



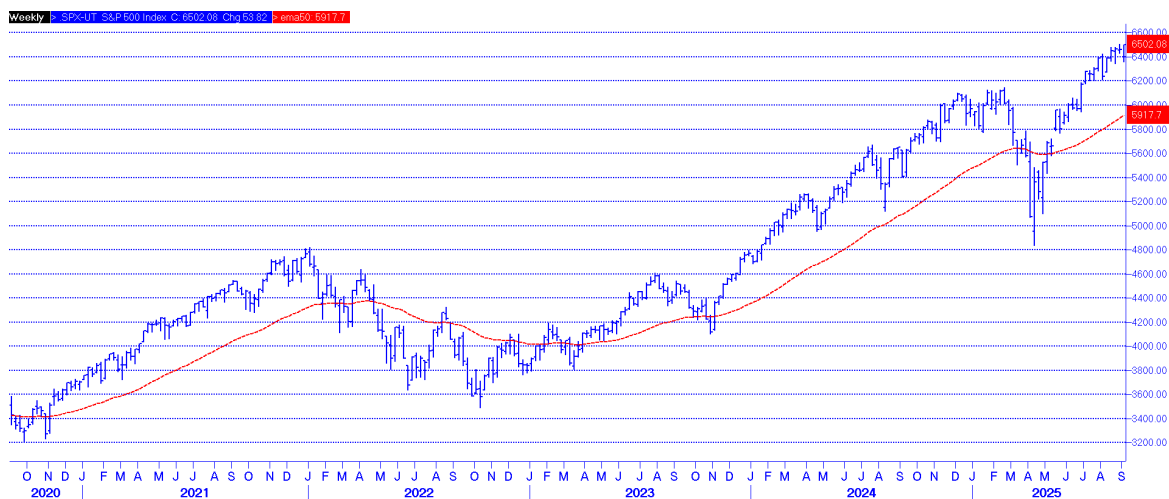
WEEKEND READING

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

The Calm before the storm?

As summer winds down and the kids return to school, clients are asking about the Fall. Stormy weather is a given in November. Will markets do the same? It feels too quiet out there.

S&P500 at Record Highs

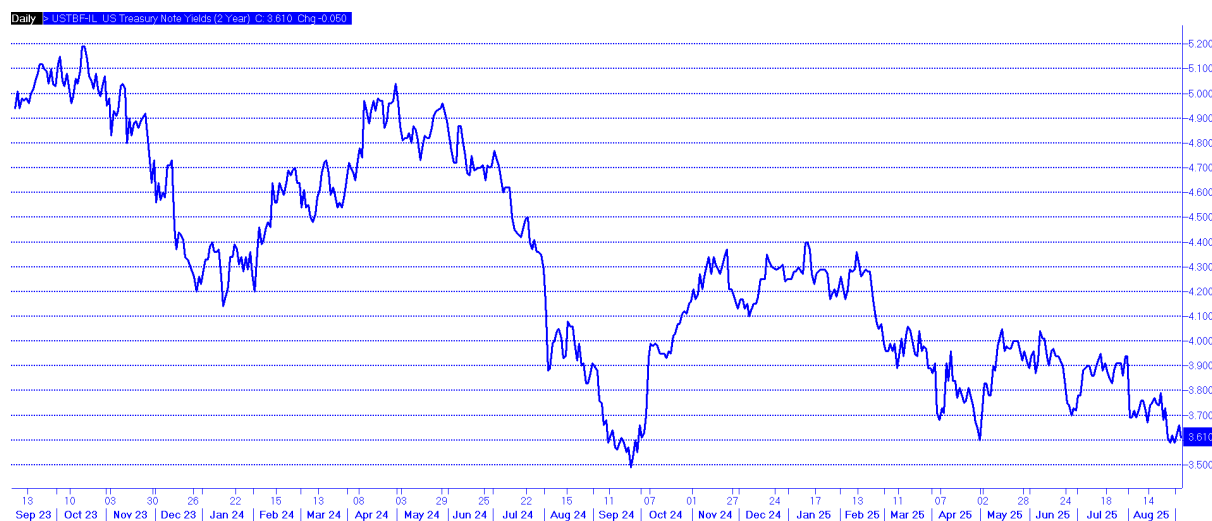


Source: LSEG, NBF, Hilberry

The S&P 500 hit new record highs this week. The index has doubled since Oct/2020. Investors don't appear bothered by the Big Show in Washington. Yes, the gains remained narrowly focused but if price is the final arbiter, the judgment is 'What me worry?'

Inflation is down (for now). Short-Term borrowing rates have dropped sharply.

US Fed T-Bond 2 year maturity - Yield 3.61%



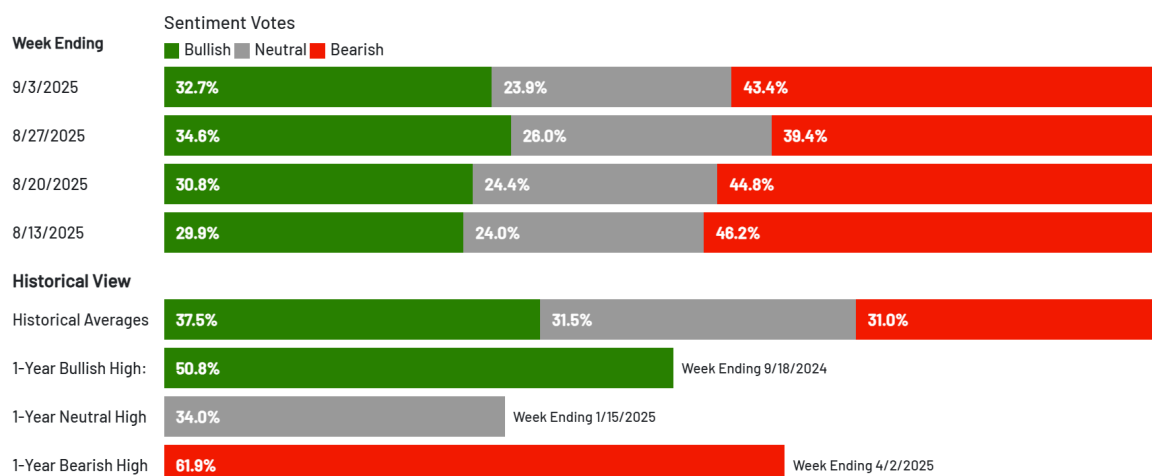
Source: LSEG, NBF, Hilberry

May of 2024 the 2-year yield flirted with 6%. This month saw 3.5%. The trend was down sharply prior to Trump's Inauguration (politicians will take credit – deserved or not.)

AAII Blog shows slightly above average bearishness

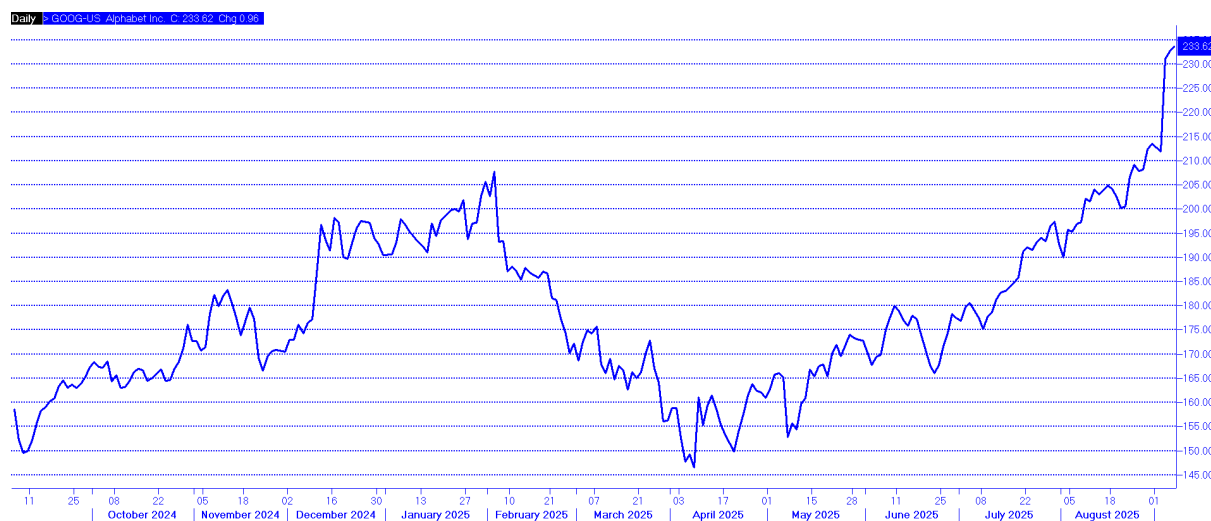
The Association of American Individual Investors (AAII) weekly survey shows middling worry. Bearish readings have been above average all summer but well under the extremes of April.

What Direction Do AAIL Members Feel The Stock Market Will Be In The Next 6 Months?



Google parent Alphabet hits a new high

Alphabet Inc -C (GGOG-US-\$233.62 mid session Sept 5) 12 mos. daily

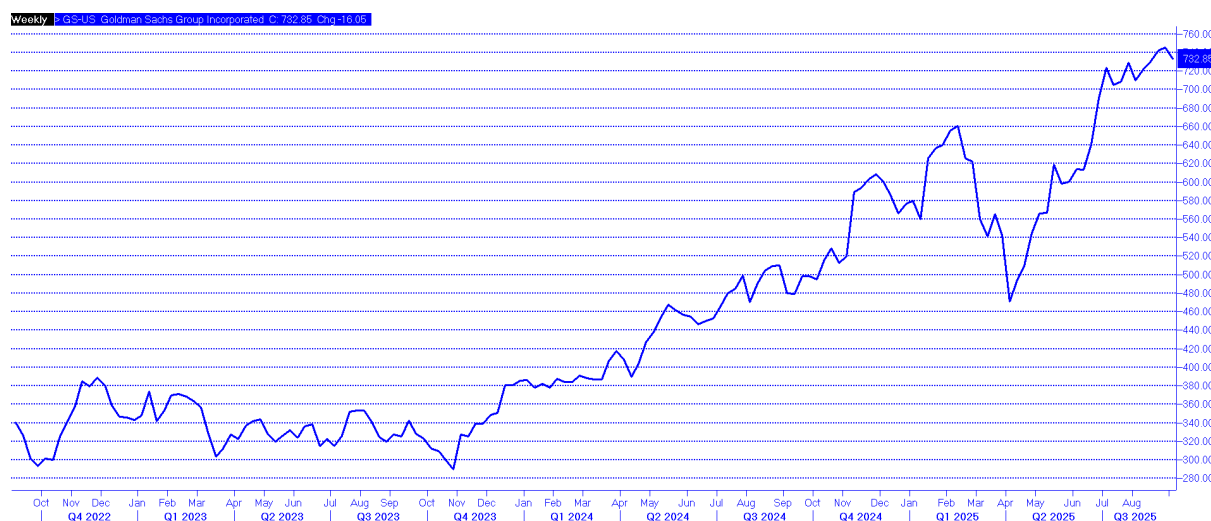


Source: LSEG, NBF, Hilberry

Paying a dividend, we followed, but did not own, the stock. Worries over anti-trust action, saw Alphabet's price plunge from February highs around \$205 into the mid-April 'Liberation Day' tariff panic lows near \$150. We say sub-\$160 as a good entry point. We initiated a holding of Google in our US equity model in May. As investors brushed off tariff risks (we're not sure this is smart) and anti-trust judgements landed in favor of the company, the market has bid up the stock to new highs. GOOG's price has jumped 49% since our initial entry. Investors clearly aren't worried.

The US Broker Dealers continue to climb

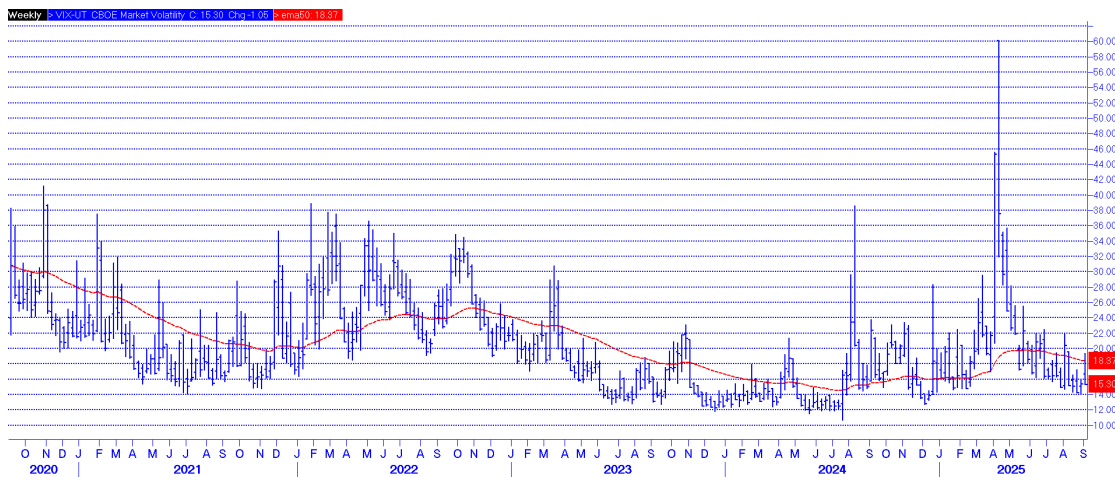
Goldman Sachs (GS-\$734.14 mid-session Sept 5, 2025) 3 years, weekly ranges



Source: LSEG, NBF, Hilberry

The broker dealer stocks are signalling Happy Days. Goldman has doubled since Sept/2023. Holy Hot Stocks Bat Man!

The CBOE Volatility Index is at 5-year lows



Source: LSEG, NBF, Hilberry

The Big Money doesn't appear to be losing much sleep either. What's not to like?

Maybe Tariffs are no big deal?

We've noted Intl trade represents under 25% of US GDP with imports roughly 12%

[World Bank: US Intl Trade to GDP](#)

In isolation, hiking the US international trade average tariff rate from 2% to 15% on imports equates to a one-time hit of 13% on 12% of GDP = 1.5% cost effect. While not great, not a disaster either. Price it in, on we go. This seems to be market's conclusion. We're concerned about that 'isolation' thing. History says tariffs gum up trade and induce economic isolation which leads to political isolation and military ideas. Maybe we're just worry warts.

Maybe AI-led improvements in productivity and relief over avoiding higher taxes (but not actually changing them) will be enough to compensate American investors for trade muddles, debt denial and the problem of exporting huge numbers of newly arrived immigrant workers, illegal or otherwise, who are the drivers of population growth. Maybe insulting and threatening the independence of the Federal Reserve is no biggy. On the other hand...

Longer-term lenders are not amused.

US Fed T-Bond 30 year yield 2020-2025 (4.89% mid-session Sept 5)



Source: LSEG, NBF, Hilberry

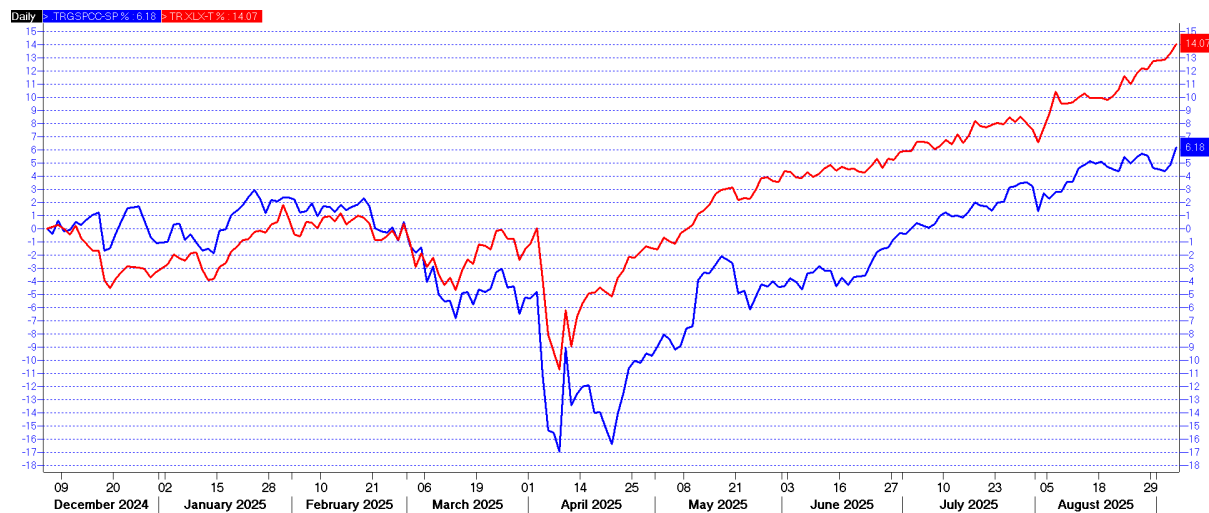
The 30-year US Fed T-bond yield touched 5% in July. The trend is higher highs and higher lows. We're watching for a 5.15% yield, breaking above the highs of late 2023. Government borrowers are accustomed to ludicrously low borrowing costs, permitting all kinds of silly ideas to survive. Borrowing at 1% with inflation at 2% means the lender is paying the borrower to hold the money. Elected officials become policy 'Masters of the Universe'. A 6% borrowing cost against a 2-3% inflation is a very different kind of tough love.

Governments aren't alone. Seeing yields fall from 5% to 1.5% chases money out of the mattress looking for returns. Asset prices rise. Falling inflation and borrowing costs, turns investors into geniuses overnight. We've had a brilliant time of it. We're famously optimistic, but the above charts look a bit too sanguine. We're on record as cautious in this run of enthusiasm. We've been slowly increasing cash holdings into the rising prices. So far, that caution hasn't proved warranted. Cash dilutes returns. Our full equity mandates show double digit rolling 12-month returns so we're not too embarrassed in our caution.

Donald Trump makes Canada Greater... Again

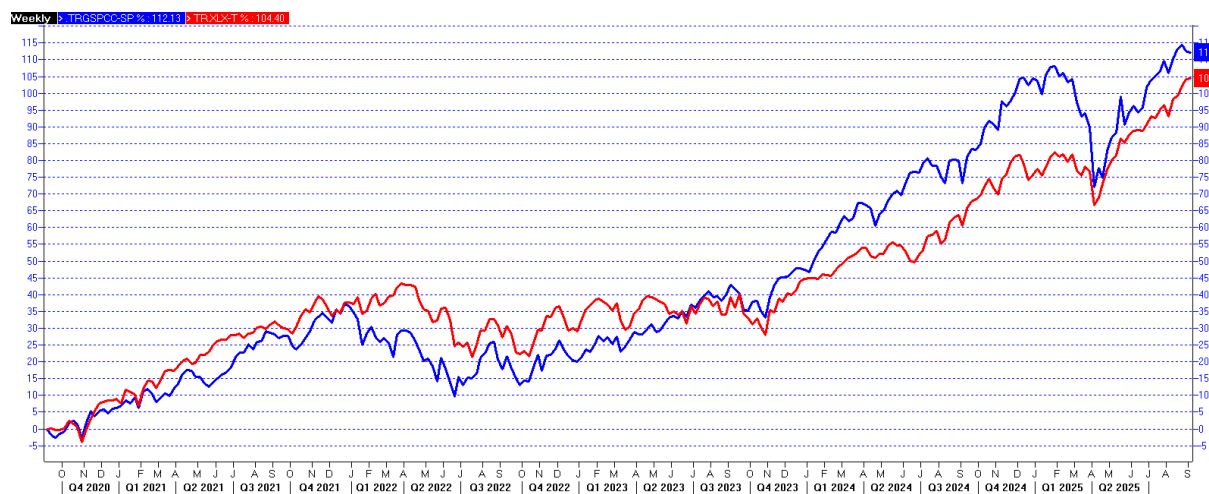
Since the Nov 4, 2024 Presidential Election:

\$CDN Total Return: S&P/TSX Comp (red 14.07%) vs SP500 (blue 6.18%)



Source: LSEG, NBF, Hilberry

Canada's outperformance is not unusual. Here is the same comparison over the past 5 years



Source: LSEG, NBF, Hilberry

Canada outperformed up to 2023, the lagged behind the MAG-7 led Tech Boom 23-24. Both indices show a double in \$CDN. A stronger Loonie/weaker USD could depress USD equity returns for Canadian investors. Thank you, Mr. Trump.

Recall the 2023 Narrative: Canadian Banks are doomed?

At our October 2023 seminar we featured Bank of Nova Scotia trading around \$57. The annual \$4.24 cash dividend delivered a 7.4% yield. We presented the following slide at our Oct 2024 seminar, updating the price to \$66. At a 6.4% yield we still liked it.



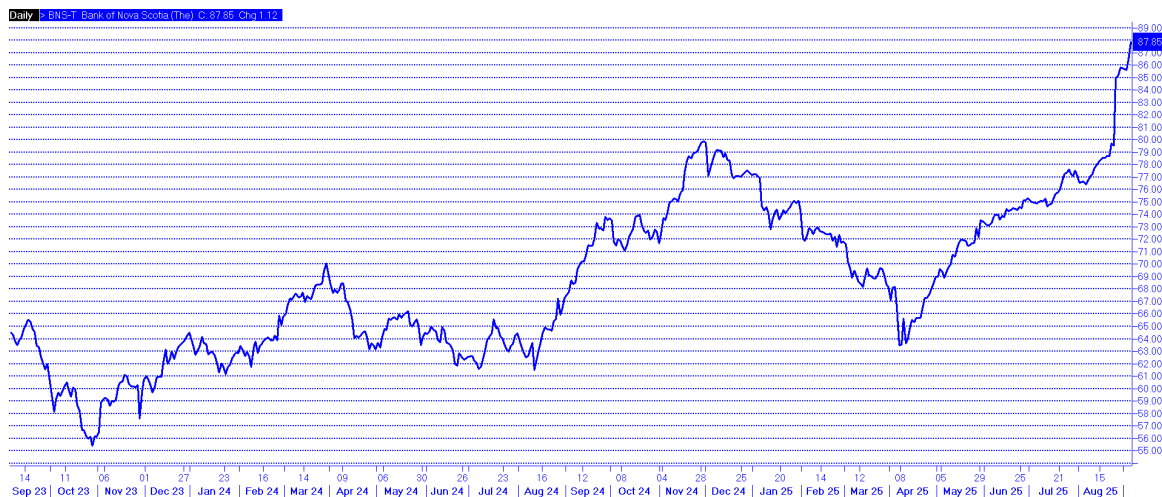
From Oct, 2023: Scotia Bank (BNS-TSX-\$56.68) – now \$65.70



Source: Refinitiv, Steve Hilberry



Bank of Nova Scotia (BNS-TSX-\$87.94) Oct/2023-Sept/2025 weekly



Source: LSEG, NBF, Hilberry

Canadian bank earnings were too strong this month to support the dire predictions. The sector jumped 10%. Scotiabank is flirting with \$88. From our October 2023 seminar to Thursday's close, Scotiabank investors have quietly earned a 76% total return. We think the cash dividend yield in excess of 7% on cost is an invisible 'boring' benefit. Have you heard screaming headlines about Canadian bank investors making a killing. Can you name the CEO (L Scott Thomson). Does he run around the board room with a flame thrower?

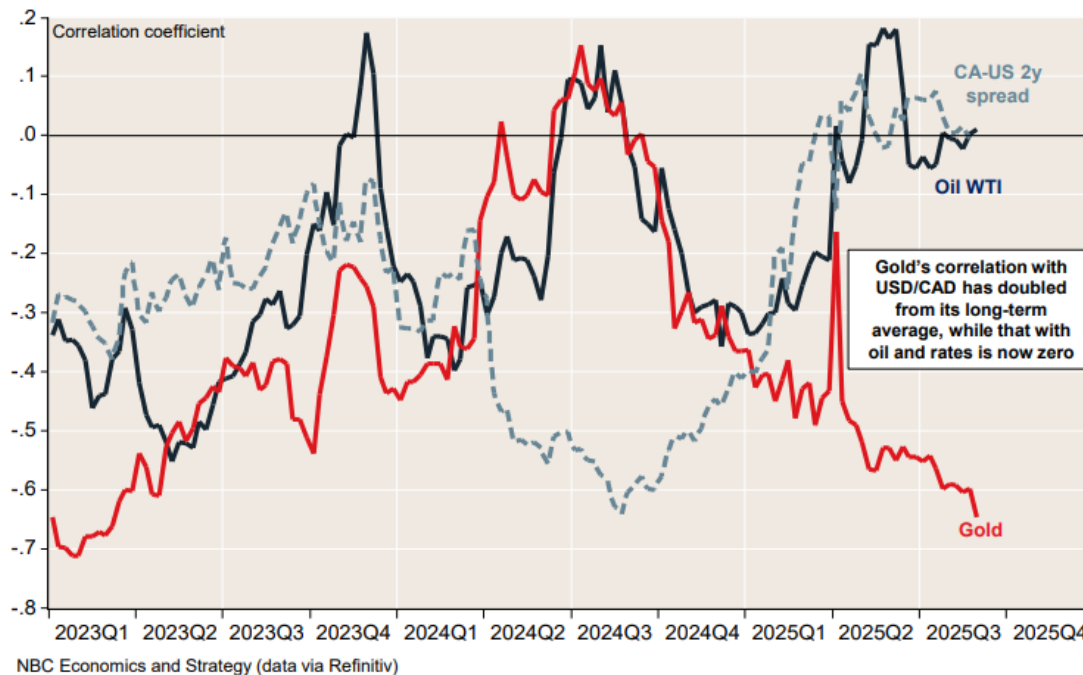


Will the Loonie shine?

One reason we've steered towards Canada was caution on the US dollar paired with optimism for Canada. We thought the Loonie undervalued. Gold investors agree.

Canada: The loonie turns to gold

26-week moving correlations of USD/CAD with gold, oil, and Canada–U.S. 2-year yield spreads



Full Report: [Hot Charts - Currency Watch: The loonie turns to gold](#)

CONCLUSION: Markets have been on fire, Canada has awoken from a bureaucratic slumber, the banks have sprouted wings, client accounts are at record highs. Income is climbing. And...we raised cash again this quarter. I will be taking a hiatus from the Weekend Reading through to the first week in October. Next posting will be Oct 17, 2025. Our semi-annual seminars will be in the following weeks.



Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD Sept 4, 2025 close

DOW INDUSTRIALS:	45,621
S&P 500:	6,502
S&P/TSX COMP:	28,915
WTI:	\$63.31
LOONIE IN \$USD:	\$0.7243 \$US

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