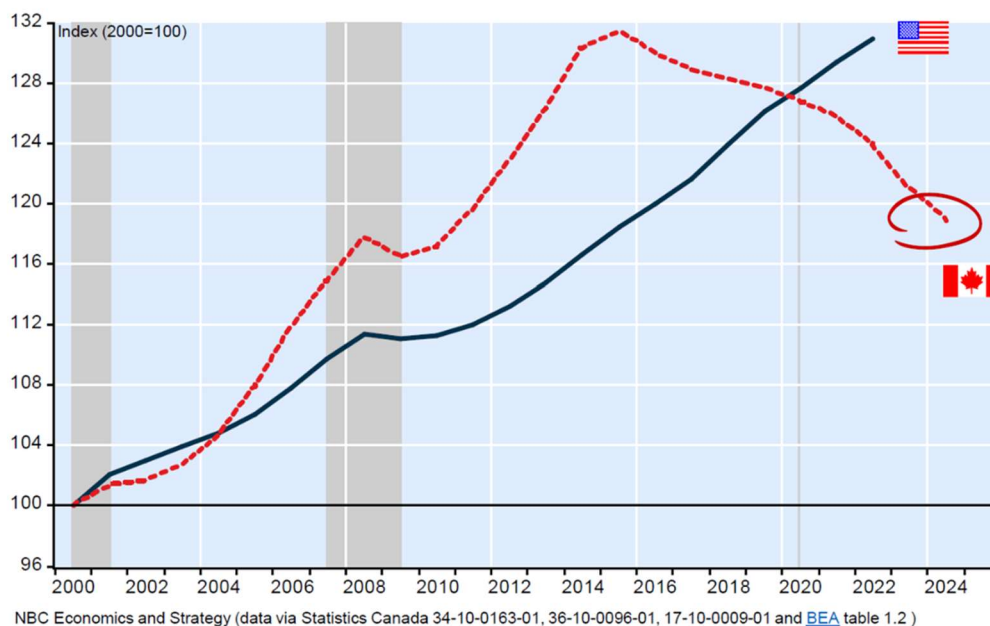
Canada: Down to 76% of U.S. level

Ratio of Canada and U.S. real GDP per capita on a PPP basis



Canada: Capital stock per capita lowest since 2010

Net real private non-residential capital stock per capita at year-end, (2023-24 est. for Canada, 2022 for U.S.)



Past hockey legend Wayne Gretsky explained his success by 'skating where the puck is going'. Economic stats confirm Canada's decade-long declines in manufacturing and energy infrastructure, led by Government policies designed to say No. That's where the puck has been. Where is it going? With all the above bad news, one would expect Canadian bond yields and equity prices to reflect higher risk than those of the US. As we've pointed out in our Weekend Readings, this is not so.

Investors think Canada will outperform the US.

Bond yields: 10-year yield spread: Jun, 2023 to Jun, 2025 not pricing in Canada's demise.

Canada 10-yr (red 3.65%) vs US Fed T-Bond 10-yr (blue 4.46%)

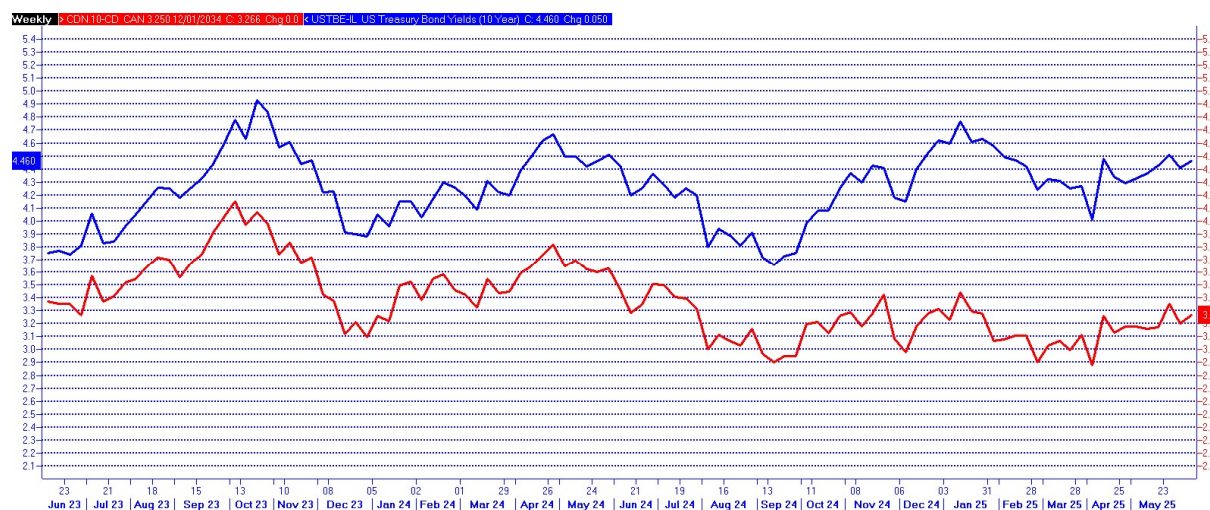


Chart Data Sources: LSEG, NBF, Hilberry

Equity markets:

Total Return Indices, June 1, 2024 to May 31, 2025:

S&P500 TR (blue 13.5%) vs SP/TSX Comp TR (red 21.05%)

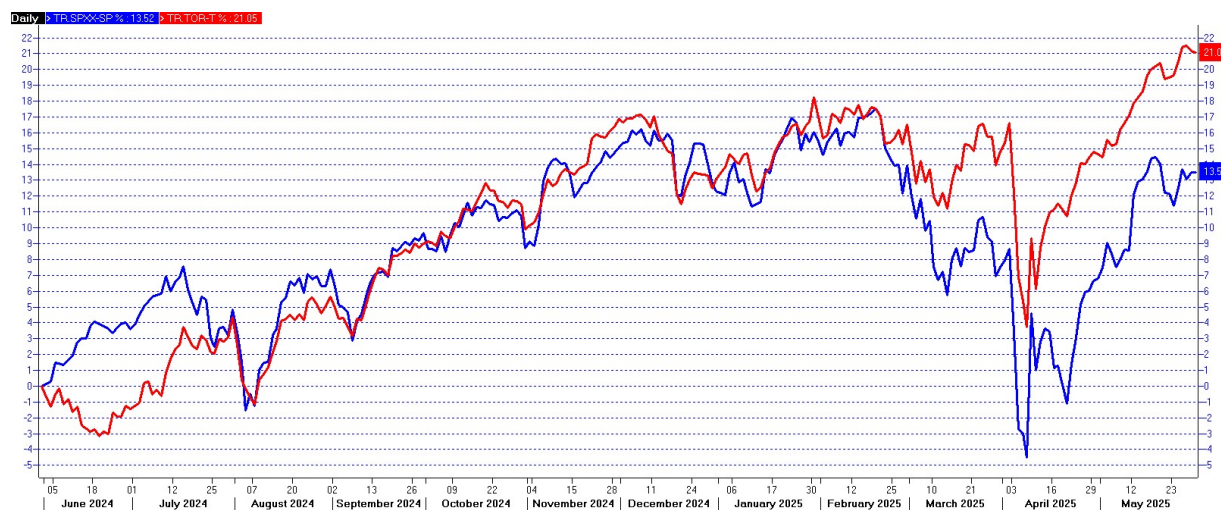


Chart Data Sources: LSEG, NBF, Hilberry

While there's nothing wrong with the S&P500's 13.5%, Canada's TSX provided 57.8% higher total return to US investors, **in US dollars** over the same period. Does this optimism make sense?

\$1 Dollar Canadian cost in US Funds 2005-2025 Monthly Ranges

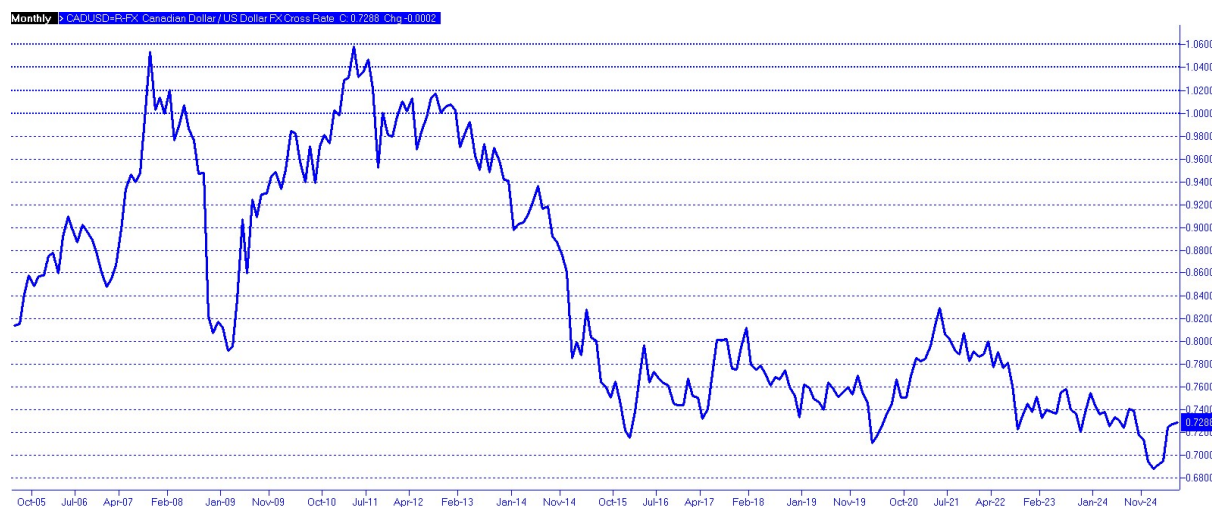


Chart Data Sources: LSEG, NBF, Hilberry

Over the past year the Loonie has remained flat around \$0.725 USD. The 20-year peak was around \$1.06 US. The average has been in the low 80 cent range. The Loonie remains at the lower end of historical ranges. A low Loonie means it's a better time to buy Canadian assets.

Reasons for optimism

Canada's working age population has surged, providing a coverage for Canada's retirees that is the envy of developed nations.

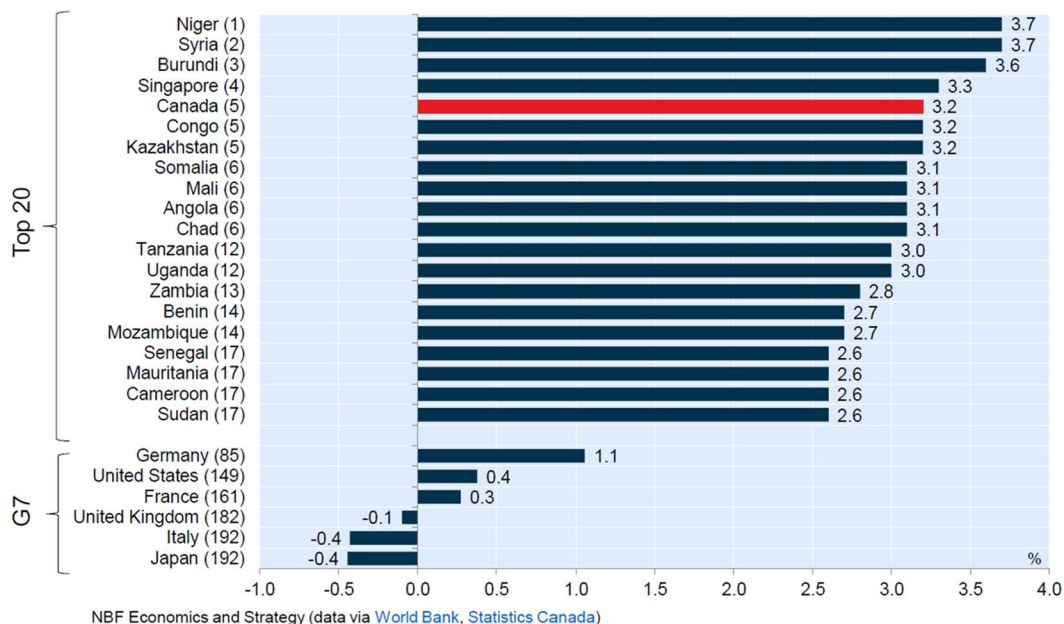
Canada: Population growth accelerates in 2024

Population aged 15+



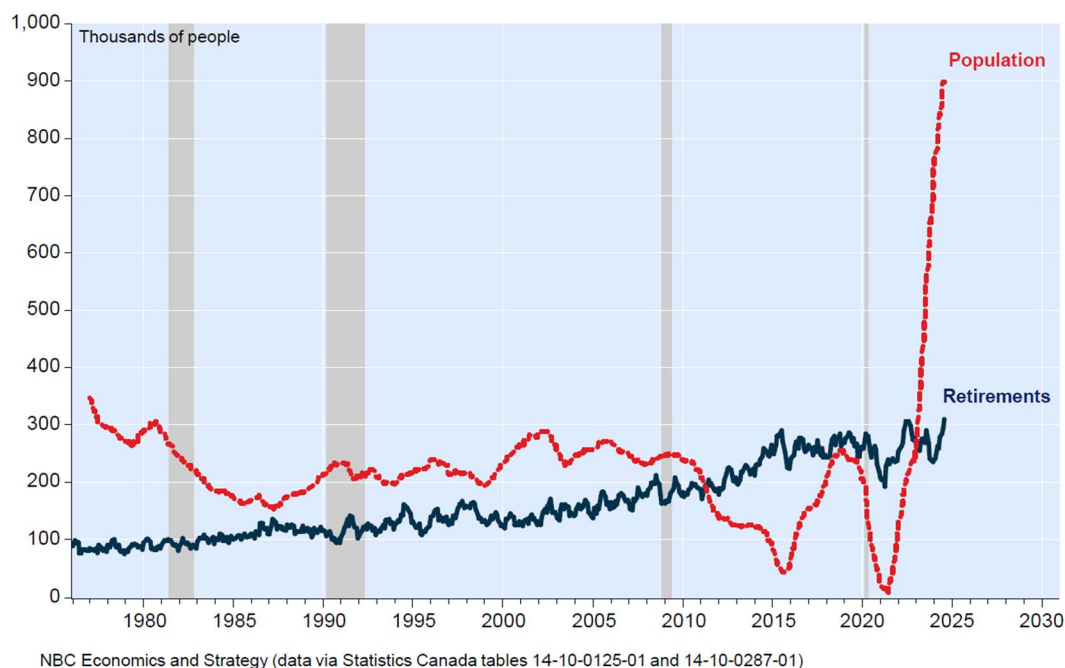
Canada: Population growth is among the fastest in the World

Population growth in 2022, top 20 countries and G7 economies (2023 data for CA)



Canada: Population growth at 3x retirement rate

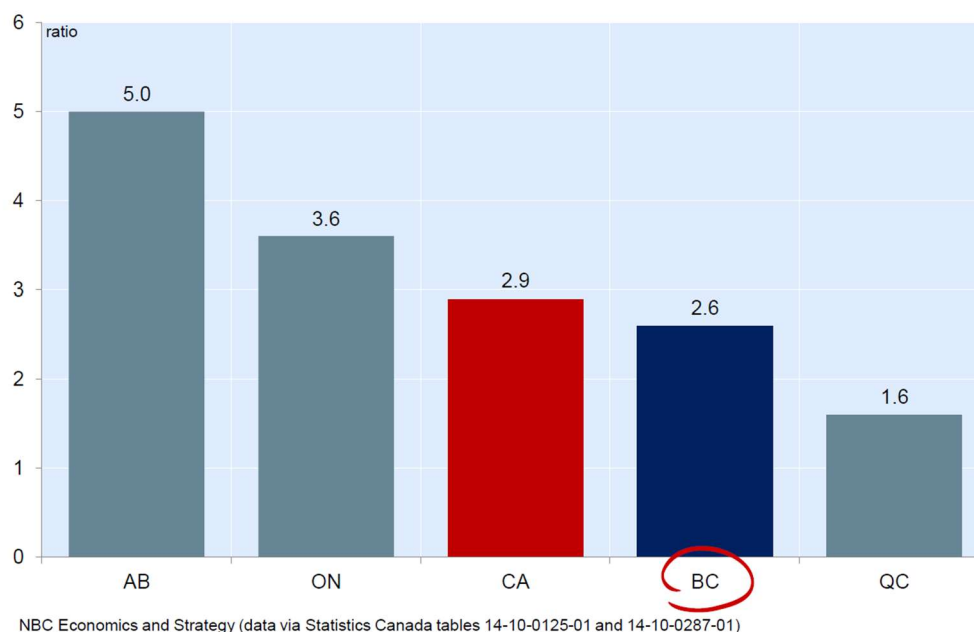
Number of people who left the labour force in the last 12 months for retirement vs. population growth aged 15-64



Closer to home, BC's population growth, while strong, pales to Ontario and Alberta. Population Growth is a good thing!

BC: The excess is much greater in AB and ON

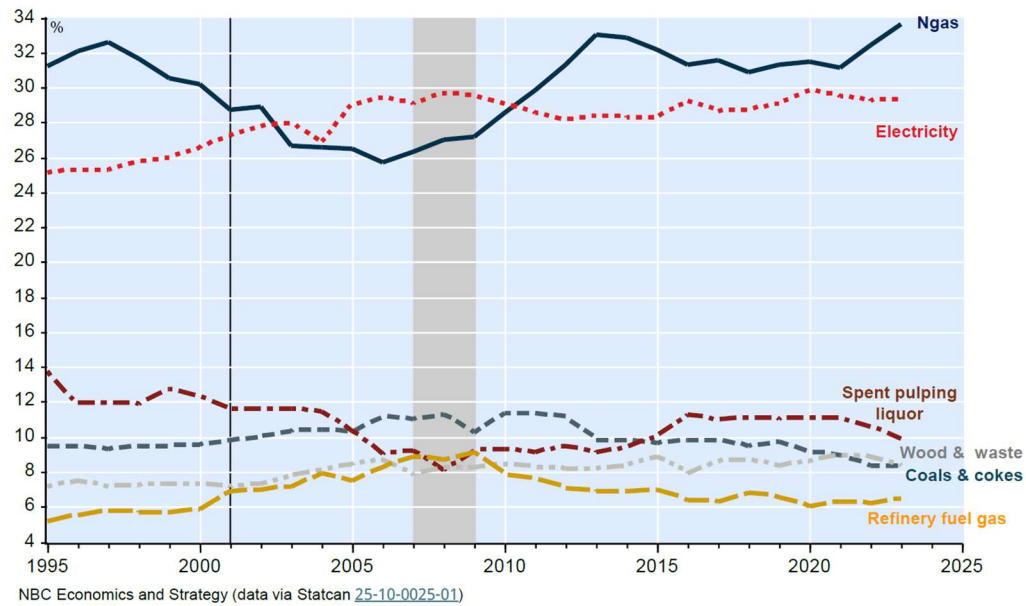
Ratio of annual growth in the population aged 15-64 to retirements



Meanwhile the demand for energy of all kinds is increasing...

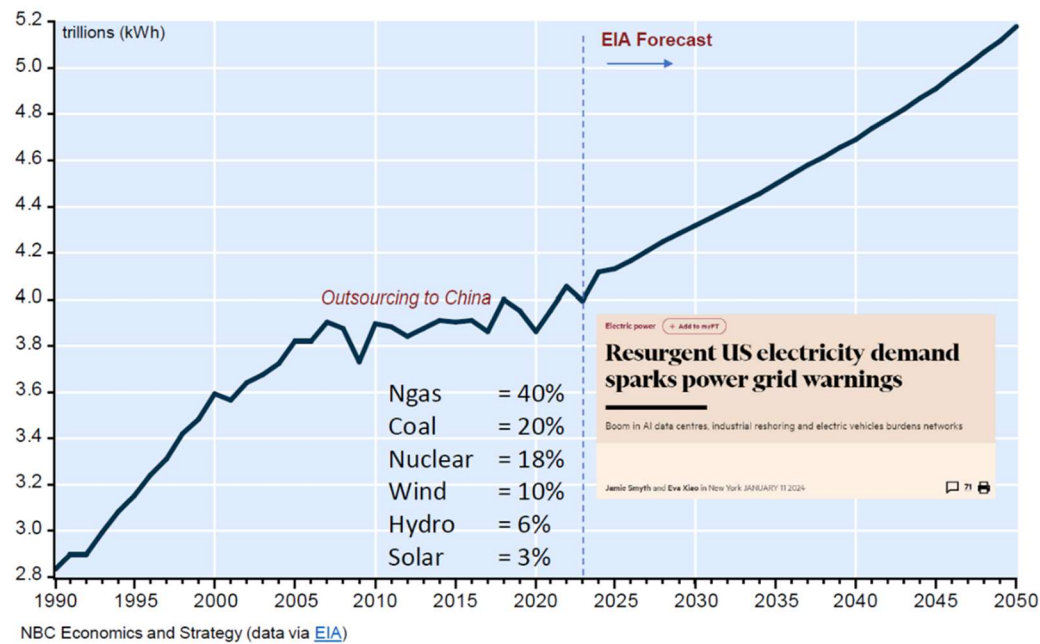
Canada: Manufacturing is energy intensive

Energy consumed by manufacturing sector



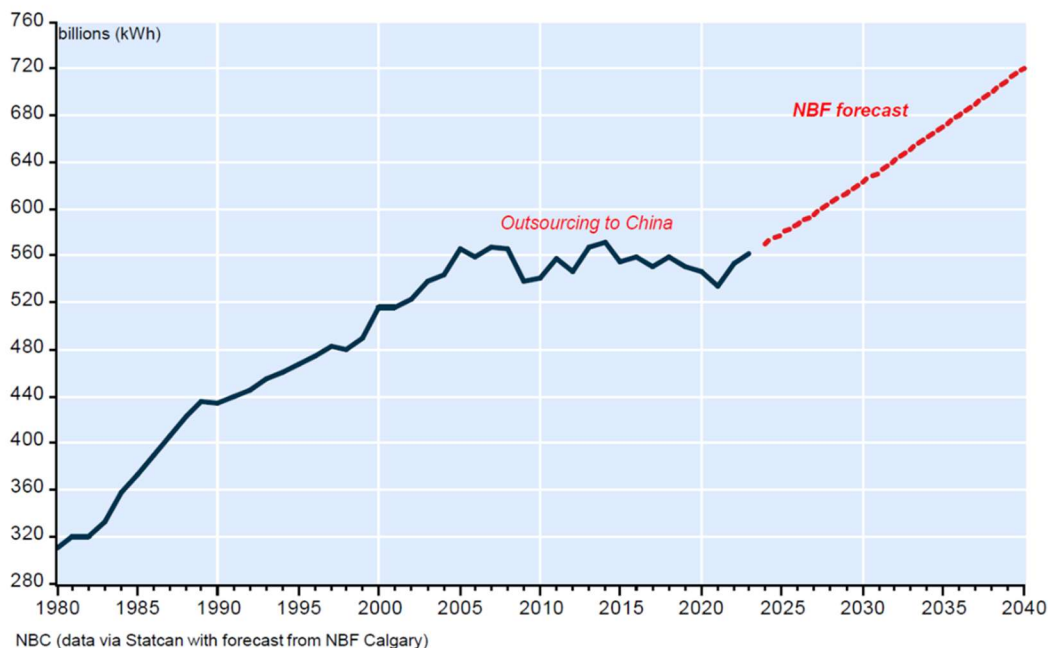
U.S.: The demand for electricity is back on an upward trend

Electricity used by all sectors of the U.S. economy



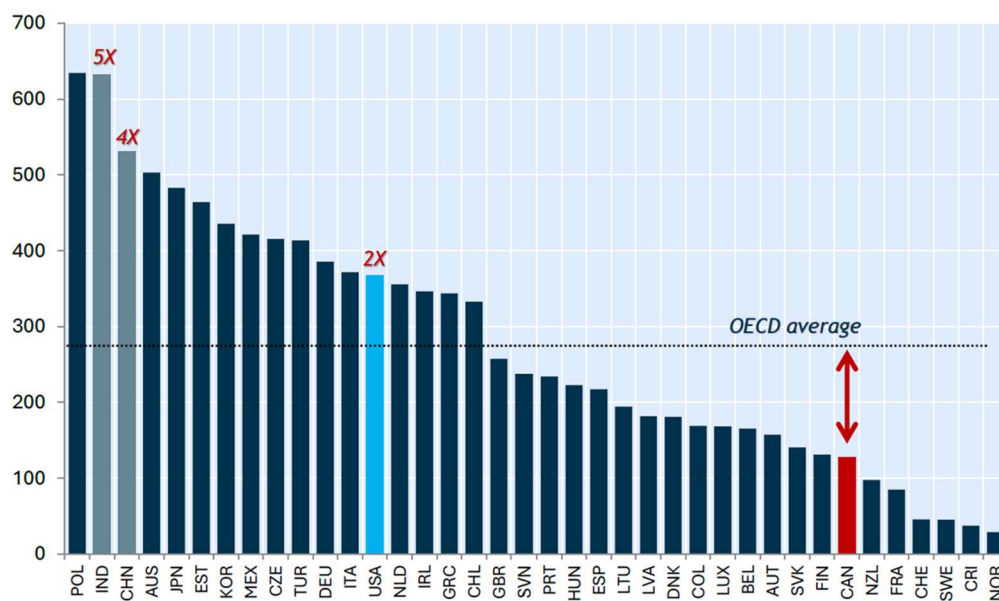
Canada: Is Ottawa ready for this trend?

Electricity used by all sectors of the Canadian economy



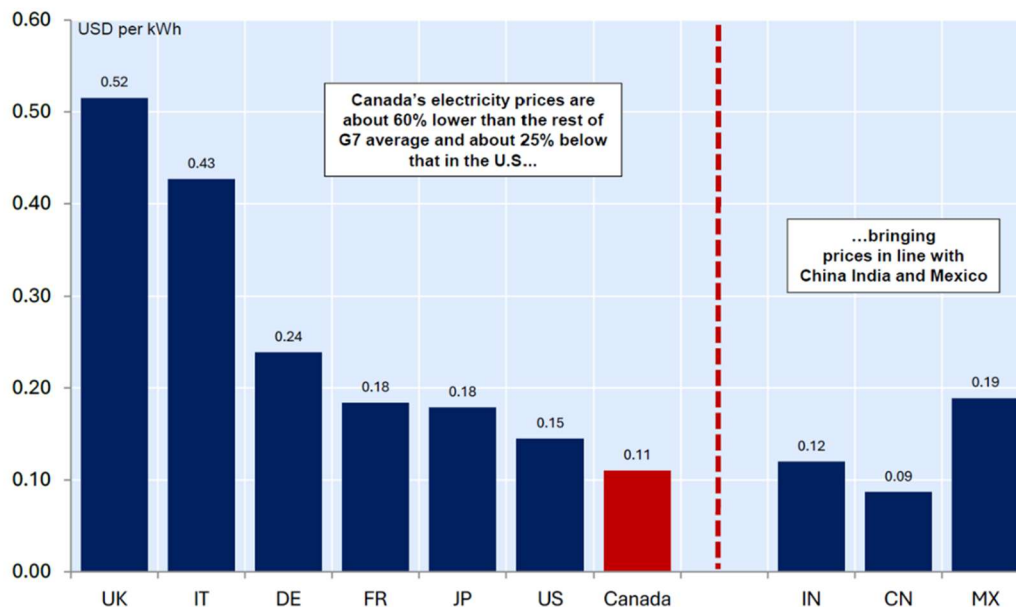
World: Canada's electricity grid is one of most resilient and cleanest

2022 carbon intensity of electricity (gCO₂/kWh), OECD + China and India



Canada: Lowest electricity prices in the G7

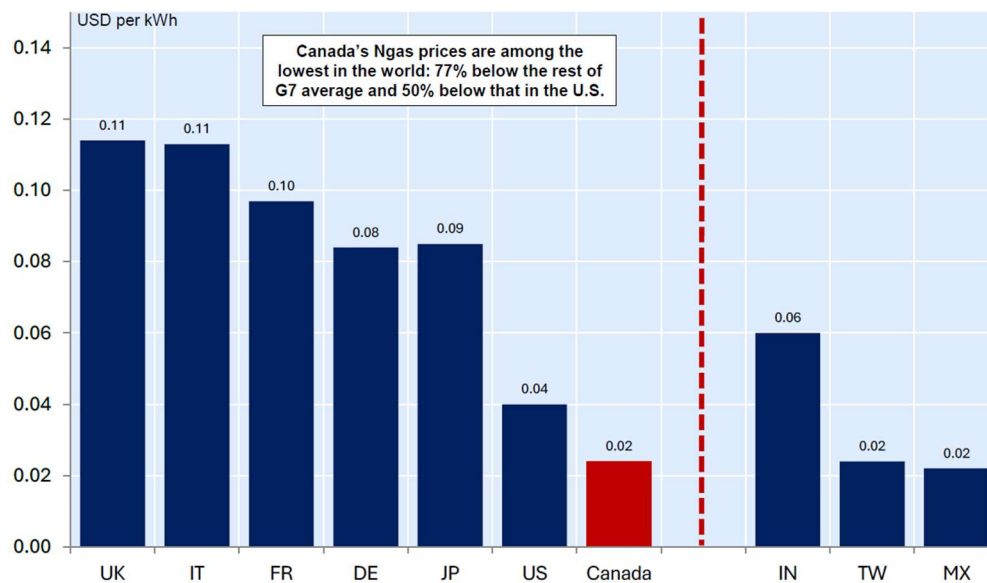
Electricity prices in March 2024 for businesses (at market exchange rate)



NBF Economics and Strategy (data via [GlobalPetrolPrices.com](https://www.globalpetrolprices.com))

Canada: Among the lowest Ngas prices in the world

Natural gas prices in March 2024 for businesses (at market exchange rate)



NBF Economics and Strategy (data via [GlobalPetrolPrices.com](https://www.globalpetrolprices.com))

With low energy costs, Canada could be a manufacturing powerhouse. Once we've made the stuff, Canada has significant shipping distance advantages. There's a reason Halifax, N.S. was the main North American export terminal for soldiers and materiel during WW 2.

Shipping distance - nautical miles:

- Halifax/Antwerp 2,800 nautical miles
- New York /Antwerp 3,300.
- Corpus Christi/Antwerp 6,000
- Prince Rupert/Tokyo 3,800 nautical miles
- Seattle/Tokyo 4,300
- LA Port/Tokyo 5,000.

The larger and heavier the vessel, the more important distance becomes. Super Tankers and Q-max LNG ships are among the world's heaviest vessels. Proximity gives Canada an edge on shipping.

Let's review Canada's advantage:

- A lower-than-average Loonie FOREX.
- Below-US borrowing costs.
- Low cost, clean electrical power, and natural gas.
- Consistently friendly trade-partner policies.
- Brain-drain recipient of a population growing via skilled immigrants.
- A world-class education system welcoming students of all races and genders.
- Highly skilled and mobile work force.
- Proven and durable financial system.
- Rule of law.
- Low crime rates
- a (hopefully) expanding export infrastructure and among the lowest energy costs in the world.

Given these advantages, Canada could, and we think should, be a relative powerhouse. If we can dump the perception of regulatory hurdles gumming up the works, Canada could expand sharply. Canada's equity markets are not priced for this. Canada's economy and financial markets are 1/10th of the US and 2% of Global GDP. A small shift in US/Intl capital flows translates to outsized changes in Canadian securities. We see opportunity.

From 2015 to 2025 Canadians elected Federal and Provincial Governments running on mandates to actively discourage manufacturing and energy infrastructure development. We can't blame those governments for giving us what we voted for! We've predicted Canadians would experience buyer's-remorse. The recent election proved the point.

Canada's new Prime Minister Mark Carney is making all the right noises (see the June 3 Before the Bell commentary above). Canada could be changing from No to Yes. investors seem to think so.



Donald Trump has made everyone but America great again...for investors.

Setting aside the claim that America needs to be made great, let alone again....what do investors, risking their own money think of Donald Trump's 'Golden Age'?

The following chart traces results of \$100 USD (price-only, excludes dividends & distributions) of selected ETFs representing major equity markets, listed and trading on the US exchanges. Date range start is from the close of trading Nov 4, 2024 the day prior to the US Presidential election of Donald Trump to close of trading June 4, 2025

ETF Legend:

- SP500: SPDR S&P500 ETF Trust (SPY-Blue = 104.80)
- MSCI Canada USD: iShares MSCI Canada ETF (EWC-Green-110.80)
- MSCI United Kingdom USD: iShares MSCI UK ETF (EWU-burgundy-112.29)
- MSCI Germany USD: iShares MSCI Germany ETF (EWG-red-131.15)

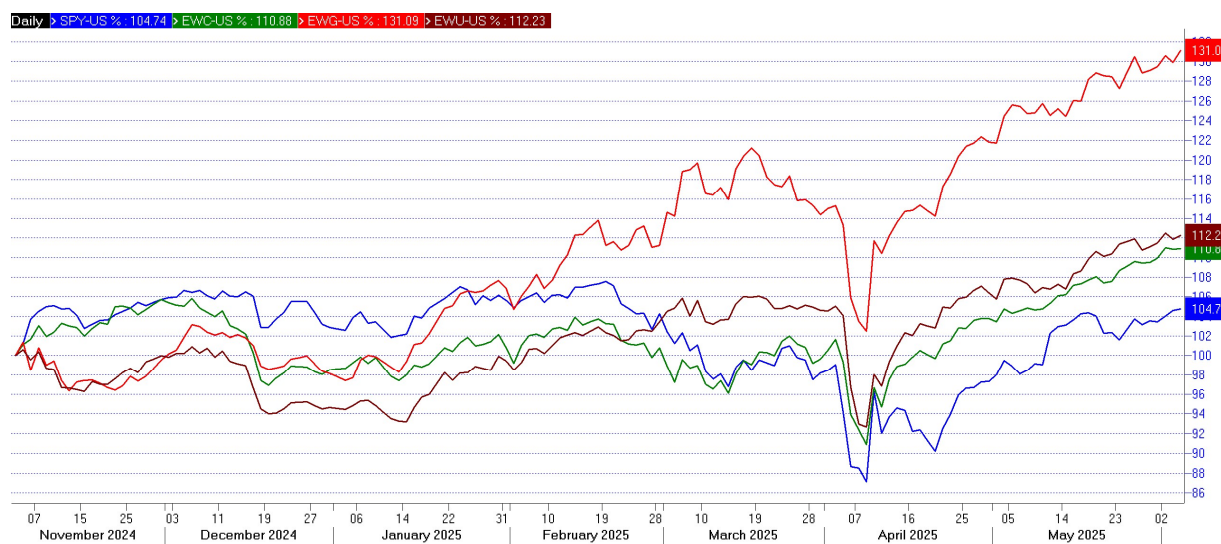


Chart Data Sources: LSEG, NBF, Hilberry

In his inaugural address, Trump stated "The golden age of America begins right now." Trump has since advised, Americans '[could feel some pain](#)' in the 'transition'. US equity markets have been unusually lackluster since the election. Europe has been made great again. The 'American Golden Age' is off to a rocky start. Mind you an 'Age' can be any time span one wishes. The most recent geologic one, The Quaternary Period, is only 2.6 million years. Meanwhile the rest of the world is advancing. Thank you Mr. Trump!

Two points regarding the US economy and US equity markets.

- 1) Betting against the US equity markets has been a mistake.
- 2) "American always does the right thing...after they've tried everything else"

- Winston Churchill

Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD June 5, 2025 close

DOW INDUSTRIALS:	42.319
S&P 500:	5,939
S&P/TSX COMP:	26,342
WTI:	\$64.57
LOONIE IN \$USD:	\$0.7312 \$US

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