



## WEEKEND READING

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

### Summer Ends

#### Welcome to the Labour Day long weekend.

I was away last week on a quick trip to a small town in Northern Mexico to attend an elderly relative. She is a dual US/Canadian citizen living full time in Mexico. At 90, she requires assistance moving about and had a health scare. It was time to check on her accommodation, in-home support and medical care - in the heat of the Mexican summer! It was a chance to see how another culture deals with aging. Other than clarifying administrative issues, and dealing with 36-C + temps and 0%+ humidity, I needn't have worried. On a trip to the central plaza, I was escorting her down a ramp. A well-dressed Mexican gentleman in his 40's came out of his way to rush over and assist her. We experienced this everywhere. Mexicans don't view being elderly as being old and in the way.

The local economy is modest by Canadian standards. Houses are smaller and the cars aren't as expensive, but we didn't see acres of hovels and filth. Daily care can be hired at under \$7.00 \$CDN per hour. Food is fresh locally sourced and inexpensive. A modest but well-appointed single-level, single family house in town, with full services including air-conditioning can be had for less than \$100,000 CDN. She lives within walking distance, or in her case golf cart driving distance, to the center of town and shops. Her town, Alamos, is 45 minutes from Navajoa – roughly the same distance as Duncan Victoria or Nanaimo. Navajoa, near the eastern shore of the Sea of Cortez, has the familiar compliment of Big-Box American stores, Walmart, etc. and has major hospitals. Americans and Canadians live a more opulent lifestyle, with better things and finer, larger houses. She couldn't afford the same lifestyle in the United States, let alone in Canada. She's made the right decision for her.

The flight to Alamos starts with a 5.5-hour direct flight Vancouver to Mexico City. The plane was full both ways, mostly with middle-class and up Mexican citizens. I was one of the few 'gringos' on the plane (it was the middle of August!). The connecting national flights were via Aero-Mexico. The plane and the help beat many Air Canada jets. There is clearly more trade happening between Canada and Mexico. It's about time.

## Leadership

Long flights permit reading and pondering. Leadership was top of mind. Western Democracies have, since WWII, more often than not, elected leaders who led by example, showed social grace, surrounded themselves with experts, honored and respected the structure they were entering and would soon leave, led by example focusing on inspiring their citizens. To be clear, supercharged egos were in abundance. Failings in personal integrity, dishonorable conduct, graft and undue power grabs were seen as problems, rejected by fellow elected officials and ultimately swiftly punished by voters. The living memory of two World Wars reinforced this discipline.

Rule of law, prudent fiscal/monetary management led by independent authorities, protected the currency and Govt finances from excess political interference and personal assets from theft and inflation. Officialdom was seen as (mostly) free of corruption. Optimism prevailed longer-term risk taking would be rewarded. Investing in children's education, making a riskier career choice, working harder for promotion, staying later, investing in a small or large business, buying a home vs. renting, saving for the future vs. spending today all increased wealth, improved productivity and lead to rising health, longevity and standards of living. Inspiration matters.

US citizens showed these traits in spades. The US continues to enjoy a risk premium. Investors have been willing to pay higher premiums to own US risk assets – real estate, equities (stocks) and commodities than in many other developed economies.

Over the past decade politicians at both ends of the spectrum have run on grievance. "It's someone else's fault". Once in power, many have attempted to attack both the letter and intent of the law. Experience says, voters (and investors) eventually display the wisdom of millions and reject these behaviours. We anticipate this result.

What if we're wrong? What if voters don't reject these types? If advancement depends on who you know, where you're from and what you've paid to whom, why take risks? Why put off today's gratification for the future? Why bother?

What is the cost? Declining productivity. Falling productivity means lower profits and competition, less employment, slowing wage growth, a slowing economy, increasing costs and inflation. An extreme example is the low productivity and poor lifestyles of authoritarian economies, explaining why they always fail. The lack of reward leads to a decreased appetite for risk. This means a demand for higher return from lenders leading to lower prices paid for risk assets. Canadians old enough to remember the late 1970's will recall the damage rising interest rates can do to property prices.

How likely are these risks in the US? Americans don't have a history of tolerating bad behaviour. There is much to lose by doing so. We remain optimistic Americans better nature will prevail. We must get there from here. This quarter, we've dialed back our client risk exposure, raising cash. We expect to spend it by year end.



Meanwhile clients are seeing record gains. We're seeing a bumper crop of profits. We haven't given up our sunny optimism in the final days of summer. If our caution is overdone, we've yet to meet anyone who went broke taking a profit. There will be plenty of time for gloomy weather this fall.

We close with a favorite quote:

***"America always does the right thing....after having tried everything else"***

- Winston Churchill.

## Have a Great Long Weekend

**Steve & Anna Hilberry**



### FOR THE RECORD Aug 28, 2025 close

DOW INDUSTRIALS:	45,636
S&P 500:	6,501
S&P/TSX COMP:	28,434
WTI:	\$64.01
LOONIE IN \$USD:	\$0.7278 \$US

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Montreal Office  
National Bank Financial  
Wealth Management  
800 Saint-Jacques Street  
Office 79721  
Montreal, QC H3C 1A3  
Ph: 514-879-2222

Toronto Office  
National Bank Financial  
Wealth Management  
130 King Street West  
Suite 3200  
Toronto, ON M5X 1J9  
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